MINARA RESOURCES LIMITED

ANNUAL REPORT 2010

Minara Resources Limited
ABN 23 060 370 783

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SCOPE OF THIS REPORT

The financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

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

ANNUAL GENERAL MEETING

The eighteenth Annual General Meeting of Minara Resources Limited will be held at the Perth Convention and Exhibition Centre, 21 Mounts Bay Road, Perth, Western Australia, on Friday 13 May 2011 commencing at 9:30am WST.

ABOUT MINARA

Minara Resources Limited is one of Australia's largest nickel producers, 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.

OUR MISSION

To build a culture of safe and consistent performance.

OUR VALUES

Safety is an unconditional value in any business activity. The work environment and the well being of others is in our care.

We will take pride in our plant, processes and the quality of our products.

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

We will be honest and fair in our dealings and respect the property, ideas, rights and achievements of others.

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

STRATEGIC FOCUS

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

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

CHAIRMAN'S REPORT

I AM PLEASED TO PRESENT TO YOU THE MINARA RESOURCES LIMITED ANNUAL REPORT FOR 2010. THE IMPROVEMENTS IN THE ECONOMY AND INTERNATIONAL METAL MARKETS SINCE THE GLOBAL FINANCIAL CRISIS HAVE ENABLED MINARA TO CONSOLIDATE OUR FINANCIAL POSITION WITH STRONG CASH RESERVES AND WE REMAIN DEBT FREE.

In late 2008 Minara raised $210 million through a rights issue at a time when there was little optimism in the state of the domestic and world economy. Approximately $111 million of those funds was earmarked for working capital and the funding of ongoing operations. With a focus on internal cost control and as a consequence of metal markets improving and input costs stabilising, Minara was able to build cash reserves and at 30 June 2010 these reserves stood at $363 million.

The Board believed that the $111 million working capital fund was in excess of the company's working capital requirements and in July 2010 announced a recommendation that it be returned to shareholders. This tax effective return was approved by shareholders at an Extraordinary General Meeting in August 2010.

Despite a continued focus on improving productivity in 2010, Minara's full-year production of 28,378 tonnes of nickel fell marginally short of our guidance. There were several factors contributing to this including the unplanned shutdown following the autoclave pipeline failure in late May. The capacity to recover lost production due to the pipeline failure was impacted by the planned and successfully delivered triennial statutory shutdown in October.

The company's costs increased in 2010 as they were impacted by the two major plant shutdowns in May/June and October. Not only did these shutdowns have the effect of increasing the cost per tonne of production due to the reduced number of tonnes produced, but they resulted in increased maintenance costs for the year, thereby inflating reported costs per tonne produced.

Nevertheless, the company recorded a net profit after tax attributable to members of $58.9 million in 2010 and on 18 February 2011 the Board declared a fully franked final dividend of 5 cents per share in respect of the financial year ended 31 December 2010. The dividend, paid in March 2011, is testament to the Board's continued commitment to shareholder returns.

We enter 2011 optimistic that with the stabilisation of our plant performance, ore from Murrin Murrin East coming on stream and no major shutdowns planned, we will be able to achieve our 2011 production guidance of 33,000 – 37,000 tonnes of nickel.

As a result of the increased production forecast for 2011, we expect that future cash costs will be maintained within historic average ranges. However, we are mindful that this will be impacted by the prevailing US$:A$ exchange rate as a stronger Australian dollar will serve to increase the reported US dollar costs.

Minara's licence to operate is dependent upon ensuring that we achieve the highest levels of health and safety performance, that we minimise our impact on the natural environment and that we respect and support the communities in which we operate. It was therefore concerning that we have seen a slight decline in our measured safety performance in 2010. The Board will continue to monitor progress in this area.

Our environmental performance, with no reportable incidents, is our objective and we once again were able to achieve this. Our corporate social commitment to our communities takes a number of directions and continues to be supported by the Minara Community Foundation. Once again we contributed $250,000 to the Foundation, ensuring we provide support to various community groups and organisations in the northern goldfields.

As an employer of choice Minara continues to attract and importantly retain a team of highly motivated, technical professionals who understand the challenges of a complex operation and constantly look for ways to improve the plant's performance, contain costs and look for new or emerging opportunities. I am confident that the team's commitment and endeavours will ensure Minara's ongoing successes.

Minara's Board of Directors is committed to the principles of best practice in corporate governance. The Board believes that a 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 underlie day-to-day activities. The policies that underpin our governance continue to be reviewed to achieve best practice.

I would like to record Minara's appreciation of our Joint Venture partner, Glencore International AG, for its ongoing support of our operations. I would also like to thank my fellow Board members for their commitment and counsel throughout the year.

Finally, on behalf of my fellow directors, I would like to thank Peter Johnston, his management team and all our employees for their hard work, commitment and professionalism in ensuring that Minara continues to meet the challenges we face, and deliver value for our shareholders.

Peter Coates.

Peter Coates AO
Chairman

CEO'S REPORT

2010 was a challenging year for Minara and our Murrin Murrin operations. Having weathered the financial storm of the global financial crisis in 2008 and into 2009, the combination of a steady operating platform, a strong balance sheet and ongoing cost controls provided the foundations for a solid 2010.

However, a number of factors impacted our overall performance in 2010. The major issue was a pipeline failure in the autoclave circuit. This failure took several weeks to investigate, to undertake corrective actions and to restart the plant. The second major issue was the successful completion of the major triennial statutory shutdown in October. The shutdown finished on time and on cost and was the most successful shutdown the plant had completed since start-up. However, both significant issues meant that our production for the year was under budget.

Financial Performance

Minara maintained a strong financial performance for the year, building cash reserves enabling the Board to recommend a $111 million return of capital which was approved by shareholders in August. Despite this, the strong Australian dollar and the investment required for the major shutdown, cash reserves at the end of 2010 were $225 million.

In 2010 we recorded a profit after tax attributable to members of $58.9 million, a 21 percent increase on 2009's $48.6 million. This is a good performance in challenging and volatile market conditions.

Operations

Total nickel production for the year was 28,378 tonnes and cobalt production was 1,976 tonnes.

Despite taking into account the major shutdown and other maintenance activities in our initial production guidance, it was disappointing that we did not meet production targets in 2010. While most areas of the plant performed well throughout the year, the pipeline failure on the autoclave circuit in May was the most significant issue for the year.

Minara's capital program for 2010 focused on completion of key de-bottlenecking projects including the high density slurry (HDS) project and adding the sixth autoclave and second flash vessel in the nickel reduction area of the plant.

Our investment in the HDS project and other capital programs should continue to build in redundancy and flexibility for the plant.

Additionally, during the September quarter, development of the Murrin Murrin East orebody commenced. The ore feedstock from the Murrin East orebody is expected to improve the delivered grade of nickel to the plant over the next five to eight years.

People

Being an employer of choice remains a key driver for Minara.

Having experienced a considerable reduction in staff turnover in 2009 and 2010, we are anticipating this to change in the current tightening employment market in WA. We continue to develop programs and initiatives to ensure that Minara not only retains its skilled workforce, but also that we are able to attract skilled professionals to join our team.

During 2010 this has included review of remuneration and benefits such as medical and site allowances, reviewing discretionary leave, introducing a new retention bonus scheme and continuing to promote work/life balance.

Safety and Environment

Safety is Minara's primary focus throughout the company and across all operations.

Minara will continue to focus on reviewing safety performance and implement comprehensive safety initiatives across the business.

To ensure that there is continued improvement in our health and safety management a range of new safety initiatives were implemented during the year. A Visible Leadership Program was implemented for management and the Safety Representative Mentoring Program was progressed.

During 2010 Murrin Murrin was designated a Major Hazard Facility (MHF) under new WA State regulations. The new regulations require Murrin Murrin to demonstrate that measures have been taken to identify all foreseeable major incidents, their likelihood and consequences, and that control measures to minimise risk are adequate.

Murrin Murrin is located in a fragile natural environment and we respect and understand our obligations to minimise our impact and operate with industry's best environmental practice.

We continue to be proactive in our environmental management practices and once again we had no reportable environmental incidents in 2010.

The further development of our in-pit tailings storage is reducing our need to develop paddock style waste facilities. This enables us to contain the operation's footprint.

We also continued to develop initiatives to improve our energy and water efficiency in 2010, delivering real environmental benefits and cost savings across the operations.

Community

Minara's community engagement and support program crosses a range of areas including ongoing stakeholder engagement and consultation, providing scholarships to indigenous students, sponsorship and in-kind support to our communities, and importantly distributing grants from the Minara Community Foundation.

During 2010, on the recommendation of the Local Advisory Committee, four grants were made from the Minara Community Foundation totalling $188,400. This included a grant of $93,500 for the Nurra Kurramunoo Aboriginal Corporation to purchase a truck as part of the Mulga Queen Community Vehicle project. The balance of the annual $250,000 contribution was reinvested in the Foundation for future projects.

Local business and employment opportunities, particularly for indigenous groups, are supported and during the year we worked closely with various local government and community groups to ensure we understood their concerns and expectations of our operations.

Acknowledgement

I acknowledge the significant and ongoing commitment from our Chairman Peter Coates AO and the contribution and counsel from all members of the Board.

I would like to thank Glencore International AG for their continued support in all our endeavours.

In late April 2010 we welcomed Andrew Bantock as Chief Finance Officer.

I thank my management team and all our employees at Minara for their dedication, professionalism and support throughout 2010.

Outlook

The outlook for Minara into 2011 is encouraging and reflects the completion of a number of initiatives including the major shutdown and successful plant restart, and the capital program in 2010. This has the Murrin Murrin operation well placed to achieve increased metal production in 2011.

FOLLOWING A GRADUAL INCREASE IN NICKEL PRICES OVER THE PAST 12 MONTHS, WE ARE OPTIMISTIC THAT THE NICKEL MARKET WILL REMAIN STEADY. THIS, COUPLED WITH OUR ONGOING FOCUS ON COST MANAGEMENT, POSITIONS US FAVOURABLY FOR 2011.

P. B. Johnston.

Peter Johnston
Managing Director & CEO

ACTIVITIES REVIEW

Production

Production at the Murrin Murrin operation for the 12 months to 31 December 2010 was 28,378 tonnes of nickel (2009: 32,977 tonnes) and 1,976 tonnes of cobalt (2009: 2,350 tonnes). Autoclave feed for the year was 2,639,720 tonnes and the back-calculated ROM mill feed grade was 1.27 % nickel and 0.091% cobalt.

During the year the refinery achieved ISO9001 certification.

Mining

The focus of the Mining department in 2010 was to increase mining rates and maximise project value, following the cost control initiatives introduced in 2008 and 2009 which included reducing mining rates and a drawdown of high grade run of mine (ROM) stocks.

Development of the Murrin Murrin East orebody was a major focus for the Mining department in 2010, including construction of the haul road, the water pipeline and site and communications infrastructure.

Unit mining costs decreased in 2010 due to increased mining rates and foreign exchange rates impacting favourably on maintenance parts costs. Additional efficiencies were maintained through productivity improvements initially achieved in 2009 being sustained.

In 2010 the total ex-pit movement at Murrin Murrin was 19.9 million dry tonnes, including 14.6 million dry tonnes of waste material and 3.2 million dry tonnes of high grade ore at an in-situ grade of 1.29% nickel and 0.093% cobalt.

2011 Targets

The Murrin Murrin mine production target for 2011 is 19.3 million dry tonnes of ex-pit total material movement including approximately 3.1 million tonnes of high-grade ore at 1.30% nickel.

The 2011 production guidance is 33,000-37,000 tonnes of nickel reflecting:

- the successful completion of the 2010 statutory shutdown and subsequent successful restart of the plant,
- substantial completion of key de-bottlenecking projects including the high density slurry (HDS) project and the sixth nickel reduction autoclave project, and
- development of the Murrin Murrin East orebody introducing a new source of high grade ore.

Exploration

Minara's exploration strategy remains a three-tiered approach directed towards:

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

Studies into the viability of processing laterite nickel mineralisation from the Mt Margaret (Murrin Murrin JV 100%) project continued, and drilling was undertaken at the Bardoc Nickel JV (Minara Resources 100%) project.

In August 2010 the Murrin Murrin JV purchased the Mt Lucky manganese tenements near Laverton from Crescent Gold Limited. The Mt Lucky project will provide Murrin Murrin with a source of manganese ore which as an additive enhances the processing of nickel sulphide ore and nickel sulphide concentrate through the high-pressure acid leach circuit.

Capital Works

Over the past three years Minara has invested in a range of capital works projects directed towards building a more robust production and reducing susceptibility to unplanned production losses. Major upgrades have been made to the acid plant, autoclave circuits, neutralisation circuits, heap leach facility, tailings disposal system, hydrogen sulphide plant and nickel reduction circuit. The emphasis has been to build in flexibility and redundancy.

Minara's capital works program for 2010 focused on working towards completion of key de-bottlenecking projects including the HDS project and adding the sixth autoclave and second flash vessel in the nickel reduction area of the plant.

The HDS project is designed to increase ore leach throughput by de-constraining the plant's counter current decantation circuit.

The sixth reduction autoclave project delivers a sixth unit operating in parallel to the existing five reduction vessels in the refinery's nickel circuit.

Stage two of the in-pit tailings project was completed in 2010, bringing an additional pit void on-line for in-pit deposition.

During the September quarter development of the Murrin Murrin East orebody commenced. It is anticipated that processing of ore from the Murrin Murrin East orebody will commence in the second quarter of 2011. The Murrin Murrin East orebody is expected to deliver higher grade nickel material to the plant over the next five to eight years.

Maintenance

The principal maintenance focus in 2010 was the triennial major plant shutdown undertaken in October.

The shutdown involved a series of statutory re-certification activities and provided the opportunity to undertake major maintenance and upgrade tasks including:

- cleaning and replacing the acid plant catalyst,
- overhauling and inspecting the hydrogen, oxygen and hydrogen sulphide plants,
- overhauling and statutory inspection of the 60 bar steam system,
- relining of the milling circuit,
- a mixed sulphide plant train change and equipment upgrade, and
- the tie-in of the second flash vessel and sixth autoclave in the nickel reduction circuit.

The shutdown was completed successfully and the plant brought back into production according to plan.

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 remains a key focus for the company, by seeking to continuously improve plant production, metal recovery and product quality. This is an ongoing program of activities which addresses both mining and processing of ores. Minara also pursues new opportunities to improve the company's overall competitiveness.

During 2010 research and development projects included:

- optimising production from the heap leach project including HDS solution trials and an assessment of various heap constructions and configurations, and
- partnering with external research specialists on several projects.

Intellectual Property

Minara continues to actively protect its intellectual property. There are now seven granted innovation patents and 13 international patent applications.

Markets

Nickel

Nickel is used primarily in a wide range of versatile stainless steels and other nickel alloys with valuable engineering properties and uses. The nickel market continued to recover during the first half of 2010 as the global economy improved. Demand for nickel grew by more than 10% driven by a significant rebound in stainless steel production. This was also reflected in LME stocks during 2010 which decreased from 158,010 tonnes to 135,672 tonnes, reaching a low of 115,668 tonnes in August. Minara expects the nickel market to remain sound over the medium term.

Nickel Prices

Nickel prices started 2010 at US$18,480 per tonne, peaked at US$27,600 per tonne in April and closed the year at US$24,960 per tonne. Nickel metal prices on the LME averaged US$21,809 per tonne for the 12 months ended 31 December 2010.

Cobalt

Cobalt is principally used in specialty steel and superalloys for the aerospace industry as well as in manufacturing, corrosion and wear resistant alloys, high speed steels and rechargeable batteries. Minara considers the outlook for the cobalt market is positive given increase in demand from battery and other sectors.

Cobalt Prices

Cobalt prices were relatively robust during 2010. The price commenced the year at US$19.75 per pound and closed at US$16.25 per pound. Cobalt prices averaged US$17.91 per pound in 2010.

RESOURCES AND RESERVES

MURRIN MURRIN MINERAL RESOURCES	31 DECEMBER 2010			
Resource Category	**Tonnage (Mt)**	**Ni Grade %**	**Co Grade %**	**Cut-off Grade Ni**
Measured	114	1.03	0.076	0.8%
Indicated	106	0.99	0.076	0.8%
Inferred	10	0.94	0.058	0.8%
Scats	1	1.01	0.073	
Stockpiles (Measured)	37	1.02	0.068	
Total	**268**	**1.01**	**0.074**	

MURRIN MURRIN ORE RESERVES	31 DECEMBER 2010		
Resource Category	**Tonnage (Mt)**	**Ni Grade %**	**Co Grade %**
Proven	93	1.06	0.082
Probable	65	1.04	0.079
Scats	1	1.01	0.073
Stockpiles	37	1.02	0.068
Total	**196**	**1.05**	**0.078**

RESOURCES

Murrin Murrin's Resources are based on a cut-off grade of 0.8% 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 50m x 50m, the Indicated category less than or equal to 100m x 100m and the Inferred category greater than 100m x 100m. The changes in Resource position are due to a combination of depletion of material from mining and processing activities and the updating of Resources with new Resource models. There is a significant increase in the Measured Resource from last year with a corresponding decrease in Indicated Resource due to the upgrading of the Resource with newer resource in-fill drilling that better defines the Resource and continued revision of modelling technique and parameters. Further change is related to normal mining activities and increased stockpile volumes.

RESERVES

Murrin Murrin's Reserves are based on optimisations using long-term assumptions of US$16,000 per tonne nickel, US$10.00 per pound cobalt and an exchange rate of US$0.70/A$. The 2010 Reserve optimisations consider the presence of project-to-date backfill, in-pit tailings deposition, public infrastructure and sites of cultural significance. During the preparation of the 2010 Reserve estimate it became apparent that a miscalculation had resulted in an overstatement of 15Mt in the 2009 Reserve estimate. This overstatement has been corrected in the 2010 Reserve. Additionally, the 2010 Reserve is net of all mining, milling and stockpiling activities completed during the period. As a result of the above there has been a net reduction in the reserve position from 2009.

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 Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC, 2004). 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 JORC requirements 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 Mineral Resources is based on information compiled by Mr Stephen King and Mr David Selfe, the information relating to Ore Reserves is based on information compiled by Mr Brett Fowler and the information relating to Metallurgical Results is based on information compiled by Mr John O'Callaghan.

Mr Selfe, Mr King, Mr Fowler and Mr O'Callaghan are all Members of the Australasian Institute of Mining and Metallurgy and at the time of compiling the information for inclusion in this report are all full-time employees of Minara Resources Ltd. Mr Selfe, Mr King, Mr Fowler 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.

PEOPLE

Our Workforce

Minara is one of the largest single site employers in Western Australia. At the end of 2010 the company had 760 permanent employees and approximately 520 rostered contractors.

The average number of permanent employees in 2010 increased by 3 percent compared with 2009 and the average number of contractors increased by 52 percent. These increases reflect growth and other initiatives implemented at Murrin Murrin operations. They account for the number of contractors on site over a prolonged period for the statutory shutdown.

In 2010 the percentage of women employed by the company fell from 14 percent in 2009 to 11 percent. The company remains committed to its gender diversity program and is pursuing initiatives to recruit more women to Minara.

Attracting and Retaining a Skilled Workforce

Attracting and retaining a skilled workforce at Minara is a continuing focus. The company recognises that it is critical to have a skill base with the technical ability and expertise to deliver results across the operation.

Minara aims to create a work environment to underpin high performance, increase diversity and build internal capacity.

The company's employee turnover rate increased in 2010 to 20.6 percent from 13.3 percent in 2009. This reflects the resurgence in growth of the resources sector and the increased demand for skilled operators across the state.

Minara's employee related attraction programs in 2010 included:

- the employee referral program,
- support and participation in prospective employee events, and
- on-line, electronic media, print media and advertising.

Other programs in place to encourage retention of existing employees included:

- increases to remuneration and benefits such as medical and site allowances,
- introduction of a new retention bonus scheme and the 2010 Long Term Incentive Scheme for key employees,
- provision of nationally accredited first aid training to employees and family members,
- the conduct of a broad range of health and lifestyle programs, and
- the upgrade of internet access in the Murrin Murrin village.

Minara will continue to monitor the effectiveness of ongoing employee retention initiatives.

Graduates and Apprentices

Minara recognises the need to foster professional development and has continued and extended the successful graduate placement program at Murrin Murrin. Over a period of two years graduates in the program are exposed to various areas of the operations including technical services, plant production, maintenance and mining. Minara offered five graduate positions during 2010 and a further intake will occur in 2011.

Minara also hosted ten apprentices in 2010. Four of the apprentices have commenced as permanent employees, following the completion of their apprenticeships. In addition a Trainee Process Operator Program in 2010 was introduced with nine trainees.

Incentives

Minara has a range of employee incentive schemes.

The Short Term Incentive program in 2010 continued to focus on achieving production and cost targets. It offered employees a cash based incentive for performance against a set of cost and production key performance indicators.

The scheme also has a safety component with employees being required to participate in at least one scheduled safety activity per month.

In addition to the Short Term Incentive program Minara has implemented the 2010 Long Term Incentive Scheme. This scheme has a three year performance hurdle and was offered to superintendent, manager and executive level employees rewarding them with shares in the company over a specified period. Vesting of the share allocation is determined by Minara's total shareholder return performance against a Board approved list of comparator companies.

Training and Development

Minara has a range of training schemes in place for employees and contractors, both on-site and off-site, including technical and trade related training and supervisor skills training.

The company also recognises the need to operate with the highest standards of ethical and personal behaviour and offers equal employee opportunity and fair treatment training for all employees.

HEALTH AND SAFETY

SAFETY IS A KEY CULTURAL DRIVER AT MINARA. THE COMPANY'S VALUE STATEMENT PROVIDES THAT SAFETY HAS UNCONDITIONAL PRIORITY OVER ANY BUSINESS ACTIVITY, AND THAT THE WORK ENVIRONMENT AND WELL BEING OF OTHERS IS EVERYONE'S RESPONSIBILITY.

Minara recognises that safety as a value is vital to achieving sustained improvements in safety performance. Safety as a value is a long-term strategic imperative.

The company has a dedicated team of health and safety professionals who through their commitment, education and experience ensure that every person who works in the company as an employee or contractor or who visits the operation, understands their duty of care with regard to their own safety and the safety of others.

Safety is not a support function, but rather a core business function. Minara has integrated safety into the company's general business processes, and pursues tailored safety strategies which focus on personal ownership of safety, safety leadership and people engagement.

How the company manages safety is documented in policies and procedures. These underpin Minara's Safety Management System (MSafe) which is designed to be consistent with the requirements of Australian Standard 4804.

Performance

Minara's safety performance is measured primarily by injury frequency rates. In 2010 the company's safety performance was measured against a Lost Time Injury Frequency Rate (LTIFR) target of 2.0 and a Disabling Injury Frequency Rate (DIFR) target of 5.0.

The LTIFR 12-month rolling average to 31 December 2010 was 3.05 and the DIFR 12-month rolling average to 31 December 2010 was 6.71.

The injury statistics were influenced by an increase in the number of personnel working on site during 2010, on average exceeding 2009 workforce numbers by 27 percent month-on-month. The company continues to focus on reviewing safety performance and implementing comprehensive safety initiatives across the business.

Safety Initiatives

To ensure that there is continued improvement in Minara's health and safety management, the company conducts ongoing reviews of existing programs. New initiatives are also considered and where appropriate introduced to the company's employees.

During 2010, a range of new safety initiatives were implemented including:

- Current State Analysis: A current state analysis was conducted in relation to the organisation's safety culture and practices. It provides a benchmark for measuring the success of future programs and activities.
- Safety Leadership: A safety leadership program was implemented during the year to equip senior and line management with skills to influence positive safety behaviour and demonstrate proactive and visible safety leadership. All Murrin Murrin's managers completed the training and further training will be provided to superintendents during 2011.
- Incident Management: Incident Cause Analysis Method (ICAM) training courses were undertaken by managers and superintendents. ICAM enables effective investigations to occur so that root causes of incidents can be identified and appropriate actions to prevent recurrences can be implemented.
- The ongoing restructuring and development of MSafe: Restructuring and further development is continuing, with developments during 2010 focusing primarily on security, risk management, hygiene and dangerous goods management.

Emergency Response

Minara's Emergency Response Team (ERT) provides emergency response capability at Murrin Murrin and support for other mining operations in the region.

Emergency management activities undertaken during 2010 included competency based training of emergency service volunteers in Senior First Aid, Self Contained Breathing Apparatus, Confined Space Rescue, Rope Access Rescue and Aviation Fires. The ERT also participated in the Chamber of Minerals and Energy's Eastern Regional Council Surface Mine Emergency Response Competition.

During the year Minara hosted and also participated in combined emergency services training at neighbouring Granny Smith and Sunrise Dam mines.

An external review of Minara's Crisis and Emergency Management procedures was also undertaken during 2010.

Employee Consultation and Training

Engaging employees on health and safety in meaningful ways remains a focus of the programs in place at Minara.

Discussing health and safety as the first topic in all business forums and at shift changes ensures that all employees and contractors are not only aware of their responsibilities but that they understand Minara's commitment to their health and well being.

The Safety Representative Mentoring Program continued through 2010 providing elected safety representatives with the skills, knowledge and training required to fulfil their statutory duties.

Occupational health and safety training conducted during 2010 continued to focus on all on-site mandatory training for Minara's employees and contractors, and included Working at Heights, Confined Space Entry, Job Safety and Environmental Analysis (JSEA), StepBack 2x2, Permit to Work, Forklift and Elevated Work Platform Competency, and Fire Extinguisher Application.

Industry Participation

As an active member of the Chamber of Minerals and Energy of Western Australia's Executive Council and Eastern Regional Council, Minara participates in a range of industry health and safety programs and initiatives.

In 2010, this included participating in the Eastern Regional Council Surface Mine Emergency Response Competition, and being actively involved with Combined Operations Mine Emergency Training (COMET) with neighbouring mines.

Company health and safety team members also participated in the Department of Mines and Petroleum's Major Hazard Facilities Operators Forum workshops.

Outlook for 2011

To ensure that ongoing improvement in Minara's health and safety performance is embedded in the workforce culture, the company will continue to pursue employee and contractor initiatives.

A comprehensive independent baseline gap analysis of Murrin Murrin operations' Health and Safety and Environment Management Systems against Australian Standards 4801 and 14001, and the National Standard for the Control of Major Hazard Facilities (NOHSC:1014) is scheduled for March 2011. The gap analysis will assist with the further development and implementation of safety and environment management systems.

Other occupational health and safety initiatives in 2011 will focus on strategic and tactical health and safety plans developed and owned by managers, safety leadership, risk and change management, incident management and contractor management. There is an ongoing commitment to align overall safety objectives with policies, standards and practices that are practical, effective, accessible and enabling.

ENVIRONMENT

Managing Minara's environmental performance and impact is a key focus for the company. The company is committed to the principles of good corporate and environmental citizenship which are central to Minara's operational and financial performance.

Minara considers sound environmental management to be every employee and contactor's responsibility and as such, Environmental Awareness Training is mandatory for them.

The company has professional environment and rehabilitation teams who are responsible for managing compliance, improvement of the Environmental Management System, rehabilitation, timely completion of regulatory approvals, emissions control, water management and overseeing Minara's pastoral leases.

Environmental Focus Areas 2010

Major environmental priorities for 2010 were:

- the tailings storage facilities,
- mine rehabilitation, and
- timely environmental approvals.

Tailings Storage Facilities (TSF)

Management and disposal of tailings materials is an ongoing focus for Murrin Murrin. During 2010 the company sought and received approval to establish an additional in-pit TSF.

The additional in-pit TSF was commissioned in November. In-pit TSF delivers operating flexibility via discharging of tailings into completed mining pits to complement the existing tailings cells' operation, allowing for a reduction in cost of tailings disposal along with flexibility provided for the tailings cell lift requirements.

Mine Rehabilitation

The award winning Key Performance Indicator (KPI) approach to achieving consistent quality rehabilitation outcomes continues to deliver results at Murrin Murrin. The KPI approach is recognised by the Department of Mines and Petroleum as industry leading.

Biodiversity

The natural environment in which Murrin Murrin is located is both harsh and fragile, and protecting the biodiversity is a priority at all times.

Prior to commencing any works on site, Minara completes flora and fauna baseline surveys to understand the potential impact operations may have on the natural environment.

TSF vegetation health surveys were undertaken in April and November 2010. Monitoring indicates that vegetation health in the vicinity of the TSF and evaporation ponds meets or exceeds healthy vegetation threshold levels.

Rehabilitation

Murrin Murrin has a program of progressive rehabilitation in place using the successful KPI model.

During 2010 rehabilitation of the calcrete quarry continued with 18 hectares of rehabilitation completed. In addition, significant works were undertaken at Murrin Murrin South with 34 hectares of rehabilitation completed.

Erosion monitoring of existing waste landform rehabilitation to assess stability performance continued throughout 2010 and revegetation monitoring was completed on rehabilitated waste landforms and the rehabilitated calcrete quarry areas.

Performance

Minara's key environmental performance indicators relate to the close-out of internal environmental audit actions undertaken under the company's Environmental Management System. The audit reports for 2010 have been positive and indicate an ongoing commitment to best practice environmental management.

Compliance

During 2010 there were no reportable environmental incidents at Murrin Murrin.

National Pollution Inventory

Under the National Pollution Inventory (NPI) requirements Minara is required to report emissions on a financial year basis. Emissions for the 2009-10 NPI reporting period were generally lower than in previous years though several small increases were recorded due to changes in emissions reporting methodologies.

Energy Management

Managing energy use at Minara is a key focus and the company has continued to identify and implement new energy efficiency opportunities. Natural gas provides a large proportion of the energy across Murrin Murrin operations. By using a heat recovery steam generator to recover heat energy from the exhaust of the gas turbine, energy efficiency 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. This energy is used as steam to reduce reliance on natural gas.

Energy saving initiatives were undertaken in 2010 that will improve the plant's environmental performance and deliver cost savings. These include replacing the 3B economiser in the acid plant during the major shutdown in October and overhauling the gas turbine and a steam turbine.

Water Conservation

Water is a scarce resource in the environment within which Murrin Murrin is situated and water conservation and management is a major challenge and focus for Minara. New water conservation strategies introduced in 2010 include:

- commissioning the high density slurry (HDS) circuit which increases the solids percentage of feed slurries, reducing the amount of water required, and
- installing flow meters on all pits used for dewatering and/or waste water harvesting to improve effective water utilisation and balancing.

In addition, in 2010 the heap leach area commenced using recycled water recovered from the TSF.

Water use efficiency remains a focus and water management initiatives will continue to be pursued.

Water Monitoring

The water sampling at Murrin Murrin in 2010 was conducted in accordance with the Sample Management and Analysis Plans (SMAPs). The monitoring included specified locations and sampling frequencies for sites at the plant, across the project's borefields, TSF, mining areas, local creeks and waterways (where water is present), and regional monitoring locations such as stock bores. In 2010 Murrin Murrin plant site surface water monitoring points were checked on a monthly basis and sampled if sufficient water was present.

Waste and Recycling

Waste management is an ongoing program at both Murrin Murrin and the company's Perth offices.

At Murrin Murrin this includes regular audits of the waste management contractor's operations. Performance is measured against an agreed set of KPIs which are reviewed annually.

In 2010 a significant amount of scrap metal was recycled following the major shutdown in October. Minara aims to commence recycling redundant mill lining material containing rubber and steel as a new initiative in 2011.

These initiatives are in addition to the ongoing recycling program of can ring pulls for charity, scrap metal, paper, waste hydrocarbons, mobile telephones, printer cartridges, fluorescent tube and wet-cell batteries.

MINARA CONSIDERS SOUND ENVIRONMENTAL MANAGEMENT TO BE EVERY EMPLOYEE AND CONTACTOR'S RESPONSIBILITY AND AS SUCH, ENVIRONMENTAL AWARENESS TRAINING IS MANDATORY FOR THEM.

COMMUNITY

MINARA IS COMMITTED TO SUPPORTING THE COMMUNITIES WITHIN WHICH IT OPERATES AND TO DELIVERING COMMUNITY BENEFITS TO THE NORTHERN GOLDFIELDS REGION AND BEYOND.

The company's focus is on education and training, regional infrastructure and economic development and protection of indigenous culture and heritage.

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

- broad ranging stakeholder consultation,
- providing employment and business opportunities, and
- corporate assistance including the Minara Community Foundation, volunteering and company donations.

In 2010 in connection with its operations the company paid in excess of $35.3 million for wages and services provided by individuals and organisations operating from the Shires of Leonora, Laverton and Menzies, and the City of Kalgoorlie-Boulder.

Community Consultation

Throughout 2010 Minara continued to actively engage with community groups, indigenous organisations and government authorities to address community queries and to ensure stakeholders were informed of current and future plans.

The Murrin Murrin Aboriginal Environmental Liaison Committee, which was established at project inception, brings together Minara's community officers, indigenous representatives and government and agency officials from Kalgoorlie and Perth.

Two full-day meetings were held in 2010, in June and December. The workshops continue to provide information on environmental compliance, sustainability reporting, updates on pastoral activities, project updates including proposed new mining activities and any current employment and training opportunities.

Minara also aims to maintain strong relationships with the Shires of Laverton and Leonora through regular briefings. In 2010 a key focus for discussions with the Shire of Leonora was the development of the Murrin Murrin East mining area and the associated haul road.

The company also continues to meet with neighbouring resource sector companies, pastoralists and other stakeholders. The General Manager of Operations is actively involved in community activities, regularly attending events and engaging with key stakeholders.

Business and Employment Opportunities

Minara's Pastoral Training and Employment program provides trainees full-time work on the four pastoral stations managed by the company. In 2010 opportunities were provided to three trainees and it is anticipated there will be a new intake of participants in 2011. Under the program, trainees are rewarded with a competitive salary, on-the-job training, meals and accommodation.

Minara actively supports indigenous employment opportunities and two indigenous-owned businesses continue to provide services at the Murrin Murrin operation. The Burrna Yurral Aboriginal Corporation provides waste management services and SMC Vending manages the shop at the Murrin Murrin village and the vending machines located throughout the plant.

Education

Minara supports a range of education activities in the region and provides support for young indigenous people to access educational opportunities not otherwise readily accessible to them.

In 2010 two scholarships were provided for students to attend St Hilda's Anglican School for Girls and St Mary's Anglican School for Girls as boarding students. The scholarship program enables the students to pursue tertiary education pathways. One of the students successfully completed her year 12 studies and Minara will continue to provide support for her in 2011 to meet her accommodation and incidental costs at a residential college at the University of Western Australia.

A third student will commence the program in 2011 with entry in year 7 at St Mary's Anglican School for Girls. Additional funds are provided to enable the girls' parents to travel to Perth to attend various school events and flights are provided to the students to travel between Perth and their homes in the northern goldfields region as required.

Minara will continue to explore scholarship opportunities to provide pre-tertiary education for indigenous students from the northern goldfields.

Minara recognises that the majority of indigenous children living in the region attend local schools and the company continues to provide support to them through a range of initiatives. In 2010 this included:

- providing funds for the Laverton School's uniform program, ensuring all students have uniforms,
- supporting the Leonora District High School's healthy eating program, and
- providing the Mt Margaret Remote School, Leonora District High School and Laverton School with additional in-kind support including catering.

Regional Community Support

Minara maintained its sponsorship and donations program in 2010 with the company's long-term partners. The support included:

- $32,000 to the Shire of Laverton as part of the retention subsidy for the local doctor,
- $40,000 for the Laverton Leonora Cross-Cultural Association for the delivery of various services to local indigenous people,
- $20,000 to assist with capital works for the Laverton airport,
- financial support for the Leonora Wildlife Carers who care for sick and injured native fauna and the WA Conservation of Raptors who provide specialist care for sick or injured birds of prey, and
- servicing a range of community vehicles.

The Minara Community Foundation

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

The initial Foundation capital has been invested, with the annual contribution and part of the income from the investment made available as grants to community groups and initiatives through a formal application process. The Foundation will exist in perpetuity for local communities to benefit beyond the life of Minara's Murrin Murrin mine.

During 2010 the Minara Community Foundation allocated its third series of grants in support of community projects. A total of eight applications for funding were received. The four successful projects were:

- $93,500 for the Nurra Kurramunoo Aboriginal Corporation to purchase a truck as part of the Mulga Queen Community Vehicle project. The truck will provide improved access to local townships for all community members,
- $50,000 for the Leonora Golden Gift Carnival held in June enabling community activities and entertainment for locals and visitors to the Carnival,
- $37,400 for the Tjuma Pulka Media Aboriginal Corporation to enable them to provide a radio station for indigenous communities in Menzies, Leonora, Laverton and the Murrin Murrin mining camp, and
- $7,500 for the Laverton Kiddies Corner Playgroup to build a safe outdoor play area for children aged up to five years.

Following an earlier decision by the Foundation's Local Committee which comprises community members and Minara employees, the remainder of the 2010 annual contribution was invested to grow the initial endowment.

Volunteering and Fundraising

Minara's employees participated in a range of volunteering and fundraising activities throughout 2010. This included:

- an employee golf day which raised funds for the Royal Flying Doctor Service, and
- the "Movember" fundraising program which saw 103 Minara employees growing moustaches raising funds, including a donation from the company, to improve awareness of men's health issues.

5 YEAR SUMMARY

	UNIT OF MEASURE	2010	2009	2008	2007	2006
Production (packaged) MMJV 100% (MRE share 60%)						
Nickel	tonnes	**28,378**	32,977	30,514	27,585	31,524
Cobalt	tonnes	**1,976**	2,350	2,018	1,884	2,096
MRE Financial Data						
Sales revenue	$million	**464.8**	446.1	425.4	783.4	751.9
Profit/(loss) for the year	$million	**58.4**	48.5	(19.8)	270.5	337.2
Earnings per share (basic) - restated	cents	**5.04**	4.16	(3.70)	53.24	66.21
Return on shareholders' equity	per cent	**7.1**	5.6	(2.4)	38.5	44.6
Dividends declared for the period	$million	**58.5**	-	-	186.3	267.4
Dividends per share	cents	**5.0**	-	-	40.0	57.5
Dividend cover	times	**1.00**	-	-	1.46	1.27
MRE shareholders' equity	$million	**817.0**	866.5	815.0	702.0	755.0
Total assets	$million	**1,005.5**	1,045.5	1,014.2	964.3	1,047.6
Borrowings	$million	**0.1**	-	-	-	24.2
Capital Expenditure						
Fixed assets	$million	**32.5**	4.9	77.5	114.3	53.6
Other Data						
Number of shareholders		**10,471**	12,198	11,477	10,070	6,419
Number of shares on issue	million	**1,167.8**	1,167.8	1,167.8	465.1	465.1
Share price						
High	$	**1.01**	1.18	6.69	9.53	6.43
Low	$	**0.58**	0.26	0.27	4.60	1.87

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

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DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

The directors of Minara Resources Limited (**Minara** or the **company**) present their report, together with the financial report of the Consolidated Entity (**Group**), being the company and its controlled entities, for the year ended 31 December 2010, 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 AO	(Non-executive Director and Chairman)
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)
Markus Ocskay	(Alternate Non-executive Director)

PRINCIPAL ACTIVITIES

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

The company's wholly-owned subsidiary, Murrin Murrin Holdings Pty Ltd, has a 60% interest in the Project. Glencore International AG (**Glencore**) through its 100% subsidiary, Glenmurrin Pty Ltd, holds the remaining 40% interest in the Project.

The company's wholly-owned subsidiary, Murrin Murrin Operations Pty Ltd, is the operator of the Project.

DIVIDENDS

No dividends were paid during the year or for the financial year ended 31 December 2009.

A fully franked final dividend of 5 cents per share is declared for the financial year ended 31 December 2010. The record date is 4 March 2011. The dividend will be paid on 22 March 2011.

CAPITAL RETURN

At an extraordinary general meeting on 17 August 2010, shareholders approved a return of capital of 9.5 cents per share. This resulted in a total of approximately $111 million cash returned to shareholders in September 2010.

CORPORATE

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

REVIEW OF OPERATIONS AND RESULTS

Consolidated Entity's Financial Results ($ million)

	12 Months Ended 31 December 2010	12 Months Ended 31 December 2009
Revenue from operations	464.8	446.1
Gross profit	95.4	68.4
Profit before tax	84.4	37.3
Profit after tax attributable to members	58.9	48.6
Nickel production (tonnes)	17,026	19,786

For the 12 months ended 31 December 2010, the company recorded a consolidated gross profit of $95.4 million (2009: $68.4 million) and a profit after tax attributable to members of $58.9 million (2009: $48.6 million) after tax of $26.1 million (2009: benefit of $11.2 million) and allowances and write-downs of $7.9 million (2009: $8.0 million).

Cash and cash equivalents on hand at 31 December 2010 were $224.3 million (2009: $247.1 million).

Shareholders' equity (consolidated) decreased from $867 million at 31 December 2009 to $817 million at 31 December 2010 after taking into account earnings during the period and the return of capital of 9.5c per share (approximately $111 million) in September 2010.

Operations

Production at Murrin Murrin for the 12 months to 31 December 2010 was 28,378 tonnes of nickel (2009: 32,977 tonnes) and 1,976 tonnes of cobalt (2009: 2,350 tonnes). The company's share is 60%.

During the first half of 2010,14,512 tonnes of nickel and 1,008 tonnes of cobalt were produced. During the second half of 2010, 13,866 tonnes of nickel and 968 tonnes of cobalt were produced.

Production during the first half of 2010 was impacted by the pipeline failure on one of the four ore-leach autoclave circuits on 25 May 2010. In the second half of 2010 the three-week planned triennial statutory shutdown impacted metal production as anticipated. Major works undertaken during the shutdown included refurbishment of the catalyst in the acid plant, rebuild of the sulphur pit, statutory inspection of pressure vessels and tanks, and the replacement of a major heat exchanger in the acid plant. Inspections undertaken during the shutdown did not identify any unforseen maintenance issues.

During 2010 additional planned maintenance occurred as scheduled and emergent maintenance tasks were completed as required.

Capital Program

Capital expenditure incurred in 2010 was $32.5 million (Minara share).

The expenditure was incurred predominantly on the high density slurry project (HDS), the sixth reduction autoclave for the refinery, stage two of in-pit tailings deposition, and the Murrin East development. A summary of each project, including the 2010 expenditure, is as follows:

HDS

The HDS project is designed to debottleneck the neutralisation circuit, enabling an increase in ore-leach autoclave throughput. Commissioning of HDS commenced in June 2010. The 2010 project cost was $10.2 million (Minara share). It is expected that the project will be completed in the first half of 2011, after the arrival of certain long lead items ordered during the reporting period.

Sixth Reduction Autoclave

This project will deliver a sixth reduction autoclave unit which will operate in parallel to the existing five reduction vessels in the refinery's nickel circuit. The autoclave was delivered and installed on its foundations in 2009. Further installation and integration activities occurred in 2010. The 2010 project cost was $3.3 million (Minara share). It is expected that the project will be completed in the first quarter of 2011.

In-Pit Tailings Deposition

The in-pit tailings deposition project delivers operating flexibility via discharging of tailings into completed mining pits to complement the existing tails cell operation, allowing for a reduction in cost of tailings disposal along with flexibility provided for the tails cell lift requirements. Stage one of the project was successfully commissioned in December 2008 and continues to operate to design specifications. During 2010 construction of stage two was completed and deposition into the additional pit void commenced in November. The 2010 project cost was $7.4 million (Minara share).

Murrin East Development

The development of the Murrin East ore-body commenced in the second half of 2010. The Murrin East ore-body is expected to improve the delivered grade of nickel to the plant over the next five to eight years. The dedicated haul road was finished in early 2011 and it is anticipated that processing of ore from the Murrin East ore-body will commence in the second quarter of 2011. The 2010 project cost was $5.99 million (Minara share).

Heap Leach Project

During 2010, the Heap Leach facility continued to produce positive results.

A total of 299,047 dry tonnes of scats (reject material from the ore processed for high-pressure acid leaching) was stacked during the year on pads one to four. Pads five to eight were under leach during the year.

Production attributed to the Heap Leach facility in 2010 was 1,341 tonnes of nickel and 83 tonnes of cobalt.

Exploration

- The Bardoc Nickel JV (Minara Resources 100%) project is located 42 kilometres north of Kalgoorlie and south of the Scotia Nickel sulphide deposit. It is considered prospective for Scotia style nickel sulphide mineralisation. Drill planning commenced during 2010 and continued throughout the year.
- The Marshall Pool (Joint Venture 100%) project contains significant upgradeable nickel laterite mineralisation. Studies assessing the viability of a processing route and generation of an updated resource model recommenced in 2010. Initial assessments in the first half of 2010 showed that a beneficiated product may be possible for delivery to the Murrin Murrin processing plant as an additional ore feed source. Further studies in the second half of the year focused on the metallurgical and economic viability of this concept. A literature and data review was completed during the third quarter and a sample selection for further analytical tests was carried out in the December quarter.
- The Irwin Hills – Coglia Well JV (Joint Venture 60%) 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 cut-off. Work completed during the year was limited to target generation.
- The Mt Lucky (Joint Venture 100%) project contains a low-grade manganese deposit which can supply Murrin Murrin with an additive to the high-pressure acid leach process. The project was acquired for $3 million during the second half of 2010. Since acquisition, archaeological, flora and fauna surveys have been completed. Infill and extensional drill planning was also completed during the year.

Health and Safety

The company'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 the 12 month period to 31 December 2010 is 9.76 (2009: 3.48).

The LTIFR 12 month rolling average to 31 December 2010 was 3.05 (2009: 2.71).

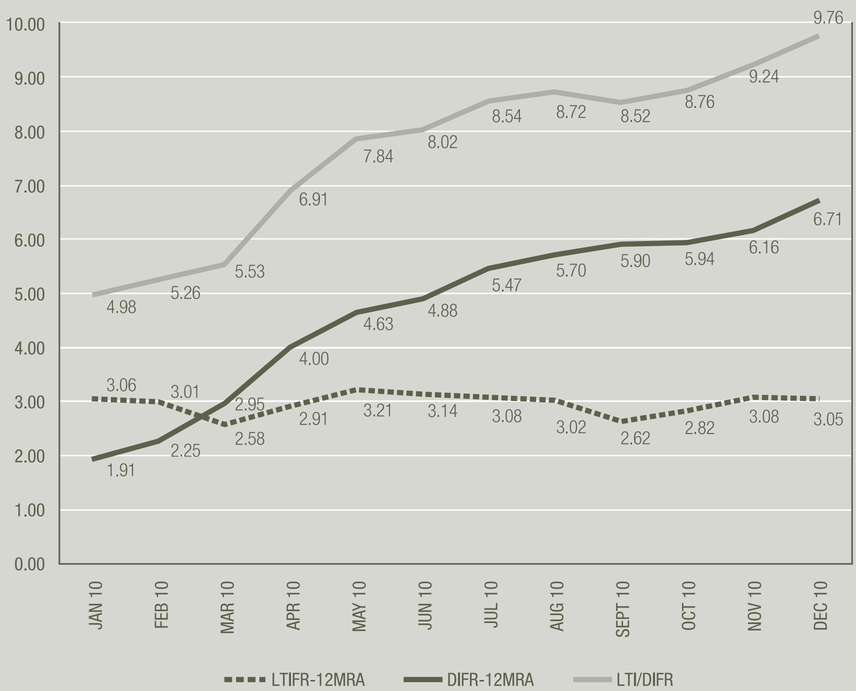
The DIFR 12 month rolling average to 31 December 2010 was 6.71 (2009: 0.77).

The injury statistics were influenced by an increase in the number of personnel working on site during 2010, on average exceeding 2009 workforce numbers by 27% month-on-month. The company continues to focus on reviewing safety performance and implementing comprehensive safety initiatives across the business.

Environment

During 2010 the Consolidated Entity had no environmental incidents reportable to regulatory authorities.

FIGURE 1: MINARA RESOURCES MURRIN MURRIN INJURY FREQUENCY RATES FOR ALL EMPLOYEES 12 MONTH ROLLING AVERAGE



METAL MARKETS

Nickel and cobalt prices during 2010 are shown in Figures 2 and 3.

FIGURE 2: DAILY NICKEL CASH PRICE – LONDON METAL EXCHANGE

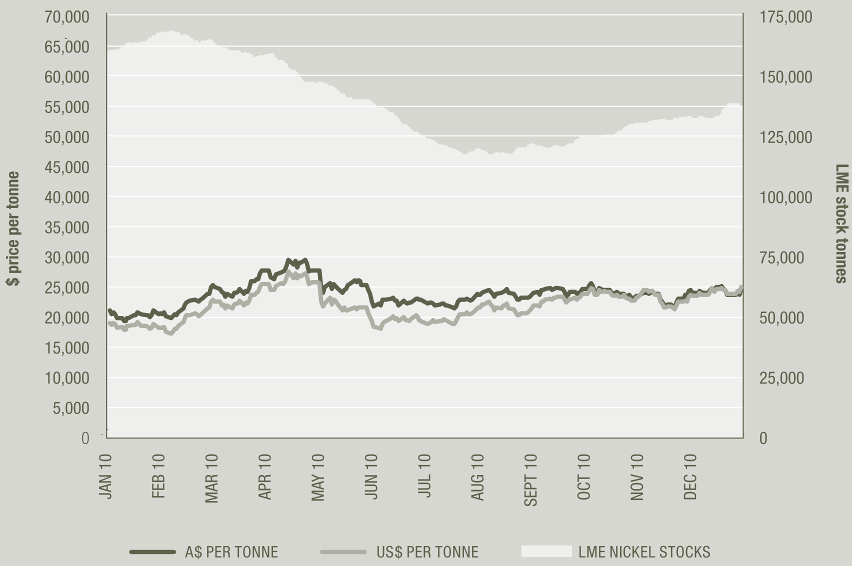
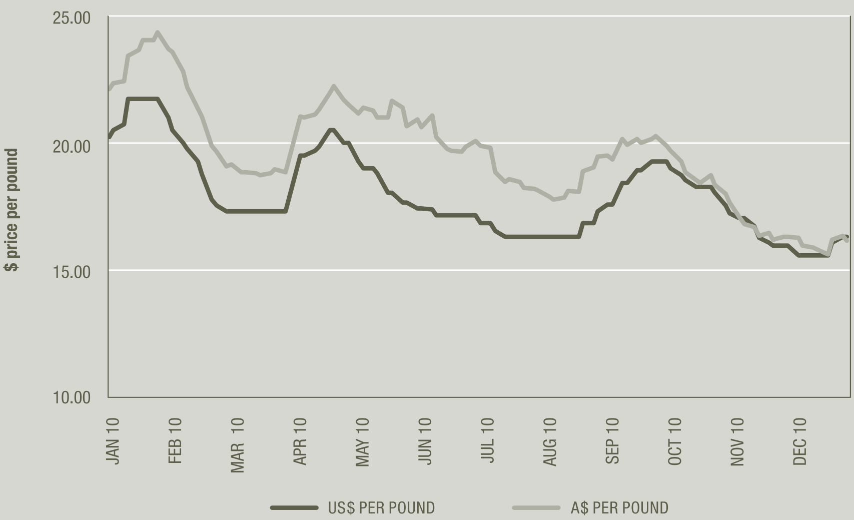


FIGURE 3: COBALT PRICE – METAL BULLETIN 99.3% LOW PRICE



The LME nickel stock levels opened the reporting period at 158,010 tonnes and closed at 135,672 tonnes.

Nickel prices started the year at US$18,480 per tonne, peaked on 16 April 2010 at US$27,600 per tonne and closed the reporting period at US$24,960 per tonne.

The cobalt price commenced the reporting period at US$19.75 per pound and closed at US$16.25 per pound.

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

Other than as reported 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), the *National Greenhouse and Energy Reporting Act 2007* (Cth) and the *Energy Efficiency Opportunities Act 2006* (Cth).

In December 2010 Minara submitted its third public report under the mandatory reporting requirements of the *Energy Efficiency Opportunities Act*. Minara also submitted its second National Greenhouse and Energy Report for the reporting period 1 July 2009 to 30 June 2010 in accordance with the *National Greenhouse and Energy Reporting 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.

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 AO – Age 65
BSc (Mining Engineering)
Chairman
Independent Non-executive Director

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

Mr Coates is currently a non-executive director and Chairman of Santos Limited and a non-executive director of Amalgamated Holdings Limited.

Until December 2007, Mr Coates was the Chief Executive Officer of Xstrata Coal, Xstrata plc's global coal business. He retired as Chairman of Xstrata Australia Ltd in June 2009.

Mr Coates is a past Chairman of the Minerals Council of Australia, the NSW Minerals Council and the Australia Coal Association. He was awarded the 2010 AusIMM Institute Medal.

Peter Johnston – Age 59
BA, FAusIMM, FAICD
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 Minerals Council of Australia, an Executive Council member and past President of the Chamber of Minerals & Energy (WA), a director and past Chairman of the Nickel Institute and Vice President of the Australian Mines and Metals Association.

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

Ivan Glasenberg – Age 54
B.Acc, MBA (USC), CA.SA
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 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 also a director of Xstrata plc and United Company RUSAL plc.

Willy Strothotte – Age 66
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 Company and a director of KKR Financial Holdings LLC.

John Morrison – Age 48
BE (Hons), MBA, MAusIMM, MAICD
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 and Chairman of Signature Capital Investments Limited.

Malcolm Macpherson – Age 66
BSc (Canterbury), Cert.Acctg, FAICD, FAusIMM, FTSE
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.

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

Markus Ocskay – Age 43
MBA (Switzerland)
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 investor/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 – Age 46
BSL, JD

Ms Sargent was appointed Company Secretary & 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.

TABLE 1: DIRECTORSHIPS OF OTHER LISTED COMPANIES

Name	Company	Period of Directorship
P Coates AO	Santos Limited*	2008 – present
	Amalgamated Holdings Limited	2009 – present
	Downer EDI Limited	2008 – 2009
	Cumnock Coal Limited**	1994 – 2008
	Jubilee Mines NL	February 2008 – April 2008
P Johnston	Emeco Holdings Limited	2006 – present
	Silver Lake Resources Limited	2007 – present
I Glasenberg	Xstrata plc	2002 – present
	United Company RUSAL plc	2010 – present
	Century Aluminum Company	2010 – January 2011
W Strothotte	Xstrata plc****	2002 – present
	Century Aluminum Company	1996 – present
	KKR Financial Holdings LLC	2007 – present
J Morrison	Signature Capital Investments Limited ***	2004 – present
M Macpherson	Titanium Corporation Inc.	2005 – present
	Range River Gold Limited	2008 – present
	Pluton Resources Limited****	2009 – present
	Portman Limited	2003 – 2008

* Chairman since 9 December 2009
** Managing Director from 1999 to 2008
*** Chairman from 2004 to 2007, 2009 to present
**** Chairman

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 2010 are shown in Table 2.

TABLE 2: DIRECTORS' AND COMMITTEE MEETINGS 2010

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 AO	6	6	-	-	-	-	3	3
P Johnston	6	6	-	-	-	-	-	-
J Morrison	6	6	3	3	5	5	3	3
I Glasenberg	5	6	-	-	-	-	2	3
W Strothotte	5	6	-	-	-	-	-	-
M Macpherson	6	6	3	3	5	5	3	3
M Ocskay (2)	1	1	3	3	4	5	-	-

(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 M Ocskay were in his capacity as an alternate director for Mr W Strothotte.

REMUNERATION REPORT (PAGE 22 TO PAGE 31) - 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;
- the appointment of the Company Secretary and Chief Financial Officer; and
- the measurable objectives for achieving gender diversity.

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 Nomination & Remuneration Committee met three times during 2010.

The Committee complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

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.

The remuneration package for executives and senior management comprises base salary, site allowance (if applicable), medical allowance, short and long-term incentive plans, retention bonuses, superannuation benefits together with other salary sacrifice items such as novated leases and car parking. The 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 the 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 the 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 provides incentives based on superior total shareholder returns versus a group of comparable companies.

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

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; and
- variable remuneration, which is linked to the performance of the company and the relevant executive.

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' remuneration. This cash component was $18,000 per annum up to 30 June 2010 and is included as part of an employee's total salary. From 1 July 2010 the allowance increased to $20,000 per annum.

Medical Allowance

Medical allowance is a component of an employee's total salary. Each employee receives a medical allowance of $1,900 per annum. If an employee has private family medical cover, they are eligible to receive $4,000 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 2010, executives, other than the Managing Director & Chief Executive Officer, were entitled to participate in the STI Scheme and LTI Scheme and certain executives received retention bonuses pursuant to their personal service agreements.

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.

Table 9 sets out the STI awards received by disclosed executives during 2010 as a percentage of total fixed 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 permanent 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 67% of maximum STI award	Up to 83% of maximum STI award	Up to 100% of maximum STI award

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.

TABLE 3: MINARA FIVE YEAR PERFORMANCE

Per Share	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10
Basic earnings per share (cents)		66.21	53.24	(3.70)	4.16	5.04
Number of shares on issue (million) – at year end		465	465	465	1,168	1,168
Closing share price (cents)	190	585	623	28.5	81	95
Capital return (cents)		-	-	-	-	9.5
Dividends declared in respect of the period (cents)		57.5	40.0	-	-	5.0
Total changes in shareholder value (cents)		452.5	78.0	(594.5)	52.5	23.5

STI Scheme 2010

In 2010, monthly production and costs criteria were set for each of the bronze, silver and gold targets. Performance criteria were measured on a monthly basis. No award was payable for a month in the event that the bronze target was not met and no additional payment was made if the gold target was exceeded.

During 2010, the maximum STI award available to the disclosed executives was 30% of fixed remuneration.

STI Scheme 2011

Consistent with the 2010 STI Scheme, performance criteria of production and costs continue to be set and measured on a monthly basis.

During 2011, the maximum STI award available to the disclosed executives is 30% of fixed remuneration.

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, 2008 and 2009 the Board approved 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.

2009 LTI Schemes

Executives and nominated employees were invited to participate in both the 2009 Transition LTI Scheme and the 2009 LTI Scheme. The 2009 Transition LTI Scheme was substantially the same as the 2008 LTI Scheme except that the Total Shareholder Return (TSR) performance hurdle was extended from one year to two years. Under the 2009 LTI Scheme the TSR performance hurdle was extended to three years.

The TSR performance hurdle relates to the total shareholder return of the company, when ranked against a comparator group of companies, over the period 1 January 2009 to 31 December 2010 for the 2009 Transition LTI Scheme and 1 January 2009 to 31 December 2011 for the 2009 LTI Scheme.

The invitations sent to executives and nominated employees set out the rules of the LTI Scheme 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 the volume-weighted average price of the company's share price for the last five trading days up to the date of the offer (**VWAP**).

In accordance with the terms and conditions of the LTI Scheme, the number of rights issued to eligible participants was adjusted as a consequence of the return of capital which was approved by shareholders at the extraordinary general meeting on 17 August 2010. The effect of the return of capital was that the VWAP used to calculate the maximum number of performance rights to which each participant was entitled was reduced by the capital return amount per share of $0.095. This had an effect of increasing the maximum number of performance rights that eligible participants were issued, but did not increase the dollar value amount which equates to an eligible participant's salary percentage.

The maximum LTI award available to the disclosed executives for each of the 2009 LTI Transition Scheme and the 2009 LTI Scheme is 40% of fixed remuneration.

The key terms of the performance rights granted under the 2009 LTI Schemes 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;
- the performance rights do not attract the benefit of share ownership including dividend or voting entitlements prior to vesting;
- under the 2009 Transition LTI Scheme, performance rights would not vest before 1 January 2011;
- under the 2009 LTI Scheme, performance rights will not vest before 1 January 2012;
- under the 2009 Transition LTI Scheme shares would be issued at a nil exercise price on or around 1 January 2011 following satisfaction of the TSR performance hurdles;
- under the 2009 LTI Scheme, shares will be issued at a nil exercise price on or around 1 January 2012 following satisfaction of the TSR 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 comparator group of companies for the 2009 Schemes is set out in Table 5.

TABLE 5: 2009 COMPARATOR GROUP OF COMPANIES

Security	Description
ABY	Aditya Birla Minerals Limited
AWC	Alumina Limited
AQP	Aquarius Platinum Limited
GBG	Gindalbie Metals Limited
HIG	Highlands Pacific Limited
IGO	Independence Group NL
JML	Jabiru Metals Limited
KZL	Kagara Limited
LYC	Lynas Corporation Limited
MRE	**Minara Resources Limited**
MCR	Mincor Resources NL
MBN	Mirabela Nickel Limited
MGX	Mount Gibson Iron Limited
MMX	Murchison Metals Limited
NCM	Newcrest Mining Limited
OMH	OM Holdings Limited
OZL	Oz Minerals Limited
PNA	PanAust Limited
PAN	Panoramic Resources Limited
PEM	Perilya Limited
SRL	Straits Resources Limited
WSA	Western Areas NL

Table 6 lists the TSR performance target and the percentage of the maximum number of performance rights available under the 2009 Schemes.

TABLE 6: 2009 LTI SCHEME TARGET

Company's TSR relative to the TSR of the Comparator Group over the performance period	Percentage of Equity that vests
Less than the 50th percentile	Nil
50th percentile	50%
Greater than the 50th percentile but less than the 75th percentile	50% plus 2% for every one percentile increase above the 50th percentile
Greater than or equal to the 75th percentile	100%

As the company achieved a TSR ranking at the 52nd percentile for the period 1 January 2009 to 31 December 2010, 54% of eligible participants' performance rights granted under the 2009 Transition LTI Scheme vest and as a result 1,404,387 shares will be issued.

Allocations of performance rights to disclosed executives are shown in Table 11.

LTI Scheme 2010

Executives and nominated employees were invited to participate in the 2010 LTI Scheme. The 2010 LTI Scheme is substantially the same as the 2009 LTI Scheme, having a TSR performance hurdle of three years.

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 the volume weighted average price of the company's share price for the last five trading days following the company's Annual General Meeting (adjusted to take into account the return of capital approved by shareholders on 17 August 2010).

The maximum LTI award available to the disclosed executives is 40% of fixed remuneration.

The performance target that applies and the percentage of the maximum number of performance rights that are at risk are the same as for the 2009 Schemes (Table 6).

Under the 2010 LTI Scheme, if the TSR performance hurdle is met, shares will be issued at a nil exercise price on or around 1 January 2013. The comparator group of companies for the 2010 LTI Scheme is the same as for the 2009 Schemes as set out in Table 5.

LTI Scheme 2011

At the time of writing this report the LTI Scheme for 2011 was yet to be finalised and published to eligible participants.

REMUNERATION REVIEW

External consultants, McDonald & Company, are contracted to conduct remuneration reviews for the company. This is done on an annual basis.

The Nomination & Remuneration Committee obtained independent advice in relation to the terms of the Managing Director & Chief Executive Officer's employment agreement.

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 Australasian Gold & General Mining Industry Remuneration Report and the Australasian Smelting, Refining and Petro-Chemical Industry Remuneration Report. 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 directors' 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.

With effect from 1 January 2008 the Board set 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 Morrison is 1.5 times final year of service base fee 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 2010 are set out in Table 7.

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

Remuneration of the Managing Director & Chief Executive Officer

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 an employment agreement agreed between the company and Mr Johnston, which commenced on 1 January 2010 and ends on 31 December 2012 unless terminated earlier.

The remuneration terms of Mr Johnston's current employment agreement are:

- commencing 1 January 2010, fixed remuneration of $1,865,000 per annum inclusive of salary, superannuation, motor vehicle allowance, fringe benefits, directors' fees and applicable taxes (Total Fixed Remuneration);
- for each of the 2010, 2011 and 2012 calendar years, if performance targets set by the Board are met, an annual short-term cash incentive comprising:
  - (a) up to $500,000 for on-target performance; or
  - (b) up to but no more than $800,000 for superior performance, with up to $100,000 of this amount being at the absolute discretion of the Board for extraordinary achievements;
- entitlement to participate in the LTI Scheme through the granting of performance rights on terms to be approved by the company's shareholders at the 2010 Annual General Meeting as outlined below.

The annual short-term incentive is determined by reference to measures comprised of a production target as approved by the Board for an applicable year, a cost target as approved by the Board for an applicable year, satisfactory performance against non-financial measures (safety, leadership, strategy, communications, general administration and risk management) and, in case of a payment for extraordinary achievement, at the discretion of the Board. For target performance the relative weighting of the measures is 40% production, 40% cost and 20% non-financial measures. For superior performance the relative weighting of the measures is 37.5% production, 37.5% cost, 12.5% non-financial measures and 12.5% discretionary for extraordinary achievements.

Mr Johnston may terminate his employment by giving six months' notice to the company. Mr Johnston may also terminate his employment immediately if there is a fundamental change in his role by reason of him ceasing to be the most senior executive in the Minara Group or a substantial diminution in his responsibilities or authority.

The company may terminate Mr Johnston's employment in various circumstances, including:

- for incapacity due to illness or accident, by giving three months' notice;
- for certain types of misconduct, without notice;
- for poor performance which has not been rectified, by giving three months' notice; and
- without cause, by giving Mr Johnston six months' notice or payment in lieu of notice.

In the event of termination by the company due to illness or without cause, or by Mr Johnston due to a fundamental change in his role, the company must pay a separation payment which when added to any payment made in lieu of notice is no more than Mr Johnston's annual Total Fixed Remuneration. The termination entitlements of Mr Johnston were approved by the company's shareholders at the 2010 Annual General Meeting.

Long term Incentive Entitlements of the Managing Director & Chief Executive Officer

At the 2008 Annual General Meeting, shareholders approved the 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 and have been granted pursuant to the LTI Scheme (as it applies to Mr Johnston). In accordance with the terms and conditions of the LTI Scheme, the number of rights issued to Mr Johnston was adjusted to 438,116 shares as a consequence of the return of capital which was approved by shareholders on 17 August 2010.

The vesting of the 2009 Performance Rights was dependant 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. As the company achieved a TSR ranking at the 52nd percentile for the period 1 January 2009 to 31 December 2010, 54% of the 2009 Performance Rights vest, and as a result 236,583 shares will be issued.

At the 2010 Annual General Meeting, the company's shareholders approved the grant to Mr Johnston of performance rights with a value of up to $3,000,000 (**Award**).

Seventy percent of the Award may be granted in three tranches of performance rights. Each tranche of performance rights may provide Mr Johnston with an opportunity to receive shares or such other equity interest determined by the Board (with a value up to $700,000 for each year ending 31 December 2010, 31 December 2011 and 31 December 2012). The first tranche, with a value of $700,000 was granted to Mr Johnston after the 2010 Annual General Meeting. Each tranche is subject to a TSR performance hurdle with a three-year performance period beginning on 1 January in the relevant financial year. Thirty percent of the Award (with a value of $900,000) is subject only to a continuing service condition and will vest on 31 December 2012 if Mr Johnston remains employed until 31 December 2012.

The TSR performance hurdle is based on the company's TSR performance relative to the comparator group of companies under the LTI Scheme in the relevant year and may vest in accordance with Table 6.

REMUNERATION DETAILS

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

Peter Coates AO	(Non-executive Director and Chairman)
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)
Markus Ocskay	(Alternate Non-executive Director)

For the reporting period to 31 December 2010, the five highest remunerated executives of both the company and the Consolidated Entity comprised:

Peter Johnston	Managing Director & Chief Executive Officer
Wayne Ashworth	General Manager Operations
Cynthia Sargent	General Counsel & Company Secretary
Jason Cooke	General Manager Corporate Development
John O'Callaghan	Group Technical Manager

For the reporting period to 31 December 2010, the key management personnel in addition to the directors above comprised:

Wayne Ashworth	General Manager Operations
Roberto Maltese	Acting Chief Financial Officer (until 27 April 2010)
Andrew Bantock	Chief Financial Officer (from 27 April 2010)
Cynthia Sargent	General Counsel & Company Secretary
Jason Cooke	General Manager Corporate Development
John O'Callaghan	Group Technical Manager
Matthew Brown	Engineering Services Manager

Table 7 sets out details of the nature and amount of each major element of the remuneration of key management personnel.

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.

Table 8 sets out the terms of the service agreements for key management personnel (other than for the Managing Director & Chief Executive Officer).

TABLE 7: KEY MANAGEMENT PERSONNEL COMPENSATION 2010

NAME	POSITION HELD	PERIOD OF RESPONSIBILITY	SHORT-TERM BENEFITS				POST-EMPLOYEE BENEFITS			SHARE-BASED PAYMENTS		TOTAL
			Salary, fees, compensated absences $	Bonuses (ii) $	Non-monetary benefits $	Other (iii) $	Super-annuation $	Other $	Termination benefits $	Cash settled Rights $	Equity settled Rights (ix) $	$
Non-executive Directors												
P Coates	Chairman	**2010**	**236,364**	**-**	**-**	**-**	**23,636**	**-**	**-**	**-**	**-**	**260,000**
		2009	236,364	-	-	-	23,636	-	-	-	-	260,000
J Morrison	Director	**2010**	**109,091**	**-**	**-**	**-**	**10,909**	**-**	**-**	**-**	**-**	**120,000**
		2009	109,091	-	-	-	10,909	-	-	-	-	120,000
I Glasenberg (i)	Director	**2010**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2009	-	-	-	-	-	-	-	-	-	-
W Strothotte (i)	Director	**2010**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2009	-	-	-	-	-	-	-	-	-	-
M Macpherson	Director	**2010**	**109,091**	**-**	**-**	**-**	**10,909**	**-**	**-**	**-**	**-**	**120,000**
		2009	109,091	-	-	-	10,909	-	-	-	-	120,000
Executive Director												
P Johnston (iv)	Chief Executive Officer	**2010**	**1,766,667**	**400,000**	**29,191**	**-**	**48,333**	**-**	**-**	**-**	**428,527**	**2,672,718**
		2009	1,775,940	-	70,809	-	39,060	-	-	-	59,024	1,944,833
Other Key Management Personnel												
R Maltese (v)(vii)	Acting Chief Financial Officer	**2010**	**103,266**	**10,473**	**-**	**1,000**	**10,327**	**-**	**-**	**-**	**82,410**	**207,476**
		2009	-	-	-	-	-	-	-	-	-	-
A Bantock (vi)	Chief Financial Officer	**2010**	**258,016**	**12,000**	**-**	**2,750**	**16,944**	**-**	**-**	**-**	**14,752**	**304,462**
		2009	-	-	-	-	-	-	-	-	-	-
W Ashworth	General Manager Operations	**2010**	**469,485**	**107,075**	**-**	**153,500**	**25,000**	**-**	**-**	**-**	**219,191**	**974,251**
		2009	476,120	43,879	-	103,000	54,552	-	-	-	49,447	726,998
C Sargent	General Counsel & Company Secretary	**2010**	**360,090**	**57,250**	**-**	**3,500**	**25,000**	**-**	**-**	**-**	**169,631**	**615,471**
		2009	297,283	27,574	10,167	3,000	31,286	-	-	-	37,736	407,046
J Cooke	General Manager Corporate Development	**2010**	**343,114**	**55,781**	**-**	**3,500**	**25,000**	**-**	**-**	**-**	**161,032**	**588,427**
		2009	281,174	26,148	-	203,000	54,324	-	-	-	35,784	600,430
J O'Callaghan (vii)	Group Technical Manager	**2010**	**335,459**	**49,825**	**-**	**3,500**	**24,664**	**-**	**-**	**-**	**146,701**	**560,149**
		2009	-	-	-	-	-	-	-	-	-	-
M Brown	Engineering Services Manager	**2010**	**314,708**	**53,750**	**-**	**1,700**	**25,000**	**-**	**-**	**-**	**156,810**	**551,968**
		2009	275,747	25,672	-	1,500	29,913	-	-	-	35,133	367,965
D Pile (viii)	Chief Financial Officer	**2010**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		2009	397,065	42,718	-	3,000	46,521	-	372,880	-	-	862,184
		2010	**4,405,351**	**746,154**	**29,191**	**169,450**	**245,722**	**-**	**-**	**-**	**1,379,053**	**6,974,921**
		2009	3,957,875	165,991	80,976	313,500	301,110	-	372,880	-	217,123	5,409,455

(i) Messrs Glasenberg and Strothotte elected not to receive directors' fees as they are nominee Directors of major shareholders.
(ii) STI cash bonus paid in the reporting period to 31 December 2010 in respect of performance in 2010.
(iii) Other short-term benefits were for one-off discretionary payments, retention bonuses and medical contributions.
(iv) The bonus paid to Mr Johnston during 2010 is in respect of performance in 2009. At the time of writing this report the Board is yet to determine any bonus in respect of performance in 2010.
(v) Mr Maltese was Acting Chief Financial Officer from 1 January 2010 to 27 April 2010. The figures above reflect his remuneration during this period. Mr Maltese did not meet the definition of a Key Management Personnel under AASB124 in 2009 and from 28 April 2010 to 31 December 2010. 2009 comparative figures are not shown.
(vi) Mr Bantock commenced employment as Chief Financial Officer from 27 April 2010.
(vii) Mr O'Callaghan did not meet the definition of a Key Management Personnel under AASB124 in 2009 but is considered a Key Management Personnel for 2010. 2009 comparative figures are not shown.
(viii) Mr Pile ceased employment on 31 December 2009.
(ix) Amounts included in equity settled rights include the value of performance rights granted. The amounts listed represent the technical value of such rights calculated under the binomial tree option pricing model. Vesting of the performance rights is uncertain and is dependent upon the company achieving TSR performance hurdles assessed against peer company performance. Some or all of the value of the performance rights may therefore never be realised.

TABLE 8: SUMMARY OF TERMS OF KEY MANAGEMENT PERSONNEL SERVICE AGREEMENTS (OTHER THAN THE MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER)

Executive	Position	Contract Duration	Fixed Remuneration (per annum)	Retention Bonus	Termination Payments (other than for gross misconduct) [a][b]	Termination Notice
Wayne Ashworth	General Manager Operations	No fixed term	$473,200 (until 31 December 2010) $508,480 (from 1 January 2011)	$150,000 cash paid 1 January 2010 $200,000 cash paid 1 January 2011 $200,000 cash expiring on 1 January 2012 $200,000 cash expiring on 1 January 2013	12 weeks pay in lieu of notice period and annual leave entitlement	12 weeks
Andrew Bantock [c]	Chief Financial Officer	No fixed term	$407,120 (until 31 December 2010) $421,904 (from 1 January 2011)	$372,700 cash to be paid in 3 instalments 30% to be paid 1 January 2012 30% to be paid 1 January 2013 40% to be paid 1 January 2014	12 weeks pay in lieu of notice period and annual leave entitlement	12 weeks
Cynthia Sargent	General Counsel & Company Secretary	No fixed term	$385,280 (until 31 December 2010) $407,680 (from 1 January 2011)	$200,000 cash paid 1 January 2011 $360,000 cash to be paid in 3 instalments 30% to be paid 1 January 2012 30% to be paid 1 January 2013 40% to be paid 1 January 2014	12 weeks pay in lieu of notice period and annual leave entitlement	12 weeks
Jason Cooke	General Manager Corporate Development	No fixed term	$367,920 (until 31 December 2010) $385,280 (from 1 January 2011)	$325,000 cash to be paid in 3 instalments 30% to be paid 1 May 2011 30% to be paid 1 May 2012 40% to be paid 1 May 2013	12 weeks pay in lieu of notice period and annual leave entitlement	12 weeks
John O'Callaghan	Technical Services Manager	No fixed term	$361,200 (until 31 December 2010) $379,680 (from 1 January 2011)	$300,000 cash to be paid in 3 instalments 30% to be paid 1 May 2011 30% to be paid 1 May 2012 40% to be paid 1 May 2013	12 weeks pay in lieu of notice period and annual leave entitlement	12 weeks
Matthew Brown	Engineering Services Manager	No fixed term	$337,904 (until 31 December 2010) $354,928 (from 1 January 2011)	$300,000 cash paid 1 January 2011 $315,000 cash to be paid in 3 instalments 30% to be paid 1 January 2012 30% to be paid 1 January 2013 40% to be paid 1 January 2014	12 weeks pay in lieu of notice period and 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, six months of STI Scheme payments on the basis of Gold achievement, LTI calculated at 100% achievement and any retention bonus.

(c) Mr Bantock commenced employment on 27 April 2010.

TABLE 9: SHORT TERM INCENTIVE (CASH) FOR 2010

Name	Incentive Payment $	% of Maximum STI Award Available	% of Maximum STI Award Forfeited	% of Total Fixed Remuneration
P Johnston (i)	-	-	-	-
W Ashworth	37,075	29.49	70.51	7.8
A Bantock	12,000	19.05	80.95	5.7
R Maltese (ii)	10,473	34.50	63.50	10.3
C Sargent	32,250	31.62	68.38	8.4
J Cooke	30,781	31.57	68.43	8.4
J O'Callaghan	24,825	25.66	74.34	6.9
M Brown	28,750	31.94	68.06	8.5

(i) At the time of preparing this report, the Board is yet to determine any bonus relating to 2010 (payable in 2011) to Mr Johnston.

(ii) Reported for the period 1 January 2010 to 30 April 2010 during appointment as Acting Chief Financial Officer.

TABLE 10: SHORT TERM INCENTIVE OPPORTUNITY (CASH) FOR 2011

Name	Bronze $	Silver $	Gold $
P Johnston (i)	-	-	-
W Ashworth	90,450	112,050	135,000
A Bantock	74,913	92,802	111,810
C Sargent	72,360	84,660	108,000
J Cooke	68,340	84,660	102,000
J O'Callaghan	67,335	83,415	100,500
M Brown	63,315	78,435	94,500

(i) The short-term incentive opportunity for Mr Johnston is summarised above under the heading "Remuneration of the Managing Director & Chief Executive Officer".

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 Securities Exchange in accordance with s205G(1) of the *Corporations Act 2001*, as at the date of this report is set out in Table 11.

OPTIONS

At the date of this report there are no options over unissued ordinary shares in the company and there were none issued or exercised in 2010.

TABLE 11: OPTIONS, RIGHTS AND EQUITY HOLDINGS

2010 RIGHTS HOLDINGS	HELD						
Name	**No. at 1 Jan 2010**	**Granted as compensation**	**Exercised**	**Lapsed**	**No. at 31 Dec 2010**	**Vested and exercisable**	**Unvested**
Directors							
P Coates	-	-	-	-	-	-	-
P Johnston	390,000	2,764,585	-	201,533	2,953,052	236,583	2,716,469
J Morrison	-	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-	-
Other Key Management Personnel of the Group							
A Bantock	-	142,614	-	-	142,614	-	142,614
W Ashworth	351,446	315,007	-	90,805	575,648	106,598	469,050
C Sargent	268,208	263,990	-	69,299	462,899	81,350	381,549
J Cooke	254,336	252,091	-	65,714	440,713	77,143	363,570
J O'Callaghan	231,214	232,261	-	59,740	403,735	70,130	333,605
M Brown	249,710	234,545	-	64,520	419,735	75,740	343,995
	1,744,914	4,205,093	-	551,611	5,398,396	647,544	4,750,852

Further details in relation to share rights are contained in Notes 7 and 37 to the Financial Statements.

2010 SHARE HOLDINGS	HELD					
Name	**No. at 1 Jan 2010**	**Granted as compensation**	**Received on exercise of options**	**Divestment**	**Equity acquired (non-option related)**	**No. at 31 Dec 2010**
Directors						
P Coates	151,500	-	-	-	-	151,500
P Johnston	3,129,000	-	-	-	-	3,129,000
J Morrison	-	-	-	-	50,000	50,000
I Glasenberg (i)	-	-	-	-	-	-
W Strothotte (i)	-	-	-	-	-	-
M Macpherson	25,000	-	-	-	-	25,000
Other Key Management Personnel of the Group						
A Bantock	-	-	-	-	-	-
W Ashworth	124,000	-	-	-	-	124,000
C Sargent	-	-	-	-	-	-
J Cooke	10,000	-	-	-	-	10,000
J O'Callaghan (ii)	-	-	-	-	-	-
M Brown	-	-	-	-	-	-
	3,439,500	-	-	-	50,000	3,489,500

(i) Mr I Glasenberg and Mr W Strothotte hold an indirect interest in 824,829,760 ordinary shares.
(ii) Mr O'Callaghan did not meet the definition of a Key Management Personnel under AASB124 in 2009 but is considered a Key Management Personnel for 2010.

TABLE 11: OPTIONS, RIGHTS AND EQUITY HOLDINGS (CONTINUED)

2009 RIGHTS HOLDINGS	HELD						
Name	**No. at 1 Jan 2009**	**Granted as compensation**	**Exercised**	**Lapsed**	**No. at 31 Dec 2009**	**Vested and exercisable**	**Unvested**
Directors							
P Coates	-	-	-	-	-	-	-
P Johnston	-	390,000	-	-	390,000	-	390,000
J Morrison	-	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-	-
Other Key Management Personnel of the Group							
D Pile (i)	-	351,446	-	351,446	-	-	-
W Ashworth	-	351,446	-	-	351,446	-	351,446
C Sargent	-	268,208	-	-	268,208	-	268,208
J Cooke	-	254,336	-	-	254,336	-	254,336
M Brown	-	249,710	-	-	249,710	-	249,710
	-	1,865,146	-	351,446	1,513,700	-	1,513,700

(i) Rights lapsed on cessation of employment on 31 December 2009.

2009 SHARE HOLDINGS	HELD					
Name	**No. at 1 Jan 2009**	**Granted as compensation**	**Received on exercise of Options**	**Divestment**	**Equity acquired (non-option related)**	**No. at 31 Dec 2009**
Directors						
P Coates	151,500	-	-	-	-	151,500
P Johnston	3,129,000	-	-	-	-	3,129,000
J Morrison	-	-	-	-	-	-
I Glasenberg (i)	-	-	-	-	-	-
W Strothotte (i)	-	-	-	-	-	-
M Macpherson	25,000	-	-	-	-	25,000
Other Key Management Personnel of the Group						
D Pile	65,000	-	-	(40,000)	-	25,000
W Ashworth	124,000	-	-	-	-	124,000
C Sargent	-	-	-	-	-	-
J Cooke	10,000	-	-	-	-	10,000
M Brown	-	-	-	-	-	-
	3,504,500	-	-	(40,000)	-	3,464,500

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

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 written consent prior to any dealings in company securities by executives. The Chairman must give written consent prior to any dealings in company securities by directors and the Board of Directors must give written consent prior to any dealings in company securities by the Chairman.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The company has entered into deeds of access and indemnity with Mr Coates, Mr Johnston, Mr Macpherson, Mr Morrison, Mr Strothotte, Mr Glasenberg, Mr Ocskay, Mr Maltese, Mr Bantock and Ms Sargent pursuant to which the company agreed to:

(a) indemnify the relevant officer against certain liabilities incurred by the officer while acting as an officer of the company;

(b) enter into an appropriate directors' and officers' liability insurance policy for the officer; and

(c) 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 officer 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 2001*.

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 are regularly 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 8 of the financial statements.

The audit partner for the company for the year ended 31 December 2010 was Mr Ross Jerrard of Deloitte Touche Tohmatsu.

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 33 and forms part of the Directors' Report for the year ended 31 December 2010.

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.

Peter Coates.

P Coates AO
Chairman

P. B. Johnston.

PB Johnston
Managing Director & Chief Executive Officer

Perth, 18th day of February 2011

AUDITOR'S INDEPENDENCE STATEMENT

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Minara Resources Limited
Level 4
30 The Esplanade
Perth WA 6000

18 February 2011

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 2010, 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

DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants

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 ASX Limited (**ASX**) convened ASX Corporate Governance Council (**ASX Best Practice Recommendations**) have been adopted as the minimum base for the company's 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 and charters 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 role, duties, 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 as specified in the Board Charter.

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 2010 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 Corporate Governance Statement are set out in the table below.

Director	Role	Appointed	Retiring at 2011 AGM	Seeking re-election at 2011 AGM
Peter Coates AO	Chairman, Independent Non-executive Director	1 April 2008 (Chairman: 9 May 2008)	Yes	Yes
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	No	-
John Morrison	Independent Non-executive Director	16 December 1999	Yes	Yes
Malcolm Macpherson	Independent Non-executive Director	11 April 2002	No	-

Note:

1 Mr Markus Ocskay has been the alternate non-executive director for Mr Strothotte since 29 December 2008.

A description of the skills and experience of each director is set out in the Directors' Report.

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.

As set out in the Board Charter, 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 Nomination & Remuneration Committee recommends appointments to the Board in accordance with the Nomination & Remuneration Committee Charter. 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.

A copy of the Board Charter and the Nomination & Remuneration Committee Charter are available in the corporate governance section of the company's website: *www.minara.com.au.*

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, is not regarded as being independent by virtue of his 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 strictly 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.

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.

2.5 Directors' Retirement and Re-election

The company's constitution provides that:

- Directors serve a maximum three (3) year term before being required to be re-elected as directors by shareholders; and
- 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.

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 program 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 are encouraged to undertake regular site visits and the Board is regularly updated, briefed and provided with 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 ongoing 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 all levels of management.

In December 2010 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 undertaken by the Board and its committees. 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.

2. BOARD OF DIRECTORS (CONTINUED)

2.8 Board Performance Evaluation (continued)

The Chairman's ongoing 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 of this Corporate Governance Statement, directors have direct access to the company's management personnel and to access company information that is in the possession of 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 Corporate Governance Statement.

2.11 Chairman and Chief Executive Officer (CEO)

ASX Best Practice Recommendations 2.2 and 2.3

The Chairman, Mr Peter 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 CEO, Mr Peter Johnston, has been elected by the Board and is subject to annual performance reviews by the non-executive directors. The 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 CEO will not be the same person.

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 2010 reporting period, the Board met six (6) 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 the 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 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 2010 in accordance with the process outlined below.

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 for its consideration.

The performance evaluation of the CEO is facilitated by the Chairman, with ultimate oversight by the Board. The evaluation of the 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 operate 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 by the Board. 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 John Morrison (Chairman);
- Mr Malcolm Macpherson; and
- Mr Markus Ocskay (alternate director for Mr Willy Strothotte).

Other than Mr Ocskay, each of these directors is regarded as independent. Mr Ocskay is not independent by virtue of his 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.

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 company's 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 advisers, 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 company's 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 of directors 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 Malcolm Macpherson (Chairman);
- Mr John Morrison; and
- Mr Markus Ocskay (alternate director for Mr Willy Strothotte).

Other than Mr Ocskay, each of these directors is regarded as independent. Mr Ocskay is not independent by virtue of his 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 of directors 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 Peter Coates (Chairman);
- Mr Ivan Glasenberg;
- Mr Malcolm Macpherson; and
- Mr John Morrison.

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 and the Chairman is to be independent. The committee as established complies with this requirement.

3. COMMITTEES OF THE BOARD (CONTINUED)

3.4 Nomination & Remuneration Committee (continued)

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;
- the appointment of the Company Secretary and the Chief Financial Officer; and
- the measurable objectives for achieving gender diversity.

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 also seeks advice about, and reviews, the relative proportion of men and women at all levels of the Group.

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 of directors 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

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: *www.minara.com.au.*

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 2010 reporting period.

4.2 Whistleblower Policy

ASX Best Practice Recommendations 3.1

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.

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

The company's Securities Dealing Policy applies to all directors, executives, employees, contractors, consultants and advisers (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 Listing Rules*.

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 2010 reporting period.

4.4 Diversity Policy

ASX Best Practice Recommendations 3.2, 3.3, 3.4 and 3.5

The company's Diversity Policy was introduced with effect from 1 January 2011.

The Diversity Policy was implemented to:

- set out the beliefs of the company with respect to diversity within the company;
- outline the processes through which the company will actively promote diversity across its operations; and
- define programs and initiatives that will be considered in determining strategies to enhance diversity in the company.

Pursuant to ASX Best Practice Recommendation 3.3 the company has established measurable objectives for achieving gender diversity and will be reporting progress in achieving them in the 2011 Annual Report. The measurable objectives are:

- establish a Diversity Committee;
- appoint a member of the executive management group responsible for diversity;
- update recruitment policies and procedures to reflect the Company's position on diversity;
- the Diversity Committee to provide initial report to the Board Nomination & Remuneration Committee by 30 June 2011, and then to report to the Committee on an annual basis;
- establish programs which aim to increase female participation in the resource sector and women in leadership;
- implement regular diversity education and training for all employees and contractors, and periodically conduct awareness sessions on issues related to equal employment opportunities in the workplace; and
- issue guidance notes on the company's commitment to diversity to all external agencies engaged to provide recruitment services.

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

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

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 encourages shareholder participation at Annual General Meetings of the company. A copy of the 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 the company's 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 2001* and is subject to the continuous disclosure requirements under the *ASX Listing Rules*.

The company's 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 Managing Director is responsible for the overall administration of the Continuous Disclosure Policy and 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 advisers, 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 2010 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 and Chief Financial Officer are required to certify to the Board that:

- 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.

6. FINANCIAL REPORTING (CONTINUED)

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 Accountings 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. A copy of a summary of the company's Risk Management Policy is available in the corporate governance section of the company's website: *www.minara.com.au*.

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 (6) 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; and
- 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. This system allows 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 have been completed by the CEO, the Chief Financial Officer and the Company Secretary in relation to financial and other reporting every six (6) 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.

The Managing Director 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 and the Chief Financial Officer that the declaration in respect of the company's 2010 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 formalise 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:	
	• 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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	✓
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	N/A*
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	N/A*
3.5	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:	
	• 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.
* In keeping with the ASX Best Practice Recommendations, this information will be included in the 2012 Annual Report.

		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	The remuneration committee should be structured so that it:	
	• consists of a majority of independent directors;	✓
	• is chaired by an independent chair; and	✓
	• has at least three (3) members.	✓
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	✓

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2010

		CONSOLIDATED	
	NOTE	2010 $'000	2009 $'000
Revenue from continuing operations	3	**464,810**	446,074
Cost of production	5	**(369,406)**	(377,709)
Gross profit from the sale of product		**95,404**	68,365
Other revenue	4	**18,606**	9,686
Finance expenses	5	**(869)**	(2,178)
Other expenses	5	**(20,808)**	(30,543)
Allowances and writedowns	5	**(7,887)**	(8,004)
Profit before income tax		**84,446**	37,326
Income tax (expense)/income	6	**(26,071)**	11,209
Profit for the year		**58,375**	48,535
Profit/(loss) attributable to:			
Owners of the parent		**58,900**	48,633
Non-controlling interest		**(525)**	(98)
		58,375	48,535
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share	23	**5.04**	4.16
Diluted earnings per share	23	**5.00**	4.16

The above consolidated income statement should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2010

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Profit for the year	**58,375**	48,535
Total comprehensive income for the year	**58,375**	48,535
Total comprehensive income for the year is attributable to:		
Owners of the parent	**58,900**	48,633
Non-controlling interest	**(525)**	(98)
	58,375	48,535

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

		CONSOLIDATED	
	NOTE	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	**224,253**	247,142
Trade and other receivables	10	**55,096**	55,953
Inventories	11	**91,418**	72,324
Other	12	**5,766**	86
Total current assets		**376,533**	375,505
Non-current assets			
Trade and other receivables	10	**2,185**	1,223
Inventories	11	**133,036**	121,436
Property, plant and equipment	13	**429,768**	443,633
Mine assets	14	**62,390**	69,338
Other	12	**1,599**	1,140
Total non-current assets		**628,978**	636,770
Total assets		**1,005,511**	1,012,275
LIABILITIES			
Current liabilities			
Trade and other payables	16	**64,513**	48,173
Borrowings	17	**36**	-
Provisions	18	**10,465**	8,614
Current tax liabilities		**12,949**	667
Total current liabilities		**87,963**	57,454
Non-current liabilities			
Trade and other payables	16	**31,792**	30,985
Borrowings	17	**108**	-
Provisions	18	**32,352**	32,956
Deferred tax liabilities	19	**36,313**	24,336
Total non-current liabilities		**100,565**	88,277
Total liabilities		**188,528**	145,731
Net assets		**816,983**	866,544
EQUITY			
Contributed equity	20	**871,505**	982,444
Reserves	21	**3,937**	934
Accumulated losses	22	**(53,103)**	(112,003)
Capital and reserves attributable to the owners		**822,339**	871,375
Non-controlling interests	35	**(5,356)**	(4,831)
Total equity		**816,983**	866,544

The above consolidated balance sheet should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2010

2009	NOTE	ATTRIBUTABLE TO OWNERS OF MINARA RESOURCES LIMITED					
		Contributed equity	Reserves	Accumulated losses	Attributable to the owners	Non-controlling interests	Total equity
		$000	$000	$000	$000	$000	$000
Balance at 1 January 2009		980,212	182	(160,636)	819,758	(4,733)	**815,025**
Total comprehensive income/(loss) for the year		-	-	48,633	48,633	(98)	**48,535**
Transactions with owners in their capacity as owners:							
Tax effect of rights issue transaction costs		2,232	-	-	2,232	-	**2,232**
Share based payments	21	-	752	-	752	-	**752**
Balance at 31 December 2009		**982,444**	**934**	**(112,003)**	**871,375**	**(4,831)**	**866,544**

2010	NOTE	ATTRIBUTABLE TO OWNERS OF MINARA RESOURCES LIMITED					
		Contributed equity	Reserves	Accumulated losses	Attributable to the owners	Non-controlling interests	Total equity
		$000	$000	$000	$000	$000	$000
Balance at 1 January 2010		982,444	934	(112,003)	871,375	(4,831)	**866,544**
Total comprehensive income/(loss) for the year		-	-	58,900	58,900	(525)	**58,375**
Transactions with owners in their capacity as owners:							
Return of capital - 9.5c per share	20(a)	(110,939)	-	-	(110,939)	-	**(110,939)**
Share based payments	21	-	3,003	-	3,003	-	**3,003**
Balance at 31 December 2010		**871,505**	**3,937**	**(53,103)**	**822,339**	**(5,356)**	**816,983**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2010

	NOTE	CONSOLIDATED 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**477,035**	409,109
Payments to suppliers and employees (inclusive of GST)		**(365,549)**	(329,622)
Interest received		**12,850**	5,998
Interest and other costs of finance paid		**(8)**	-
Income taxes (paid)/received		**(1,812)**	25,043
Net cash inflow (outflow) from operating activities	32	**122,516**	110,528
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**12**	-
Payments for property, plant and equipment		**(32,485)**	(5,431)
Payments for mine assets		**(1,830)**	-
Sale of nickel exploration rights		**-**	2,000
Proceeds from term deposits and bonds		**1,347**	5,441
Net cash (outflow) inflow from investing activities		**(32,956)**	2,010
Cash flows from financing activities			
Payment of return of capital		**(110,939)**	-
Repayment of lease liabilities		**(6)**	-
Repayment of payable due to Amshell Pty Ltd		**(671)**	(4,048)
Net cash (outflow) from financing activities		**(111,616)**	(4,048)
Net (decrease) increase in cash and cash equivalents		**(22,056)**	108,490
Cash and cash equivalents at the beginning of the financial year		**247,142**	142,540
Effects of exchange rate changes on cash and cash equivalents		**(833)**	(3,888)
Cash and cash equivalents at the end of the year	9	**224,253**	247,142
Financing arrangements			
Non-cash financing and investing activities	33		

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Consolidated Entity consisting of Minara Resources Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statements of Minara Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Minara Resources Limited ('company' or 'parent entity') as at 31 December 2010 and the results of all subsidiaries for the year then ended. Minara Resources Limited and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries, for the purpose of this financial report, are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the company.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Joint ventures

Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 28.

(c) Segment reporting

Operating segments are reported in a manner consistent with the management reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Minara Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Nickel and cobalt sales are recognised at a provisional spot price at the date of delivery. Final re-pricing for nickel sales is at an average spot price of the third month following delivery. Final re-pricing 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 is passed to the buyer.

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

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).

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Minara Resources Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (notes 13(a), 25(d)). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 25(c)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly-liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 7 to 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against other expenses in profit or loss.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statements within 'other expenses'. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against other expenses in the income statements.

(k) 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.

(l) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the consolidated balance sheet.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (continued)

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statements. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statements within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the income statements as part of revenue from continuing operations when the Group's right to receive payments is established.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(m) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Plant	20 years
- Motor vehicles	5 years
- Office equipment	4 - 20 years
- Leased plant and equipment	2.5 - 5 years

Heap leach costs directly attributable to the Heap Leach project have been capitalised and are stated at cost. Depreciation is provided for at the following rates so as to write-off the cost over the asset's estimated useful life:

- Plant	6 - 20 years
- Building and civil works	5 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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. Future costs will be capitalised and carried forward when there is a reasonable expectation that the costs will be recouped through development and exploitation of the area of interest or by future sale.

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.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition.

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(q) Provisions

Provisions for legal claims, service warranties and make-good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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.

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (continued)

(iii) Share-based payments

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

The fair value of options granted under the Long Term Incentive plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights.

The fair value at grant date is independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option. A Monte Carlo simulation is applied to fair value the Total Shareholder Return (TSR) element. The model simulates the company's TSR and compares it against the peer group over the period of the grants. The model takes into account the historic dividends, share price volatilities and co-variances of the company and each comparator company to produce a predicted distribution of relative share performance. This is applied to the grant to give an expected value of the TSR element.

(s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(t) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the company, on or before the end of the reporting period but not distributed at the end of the reporting period.

(u) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(w) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 addresses the classification, measurement and derecognition of financials assets and financial liabilities. The standard is not applicable until 1 January 2013 and the Group is yet to assess its full impact, however early indications are that it is not expected to have an impact on the amounts recognised in the financial statements. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Minara Resources Limited is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will have no impact on the financial statements of the company.

(y) Parent entity financial information

During the year there were changes to the *Corporations Act 2001* permitting entities not to prepare parent entity financial statements where consolidated financial statements are prepared for the Group, instead requiring disclosures in the notes to the consolidated financial statements in respect of the financial position and performance of the parent entity.

The financial information for the parent entity, Minara Resources Limited, disclosed in note 36 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of Minara Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

(i) Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually in accordance with the accounting policy note stated in note 1(q). 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 includes 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 re-pricing for nickel sales is at an average spot price of the third month following delivery. Final re-pricing 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 1(e).

(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.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical accounting estimates and assumptions (continued)

(iv) Net realisable value adjustments on ore

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 assets 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.

3 REVENUE

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
From operations		
Sales revenue		
Revenue from sale of product:		
- Nickel (i)	**428,610**	402,500
- Cobalt	**52,665**	60,963
- Other	**2,955**	2,106
Sales discounts, commission and freight charges	**(19,420)**	(19,495)
	464,810	446,074

(i) As at 31 December 2010, 3,294 metric tonnes (MT) nickel sales for the fourth quarter (2009: 5,107 MT) were provisionally priced at US$24,708 per MT (2009: US$18,452 per MT), with final re-pricing to occur in the first quarter of 2011 under the nickel and cobalt offtake agreements. Refer note 30(d) for nickel and cobalt sales to the ultimate parent entity.

4 OTHER REVENUE

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Bank interest	**12,850**	5,998
Ore royalty (i)	**1,506**	1,443
Other	**4,250**	2,245
	18,606	9,686

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

5 EXPENSES

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Profit before income tax includes the following specific expenses:		
Cost of production		
Production costs	**301,778**	317,860
Depreciation of property, plant and equipment	**43,436**	43,166
Amortisation of mine properties	**8,688**	1,871
Operating Lease Expense - minimum lease payments	**5,063**	4,789
Royalties	**10,441**	10,023
Total cost of production	**369,406**	377,709
Finance expenses		
Interest and finance charges paid/payable	**8**	-
Unwinding of discount relating to the provision for rehabilitation	**861**	2,178
	869	2,178
Other expenses		
Corporate	**6,345**	7,998
Murrin Murrin administration and other	**6,169**	7,067
Equity share-based payments	**3,003**	752
Accrual for native title costs payable	**668**	887
Net foreign exchange losses (i)	**4,623**	13,839
	20,808	30,543
Allowances and write-downs		
Inventory write down/(back)	**2,597**	598
Inventory price adjustment	**1,553**	1,293
Medium-grade ore stock write-down	**993**	886
Write-offs of plant and equipment (refer also to note 13)	**2,654**	5,213
Impairment of capitalised exploration and evaluation expenditure	**90**	14
	7,887	8,004
Employee benefit expense		
Post employment benefits:		
Defined contribution plans	**6,391**	5,370
Share-based payments	**3,003**	752
Other employee benefits	**64,062**	58,350
	73,455	64,472

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

6 INCOME TAX EXPENSE

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
(a) Income tax expense		
Current tax	**12,116**	15,488
Deferred tax	**11,977**	(8,472)
Adjustments for current tax of prior periods	**1,978**	(18,225)
	26,071	(11,209)
Income tax expense/(revenue) is attributable to:		
Profit from continuing operations	**26,071**	(11,209)
Aggregate income tax expense	**26,071**	(11,209)
Deferred income tax expense/(revenue) included in income tax expense comprises:		
Decrease (increase) in deferred tax assets	**21,966**	(6,939)
Increase (decrease) in deferred tax liabilities	**(9,989)**	(1,533)
	11,977	(8,472)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit/(loss) from continuing operations before income tax expense	**84,446**	37,326
Tax at the Australian tax rate of 30% (2009 - 30%)	**25,334**	11,198
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**901**	225
R & D permanent uplift	**(1,964)**	(4,620)
Income tax losses not brought to account	**262**	213
	24,533	7,016
Adjustments for current tax of prior periods	**1,978**	(18,225)
Previously unrecognised tax losses now recouped to reduce current tax expense	**(440)**	-
Total income tax expense/(revenue)	**26,071**	(11,209)
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**67,406**	68,220
Potential tax benefit at 30%	**20,222**	20,466

7 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of directors and other key management personnel

P Coates	Non-executive Director and Chairman
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
W Ashworth	General Manager Operations
R Maltese	Acting Chief Financial Officer (until 27 April 2010)
A Bantock	Chief Financial Officer (from 27 April 2010)
C Sargent	General Counsel & Company Secretary
J Cooke	General Manager Corporate Development
J O'Callaghan	Group Technical Manager
M Brown	Engineering Services Manager

(b) Key management personnel compensation

	CONSOLIDATED	
	2010 $	2009 $
Short-term benefits	**5,350,146**	4,518,342
Post-employment benefits	**245,722**	301,110
Termination benefits	**-**	372,880
Share-based payments	**1,379,053**	217,123
	6,974,921	5,409,455

Detailed remuneration disclosures are provided in the remuneration report on pages 22 to 31.

7 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity instrument disclosures relating to key management personnel

(i) Rights holdings

The number of rights over ordinary shares in the Company held during the financial year by directors of Minara Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2010 RIGHTS HOLDINGS	HELD					
Name	**No. at 1 Jan 2010**	**Granted as compensation**	**Lapsed**	**No. at 31 Dec 2010**	**Vested and exercisable**	**Unvested**
Directors						
P Coates	-	-	-	-	-	-
P Johnston	390,000	2,764,585	201,533	2,953,052	236,583	2,716,469
J Morrison	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-
Other key management personnel of the Group						
A Bantock	-	142,614	-	142,614	-	142,614
W Ashworth	351,446	315,007	90,805	575,648	106,598	469,050
C Sargent	268,208	263,990	69,299	462,899	81,350	381,549
J Cooke	254,336	252,091	65,714	440,713	77,143	363,570
J O'Callaghan (i)	231,214	232,261	59,740	403,735	70,130	333,605
M Brown	249,710	234,545	64,520	419,735	75,740	343,995
	1,744,914	**4,205,093**	**551,611**	**5,398,396**	**647,544**	**4,750,852**

(i) Mr O'Callaghan did not meet the definition of a Key Management Personnel under AASB 124 in 2009 but is considered a Key Management Personnel for 2010. 2009 comparative figures are not shown.

2009 RIGHTS HOLDINGS	HELD					
Name	**No. at 1 Jan 2009**	**Granted as compensation**	**Lapsed**	**No. at 31 Dec 2009**	**Vested and exercisable**	**Unvested**
Directors						
P Coates	-	-	-	-	-	-
P Johnston	-	390,000	-	390,000	-	390,000
J Morrison	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-
Other key management personnel of the Group						
D Pile (i)	-	351,446	351,446	-	-	-
W Ashworth	-	351,446	-	351,446	-	351,446
C Sargent	-	268,208	-	268,208	-	268,208
J Cooke	-	254,336	-	254,336	-	254,336
M Brown	-	249,710	-	249,710	-	249,710
	-	**1,865,146**	**351,446**	**1,513,700**	**-**	**1,513,700**

(i) Rights lapsed on cessation of employment on 31 December 2009.

7 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Equity instrument disclosures relating to key management personnel (continued)

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Minara Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010 SHARE HOLDINGS	HELD					
Name	No. at 1 Jan 2010	Granted as compensation	Received on exercise of options	Divestment	Equity acquired (non-option related)	No. at 31 Dec 2010
Directors						
P Coates	151,500	-	-	-	-	151,500
P Johnston	3,129,000	-	-	-	-	3,129,000
J Morrison	-	-	-	-	50,000	50,000
I Glasenberg (i)	-	-	-	-	-	-
W Strothotte (i)	-	-	-	-	-	-
M Macpherson	25,000	-	-	-	-	25,000
Other key management personnel of the Group						
A Bantock	-	-	-	-	-	-
W Ashworth	124,000	-	-	-	-	124,000
C Sargent	-	-	-	-	-	-
J Cooke	10,000	-	-	-	-	10,000
J O'Callaghan	-	-	-	-	-	-
M Brown	-	-	-	-	-	-
	3,439,500	**-**	**-**	**-**	**50,000**	**3,489,500**

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

2009 SHARE HOLDINGS	HELD					
Name	No. at 1 Jan 2009	Granted as compensation	Received on exercise of options	Divestment	Equity acquired (non-option related)	No. at 31 Dec 2009
Directors						
P Coates	151,500	-	-	-	-	151,500
P Johnston	3,129,000	-	-	-	-	3,129,000
J Morrison	-	-	-	-	-	-
I Glasenberg (i)	-	-	-	-	-	-
W Strothotte (i)	-	-	-	-	-	-
M Macpherson	25,000	-	-	-	-	25,000
Other key management personnel of the Group						
D Pile	65,000	-	-	(40,000)	-	25,000
W Ashworth	124,000	-	-	-	-	124,000
C Sargent	-	-	-	-	-	-
J Cooke	10,000	-	-	-	-	10,000
M Brown	-	-	-	-	-	-
	3,504,500	**-**	**-**	**(40,000)**	**-**	**3,464,500**

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

7 KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Other transactions with key management personnel

Refer to note 30(g) for details on other transactions with key management personnel.

8 REMUNERATION OF AUDITORS

The auditor of Minara Resources Limited is Deloitte Touche Tohmatsu.

	CONSOLIDATED	
	2010 $	2009 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Audit and review of the financial report	**332,100**	355,200
Taxation services:		
Tax compliance and advisory	**320,459**	527,993
Other non-audit services - assurance services	**-**	28,661
	652,559	911,854

9 CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2010 $'000	2009 $'000
Cash at bank and in hand	**49,253**	57,142
Deposits at call	**175,000**	190,000
	224,253	247,142

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 34.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

10 TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2010 $'000	2009 $'000
Current		
Trade debtors (i)	**44,605**	48,242
Term deposits (ii)	**2,827**	3,888
Other receivables	**7,507**	3,206
Receivables from controlled/related entities	**157**	617
	55,096	55,953
Non-current		
Other receivables	**2,185**	1,223
	2,185	1,223

(i) Trade debtors include amounts owed to the Consolidated Entity from the sale of finished product to Glencore International AG under nickel and cobalt offtake agreements of $44,605,226 (2009: $48,241,521). All sales under the offtake agreements are on normal commercial terms and conditions. The average credit period on sales of goods is 37 days from the date of invoice.

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Amounts secured by bank issued indemnity guarantees	**904**	801

(a) Impaired receivables and receivables past due but not impaired

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

(b) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 34.

(c) Fair value and credit risk

Refer to note 34(i) for information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

11 INVENTORIES

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Current		
Raw materials - at cost	**67,850**	52,526
Raw materials written-down	**(10,436)**	(7,839)
	57,414	44,687
Ore stocks - at cost	**12,386**	10,107
Work in progress - at cost	**16,123**	13,153
Finished goods - at cost	**5,495**	4,377
Total current inventories	**91,418**	72,324
Non-current		
Ore stocks	**134,029**	122,322
Ore stocks written down	**(993)**	(886)
Total non-current inventories (i)	**133,036**	121,436
Total inventory	**224,454**	193,760
(i) Reconciliation of non-current ore stocks		
Ore stocks - at cost	**127,855**	117,248
Ore stocks - net realisable value	**5,181**	4,188
	133,036	121,436

12 OTHER ASSETS

	CONSOLIDATED	
	2010 $'000	2009 $'000
Current		
Prepayments	5,099	-
Other	667	86
	5,766	86
Non-current		
Secured deposits [i]	1,599	1,140
	1,599	1,140

(i) Secured by a bank issued indemnity guarantee.

13 PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED	
	Plant and equipment at cost $'000	Total $'000
At 1 January 2009		
Cost	755,914	755,914
Accumulated depreciation	(259,700)	(259,700)
Net book amount	496,214	496,214
Year ended 31 December 2009		
Opening net book amount	496,214	496,214
Additions	5,431	5,431
Disposals	-	-
Write-offs	(5,199)	(5,199)
Reduction in rehabilitation asset	(9,648)	(9,648)
Depreciation charge	(43,165)	(43,165)
Closing net book amount	443,633	443,633
At 31 December 2009		
Cost	746,484	746,484
Accumulated depreciation	(302,851)	(302,851)
Net book amount	443,633	443,633
Year ended 31 December 2010		
Opening net book amount	443,633	443,633
Additions	32,636	32,636
Disposals	(2)	(2)
Write-offs	(2,654)	(2,654)
Reduction in rehabilitation asset	(409)	(409)
Depreciation charge	(43,436)	(43,436)
Closing net book amount	429,768	429,768
At 31 December 2010		
Cost	773,256	773,256
Accumulated depreciation	(343,488)	(343,488)
Net book amount	429,768	429,768

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	CONSOLIDATED	
	2010 $'000	2009 $'000
Leased equipment		
Cost	151	-
Accumulated depreciation	(8)	-
Net book amount	143	-

14 MINE ASSETS

	CONSOLIDATED		
	Mine properties at cost $'000	Development at cost $'000	Total $'000
At 1 January 2009			
Cost	95,246	23,800	119,046
Accumulated amortisation	(47,657)	-	(47,657)
Net book amount	47,589	23,800	71,389
Year ended 31 December 2009			
Opening net book amount	47,589	23,800	71,389
Additions	-	-	-
Disposals	-	-	-
Impairment of capitalised exploration and evaluation expenditure	(14)	-	(14)
Amortisation	(2,037)	-	(2,037)
Closing net book amount	45,538	23,800	69,338
At 31 December 2009			
Cost	95,246	23,800	119,046
Accumulated amortisation	(49,708)	-	(49,708)
Net book amount	45,538	23,800	69,338
Year ended 31 December 2010			
Opening net book amount	45,538	23,800	69,338
Additions	1,830	-	1,830
Disposals	-	-	-
Impairment of capitalised exploration and evaluation expenditure	(90)	-	(90)
Amortisation	(8,688)	-	(8,688)
Closing net book amount	38,590	23,800	62,390
At 31 December 2010			
Cost	96,986	23,800	120,786
Accumulated amortisation	(58,396)	-	(58,396)
Net book amount	38,590	23,800	62,390

Aggregated amortisation allocated during the year is recognised as an expense and disclosed in note 5 to the financial statements.

15 DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

	CONSOLIDATED		
2010	**Opening balance $'000**	**Charged to income $'000**	**Closing balance $'000**
Provisions	**33,191**	**(21,966)**	**11,225**
	33,191	**(21,966)**	**11,225**
Set-off of deferred tax liabilities pursuant to set-off provisions under AASB 112 (note 19)			**(11,225)**
Net deferred tax assets			**-**

	CONSOLIDATED		
2009	**Opening balance $'000**	**Charged to income $'000**	**Closing balance $'000**
Provisions	26,252	6,939	33,191
	26,252	6,939	33,191
Set-off of deferred tax liabilities pursuant to set-off provisions under AASB 112 (note 19)			(33,191)
Net deferred tax assets			-

16 TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Current		
Trade payables & accruals	**64,161**	46,577
Other payables	**352**	1,596
	64,513	48,173
Non-current		
Other payables (i)	**31,792**	30,985
	31,792	30,985

(i) Includes an amount of $21,378,136 (2009: $22,049,145) payable to Amshell Pty Limited, a subsidiary of Glencore, and relates to the acquisition of Abednego Nickel Pty Limited ('Abednego'). This is payable over the mining life of tenements held by Abednego (currently planned for a further approximate 10 years) in line with ore delivered to the Joint Venture. Refer to note 30(f) for further details.

17 BORROWINGS

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Current		
Lease liabilities - secured	**36**	-
	36	-
Non-current		
Lease liabilities - secured	**108**	-
	108	-

18 PROVISIONS

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Current		
Employee benefits (i)	**9,298**	7,714
Provision for rehabilitation (ii)	**1,167**	900
	10,465	8,614
Non-current		
Employee benefits (i)	**1,240**	1,168
Provision for rehabilitation (ii)	**31,112**	31,788
	32,352	32,956

(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
Discount rate (%)	**5**	5
Settlement term (years)	**5**	5

(ii) Rehabilitation

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 the profit or loss as an interest expense.

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	REHABILITATION
2010	**$'000**
Carrying amount at start of year	**32,688**
Change in estimate of rehabilitation obligation	**(409)**
Expenditure incurred	**(861)**
Unwind discount expense for the year	**861**
Carrying amount at end of year	**32,279**

19 DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

2010	CONSOLIDATED Opening balance $'000	Charged to income $'000	Closing balance $'000
Property, plant and equipment	**23,852**	**(2,458)**	**21,394**
Mine assets	**20,801**	**(2,055)**	**18,746**
Inventories	**12,874**	**(5,476)**	**7,398**
	57,527	**(9,989)**	**47,538**
Set-off of deferred tax liabilities pursuant to set-off provisions under AASB 112 (note 15)			**(11,225)**
Net deferred tax liabilities			**36,313**

2009	CONSOLIDATED Opening balance $'000	Charged to income $'000	Closing balance $'000
Property, plant and equipment	22,856	996	23,852
Mine assets	21,417	(616)	20,801
Inventories	14,787	(1,913)	12,874
	59,060	(1,533)	57,527
Set-off of deferred tax liabilities pursuant to set-off provisions under AASB 112 (note 15)			(33,191)
Net deferred tax liabilities			24,336

20 CONTRIBUTED EQUITY

	PARENT 2010 $'000	2009 $'000
1,167,783,517 fully paid ordinary shares (2009: 1,167,783,517)	**871,505**	982,444

(a) Movements in ordinary share capital

	PARENT No. '000	$'000
Fully-paid ordinary shares		
1 January 2009 opening balance	1,167,783	980,212
Shares issued from rights issue	-	2,232
31 December 2009 closing balance	1,167,783	982,444
1 January 2010 opening balance	**1,167,783**	**982,444**
Return of capital - 9.5c per share	**-**	**(110,939)**
31 December 2010 closing balance	**1,167,783**	**871,505**

20 CONTRIBUTED EQUITY (CONTINUED)

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of, and amounts paid on, the shares held. On a show of hands, every holder of ordinary shares present at a meeting of shareholders in person or by proxy is entitled to one vote and, upon a poll, each share is entitled to one vote.

(c) Return of capital to shareholders

Excess cash raised under Minara's rights issue in December 2008 was returned to shareholders at the rate of 9.5 cents per share, approved by shareholders on 17 August 2010, resulting in a total of $111 million paid to shareholders in September 2010.

21 RESERVES

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Employee equity-settled benefits	**3,937**	934
	3,937	934

(a) Nature and purpose of reserves

The equity-settled employee benefits reserve arises on the grant of share rights to executives and senior employees under the employee share plan. Amounts are transferred out of the reserve and into issued capital when the rights have vested.

(b) Movements

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Employee equity-settled benefits reserve		
Balance at beginning of financial year	**934**	182
Share-based payment	**3,003**	752
Balance at end of financial year	**3,937**	934

22 ACCUMULATED LOSSES

Movements in accumulated losses were as follows:

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Balance at beginning of financial period	**(112,003)**	(160,636)
Net profit for the year	**58,900**	48,633
Balance at end of financial period	**(53,103)**	(112,003)

23 EARNINGS PER SHARE

	CONSOLIDATED	
	2010 Cents per share	**2009 Cents per share**
(a) Basic earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**5.04**	4.16
(b) Diluted earnings per share		
From continuing operations attributable to the ordinary equity holders of the company	**5.00**	4.16

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
(c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**58,900**	48,633
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**58,900**	48,633
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**58,900**	48,633

	CONSOLIDATED	
	2010 Number	**2009 Number**
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,167,783,517**	1,167,783,517
Adjustments for calculation of diluted earnings per share:		
Employee rights	**9,491,635**	1,880,675
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**1,177,275,152**	1,169,664,192

24 DIVIDENDS

	PARENT	
	2010 $'000	2009 $'000
(a) Ordinary shares		
No final dividend was paid for the year ended 31 December 2009 (2008 - Nil)	**-**	-
No interim dividend was paid during the current year or for the year ended 31 December 2009	**-**	-
Total dividends provided for or paid	**-**	-
(b) Dividends not recognised at year end		
Since year end the directors have declared the payment of a final dividend of 5.0 cents per fully paid ordinary share (2009 - Nil) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 22 March 2011 out of Group retained profits at 31 December 2010, but not recognised as a liability at year end, is $58,471,224	**58,471**	-

	CONSOLIDATED		PARENT	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(c) Franked dividends				
Franking credits available for subsequent financial years based on a tax rate of 30% (2009 - 30%)	**20,139**	5,356	**6,763**	5,445

The above amounts represent the balance of the franking account as at the reporting date, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

25 COMMITMENTS

	CONSOLIDATED	
	2010 $'000	2009 $'000
(a) Capital expenditure commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment		
Within one year	**6,280**	2,154
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	6,280	2,154
(b) Exploration expenditure commitments		
In order to maintain current rights of tenure to exploration tenements, the Consolidated Entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the State Government of Western Australia. These obligations are subject to renegotiation when application for a mining lease is made and at other times. The commitments not provided and payable at balance date are:		
Within one year	**4,325**	4,276
Later than one year but not later than five years	**16,572**	17,113
Later than five years	**98,780**	104,610
	119,677	125,999

25 COMMITMENTS (CONTINUED)

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
(c) Operating leases		
The Group leases various offices under non-cancellable operating leases expiring within one year. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**707**	1,467
Later than one year but not later than five years	**-**	707
Later than five years	**-**	-
	707	2,174
(d) Finance leases		
The Group leases various plant and equipment with a carrying amount of $143,342 (2009 - Nil) under finance leases expiring within five years. Under the terms of the lease, the Group has the option to acquire the leased assets.		
Commitments in relation to finance leases are payable as follows:		
Within one year	**37**	-
Later than one year but not later than five years	**138**	-
Later than five years	**-**	-
Minimum lease payments	**175**	-
Future finance charges	**(31)**	-
Total lease liabilities	**144**	-
Representing lease liabilities:		
Current	**36**	-
Non-current	**108**	-
	144	-
(e) Other commitments		
The Joint Venture has commitments relating to camp facilities, handling facilities, grade control drilling and calcrete mining and processing, maintenance contracts and industrial gas supply which predominantly relate to the earnings of revenue in the ordinary course of business.		
Other commitments relating to property and access agreements not provided and payable at balance date are:		
Within one year	**1,398**	67
Later than one year but not later than five years	**9,046**	7,566
Later than five years	**25,486**	27,985
	35,930	35,618

26 CONTINGENCIES

(a) Contingent liabilities

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.

Claims

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 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. On 10 August 2010 Wutha lodged a schedule of loss and damages claiming $62 million. Minara believes the claim is unfounded, grossly inflated and without merit. Minara continues to vigorously defend the proceedings.

(b) Financing arrangements

(i) The Group has in place bank guarantee facilities of $40,065,900 (2009: $40,065,900) of which $4,794,046 (2009: $1,502,866) was utilised. $3,622,080 are in favour of the Minister of Mines (2009: $330,900) and $1,171,966 to other third parties (2009: $1,171,966).

27 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

NAME	NOTE	CLASS OF SHARE	INTEREST HELD %	
			2010	**2009**
Minara Resources Holdings Pty Ltd		Ord	**100**	100
Murrin Murrin Holdings Pty Limited		Ord	**100**	100
Murrin Murrin Operations Pty Ltd	1,2	Ord	**100**	100
Minara Pastoral Holdings Pty Ltd	1	Ord	**60**	60
Quartz Water Leonora Pty Ltd	1	Ord	**60**	60
Mount Margaret Nickel Pty Ltd	1	Ord	**60**	60
Nickel Burner Tavern Pty Ltd	1	Ord	**100**	100
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
Anaconda Exploration Pty Ltd	1	Ord	**100**	100
Minara (Ravensthorpe) Pty Ltd	1	Ord	**100**	100
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

1. 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.
2. Manager of the Murrin Murrin Joint Venture.

28 JOINTLY CONTROLLED OPERATIONS AND ASSETS

Murrin Murrin Holdings Pty Ltd has a 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 Project (60%) and the Murrin Murrin East Project (60%), recorded in accordance with the accounting policies described in note 1(b).

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	
	2010 $'000	**2009 $'000**
Current assets		
Cash and cash equivalents	**2,728**	5,111
Trade and other receivables	**8,392**	6,227
Inventories	**85,922**	67,947
Other	**5,718**	-
Total current assets	**102,760**	79,285
Non-current assets		
Trade and other receivables	**2,582**	3,301
Inventories	**133,036**	121,436
Property, plant and equipment	**416,706**	430,034
Mine assets	**62,390**	69,337
Other	**878**	1,165
Total non-current assets	**615,592**	625,273
Total assets	**718,352**	704,558

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 25 and 26 respectively.

29 SEGMENT INFORMATION

The Group has one reportable segment, as described below. The Group's CEO reviews internal management reports on a monthly basis. The following summary describes the operations in the Group's reportable segments.

- Nickel mining: includes the mining, processing and refining of nickel-lateritic ore to produce LME-grade nickel briquettes.

Given the Group has one reporting segment, operating results and financial information are not separately disclosed in this note.

The Group operates in one geographical location, being Western Australia.

30 RELATED PARTY DISCLOSURES

(a) Parent entities

The parent entity within the Group is Minara Resources Limited. Minara Resources Limited's immediate and ultimate parent entity is Glencore International AG which at 31 December 2010 owned 70.63% of the issued ordinary shares of Minara Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Key Management Personnel

Disclosures relating to key management personnel are set out in note 7.

(d) Transactions with other related parties

Glencore International AG ('Glencore')

(i) In January 2002, Murrin Murrin Holdings Pty Ltd ('MMH') entered into a Nickel Offtake Agreement ('NOA') and a Cobalt Offtake 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 the 30 November 2005, both the NOA and the COA were extended for a further five years from 1 December 2006.

(ii) The Murrin Murrin Joint Venture entered into an offtake agreement with Glencore Land (Australia) Pty Ltd, an indirect subsidiary of Glencore, commencing 1 February 2009 following a tender process which included a number of parties. The offtake 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.

Wholly-owned Group

During the year there were 1,720 tonnes of nickel (2009: Nil) sold/delivered to Minara under a forward sale agreement. At 31 December 2010, the balance owing to Minara from MMH under the forward sale agreement was 19,322 (2009: 21,042) tonnes of nickel. On revaluation of the balance at a provisional transaction price of US$24,708/MT (2009: US$18,452/MT) an unrealised foreign exchange and commodity price gain of A$57,674,228 (2009: gain of A$79,620,500) 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.

The following transactions occurred with related parties other than key management personnel or entities related to them:

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Sales of good and services		
Nickel and cobalt sales to ultimate parent entity (net of discounts and freight charges)	**464,810**	446,074
(e) Outstanding balances arising from sales/purchases of goods and services		
The following balances are outstanding at the reporting date in relation to transactions with related parties other than key management personnel:		
Current receivables (sales of goods and services)		
Ultimate parent entity	**44,605**	48,242
(f) Loans from related parties		
Loans from subsidiary of ultimate parent entity		
Beginning of the year	**22,049**	26,097
Loan repayments made	**(671)**	(4,048)
End of year	**21,378**	22,049

(g) Other transactions with Key Management Personnel

During the year the Consolidated Entity obtained property consulting services from Grant Samuel Property Pty Ltd, in respect of which Mr John Morrison has an indirect interest as an executive director of Grant Samuel. The services were provided on arms length commercial terms and conditions.

During the year the Consolidated Entity provided travel, accommodation and catering services to Range River Gold Limited, in respect of which Mr Malcolm Macpherson is a director. These services were provided on arms length commercial terms and conditions.

31 SUBSEQUENT EVENTS

Since year end the directors have declared the payment of a final dividend on ordinary shares in respect of the 2010 financial year. The total amount of the dividend is $58,471,224 (2009 - Nil), which represents a fully-franked dividend of 5.0 cents (2009 - Nil) per fully-paid ordinary share.

Other than as disclosed in this report, no other matter or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

(a) the Consolidated Entity's operations in future financial years; or
(b) the results of those operations in future financial years; or
(c) the Consolidated Entity's state of affairs in future financial years.

32 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Profit/(loss) for the year	**58,375**	48,535
Non-cash interest and other cost of finance paid	**-**	1,416
Depreciation and amortisation	**52,124**	45,036
Net (gain)/loss on sale of assets	**(10)**	-
Write-off of property, plant and equipment	**2,654**	5,199
Unrealised foreign exchange (gains)/losses	**833**	3,887
Employee share-based payments	**3,003**	752
Impairment of capitalised exploration and evaluation expenditure	**90**	14
Sale of nickel rights	**-**	(2,000)
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	**1,618**	(28,728)
(Increase)/decrease in inventory	**(30,694)**	29,024
(Increase)/decrease in other assets	**(9,441)**	491
Increase/(decrease) in trade creditors	**18,257**	(6,010)
Increase/(decrease) in provisions	**1,448**	1,332
Increase/(decrease) in current tax payable	**12,283**	20,052
Increase/(decrease) in deferred tax balances	**11,976**	(8,472)
Net cash inflow/(outflow) from operating activities	**122,516**	110,528

33 NON-CASH INVESTING AND FINANCING ACTIVITIES

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Acquisition of plant and equipment by means of finance leases	**151**	-

34 FINANCIAL INSTRUMENTS

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, commodity price risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rates and foreign exchange. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk, and liquidity risk is monitored through the development of future rolling cash flow forecasts.

The primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified above.

(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 20), reserves (note 21) and accumulated losses (note 22).

(b) Categories of financial instruments

The Group holds the following financial instruments:

	CONSOLIDATED	
	2010 $'000	**2009 $'000**
Financial Assets		
Cash and cash equivalents	**224,253**	247,142
Loans and receivables	**64,646**	58,402
	288,899	305,544
Financial Liabilities		
Amortised cost:		
Loans, borrowings, trade payables and provisions	**128,728**	111,846
	128,728	111,846

(c) 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.

(d) Foreign exchange risk management

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar (USD).

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The Board considers the Group's foreign exchange risk to be minimal and as such does not hedge itself against this exposure nor has a specified risk management policy for foreign exchange risk.

The Consolidated Entity's exposure to foreign currency risk at the reporting date, expressed in Australian dollars, was as follows:

CURRENCY	USD	
	2010 $'000	**2009 $'000**
Cash and cash equivalents	**19,928**	23,680
Trade and other receivables	**44,605**	48,242
Trade and other payables	**(2,660)**	(3,599)
Net exposure	**61,873**	68,323

34 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Foreign exchange sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar.

	EQUITY/POST TAX PROFIT	
	2010 $'000	2009 $'000
US dollar - increase 10%	**(5,625)**	(6,226)
US dollar - decrease 10%	**6,874**	7,610

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.

(f) 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, as required, at both fixed and floating interest rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating-rate borrowings.

(g) Interest rate sensitivity

The Group has cash on hand and no significant outstanding loans, and as such does not have a material exposure to interest rates as at 31 December 2010.

(h) Commodity price risks

Under the terms of the Glencore Offtake Agreement the Group is exposed to movements in the nickel prices on un-finalised sales.

The following table details the sensitivity of an increase or decrease of 10% in the price of nickel on equity and post tax profit.

	EQUITY/POST TAX PROFIT	
	2010 $'000	2009 $'000
- increase 10%	**7,489**	9,742
- decrease 10%	**(7,489)**	(9,742)

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 Group and the company, which have been recognised on the balance sheet, is the carrying amount, net of any allowance for doubtful debts.

The Consolidated Entity trades only with recognised, creditworthy third parties (predominantly Glencore), and as such collateral is not requested nor is it the Consolidated Entity's policy to securitise its trade and other receivables. 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.

34 FINANCIAL INSTRUMENTS (CONTINUED)

(j) 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.

	CONSOLIDATED	
	2010 $'000	2009 $'000
Financing arrangements		
Bank guarantee facility (undrawn)	**35,272**	38,563

Maturities of financial liabilities

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The Group had no derivative financial instruments.

GROUP At 31 December 2010	Less than 6 months $'000	6 - 12 months $'000	1 - 5 years $'000	Later than 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives						
Non interest bearing	**64,513**	**-**	**10,414**	**21,378**	**96,305**	**96,305**
Provisions	**-**	**-**	**-**	**84,170**	**84,170**	**32,279**
Interest bearing						
Finance lease liability	**19**	**19**	**138**	**-**	**175**	**144**
Total non-derivatives	**64,532**	**19**	**10,552**	**105,548**	**180,650**	**128,728**

GROUP At 31 December 2009	Less than 6 months $'000	6 - 12 months $'000	1 - 5 years $'000	Later than 5 years $'000	Total contractual cash flows $'000	Carrying amount (assets)/ liabilities $'000
Non-derivatives						
Non interest bearing	48,173	-	8,936	22,049	79,158	79,158
Provisions	-	-	-	89,047	89,047	32,688
Total non-derivatives	48,173	-	8,936	111,096	168,205	111,846

35 NON-CONTROLLING INTEREST

	CONSOLIDATED	
	2010 $'000	2009 $'000
Interests in:		
Retained earnings/(accumulated losses)	**(5,356)**	(4,831)
	(5,356)	(4,831)

36 PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	PARENT	
	2010 $'000	2009 $'000
Balance sheet		
Current assets	**176,588**	252,879
Non-current assets	**614,248**	640,105
Total assets	**790,836**	892,984
Current liabilities	**5,369**	6,303
Non-current liabilities	**1,049**	1,044
Total liabilities	**6,418**	7,347
Shareholders' equity		
Contributed equity	**871,505**	982,444
Reserves	**3,937**	934
Accumulated losses	**(91,024)**	(97,741)
	784,418	885,637
Profit/(loss) for the year	**6,717**	(4,543)
Total comprehensive income/(loss)	**6,717**	(4,543)

(b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity at 31 December 2010 other than those disclosed in note 26.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2010 other than those disclosed in note 26.

37 SHARE-BASED PAYMENTS

(a) Performance rights plan

Transition LTI Scheme 2009 and LTI Scheme 2009

The key terms of the performance rights granted under the Transition 2009 LTI Scheme and 2009 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;
- under the 2009 Transition LTI Scheme, performance rights will not vest before 1 January 2011;
- under the 2009 LTI Scheme, performance rights will not vest before 1 January 2012;
- 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;
- under the Transition 2009 LTI Scheme shares will be issued at a nil exercise price on or around 1 January 2011 following satisfaction of the performance hurdles;
- under the 2009 LTI Scheme shares will be issued at a nil exercise price on or around 1 January 2012 following satisfaction of the performance hurdles; and
- the directors may, not withstanding the satisfaction of any performance or other hurdles, at any time prior to shares being allotted on vesting of the performance rights to a participant, determine that all performance rights granted on a particular date will lapse.

LTI Scheme 2010

The key terms of the performance rights granted under the 2010 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;
- under the 2010 LTI Scheme, performance rights will not vest before 1 January 2013;
- 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;
- under the 2010 LTI Scheme shares will be issued at a nil exercise price on or around 1 January 2013 following satisfaction of the performance hurdles; and
- the directors may, not withstanding the satisfaction of any performance or other hurdles, at any time prior to shares being allotted on vesting of the performance rights to a participant, determine that all performance rights granted on a particular date will lapse.

37 SHARE-BASED PAYMENTS (CONTINUED)

(a) Performance rights plan (continued)

Fair value of rights granted

The assessed fair value at grant date of rights granted during the year ended 31 December 2010 is detailed below. The fair value at grant date was independently determined using a Binomial Tree option pricing model that takes into account the exercise price, the term of the rights, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free rate for the term of the rights. A Monte Carlo simulation is applied to fair value the TSR element. The model simulates the company's TSR and compares it against the peer group over the period of the grants. The model takes into account the historic dividends, share price volatilities and co-variances of the company and each comparator company to produce a predicted distribution of relative share performance. This is applied to the grant to give an expected value of the TSR element.

The model inputs for rights granted during the year ended 31 December 2010 included:

	Performance rights	Performance rights	Performance rights (continuing service)
	Tranche 1	Tranche 2	Tranche 3
	2010 LTI Scheme	P Johnston 2010	P Johnston 2010
Fair value of rights	*$0.478*	*$0.511*	*$0.615*
(a) exercise price:	$0.00	$0.00	$0.00
(b) grant date:	8 June 2010	25 May 2010	25 May 2010
(c) expiry date:	31 December 2012	31 December 2012	31 December 2012
(d) share price at grant date:	$0.655	$0.710	$0.710
(e) expected price volatility of the company's shares:	103.4%	102.4%	100.0%
(f) expected dividend yield:	5.50%	5.50%	5.50%
(g) risk-free interest rate:	4.68%	4.59%	4.59%

As a consequence of the return of capital which was approved by shareholders at the extraordinary general meeting on 17 August 2010, additional rights were granted to eligible participants. The model inputs in relation to these rights are as follows:

	Performance rights	Performance rights	Performance rights (continuing service)	Performance rights	Performance rights	Performance rights
	2010 LTI Scheme	P Johnston 2010	P Johnston 2010	2009 LTI Scheme	2009 Trans LTI Scheme	P Johnston 2009
Fair value of rights	*$0.623*	*$0.623*	*$0.716*	*$0.528*	*$0.515*	*$0.515*
(a) exercise price:	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
(b) grant date:	4 October 2010	4 October 2010	4 October 2010	4 October 2010	4 October 2010	4 October 2010
(c) expiry date:	31 December 2012	31 December 2012	31 December 2012	31 December 2011	31 December 2010	31 December 2010
(d) share price at grant date:	$0.810	$0.810	$0.810	$0.810	$0.810	$0.810
(e) expected price volatility of the company's shares:	106.9%	106.9%	100%	57.2%	38.8%	38.8%
(f) expected dividend yield:	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
(g) risk-free interest rate:	4.84%	4.84%	4.84%	4.81%	4.81%	4.81%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly-available information.

37 SHARE-BASED PAYMENTS (CONTINUED)

(a) Performance rights plan (continued)

The following reconciles the outstanding rights granted under the LTI schemes at the beginning and end of the financial year:

	2010 Number of rights	2009 Number of rights
Balance at 1 January	**5,614,854**	-
Lapsed during the year	**(2,136,523)**	(351,446)
Exercised during the year	**-**	-
Granted during the year	**8,275,356**	5,966,300
Balance at 31 December	**11,753,687**	5,614,854
The balance comprises:		
Outstanding share rights held by key management personnel	**5,398,396**	1,513,700
Outstanding share rights held by other staff members	**6,355,291**	4,101,154
	11,753,687	5,614,854

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

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were $3,003,894 (2009: $752,000).

DIRECTORS' DECLARATION

31 DECEMBER 2010

In the directors' opinion:

(a) the financial statements and notes set out on pages 43 to 82 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the financial year ended on that date, and

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

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

P Coates AO
Chairman

PB Johnston
Managing Director & Chief Executive Officer

Perth, Western Australia
18 February 2011

Deloitte.

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Independent Auditor's Report to the members of Minara Resources Limited

We have audited the accompanying financial report of Minara Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the income statement, the statement of comprehensive income, statement of cash flows 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 43 to 83.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Minara Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2010 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on Remuneration Report

We have audited the Remuneration Report included in pages 22 to 31 of the directors' report for the year ended 31 December 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001.Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Minara Resources Limited for the year ended 31 December 2010, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Ross Jerrard
Partner
Chartered Accountants
Perth, 18 February 2011

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 3 March 2011, 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	70.53

VOTING RIGHTS

As at 3 March 2011, there were 1,169,424,487 ordinary shares. All issued shares carry voting rights on a one-for-one basis.
As at 3 March 2011, there were zero unlisted options over ordinary shares.

DISTRIBUTION OF SHAREHOLDINGS

As at 3 March 2011, the distribution of shareholdings was:

Range	Total Holders	Units	% of Issued Capital
1-1000	2,736	1,638,479	0.14
1001-5000	4,055	11,422,601	0.98
5001-10,000	1,550	12,381,523	1.06
10,001-100,000	1,905	54,494,623	4.66
100,001 and over	149	1,089,487,261	93.16
Total Issued Capital	**10,395**	**1,169,424,487**	**100**

UNMARKETABLE PARCELS

As at 3 March 2011, a marketable parcel of shares constituted 610 shares ($500). There were 1,394 holders of less than a marketable parcel.

TWENTY LARGEST SHAREHOLDERS

As at 3 March 2010, the twenty largest shareholders held 89.94% of the total issued fully paid ordinary shares.

Rank	Name	Units	% of Issued Capital
1	Glencore International AG	824,829,760	70.53
2	J P Morgan Nominees Australia	57,349,322	4.90
3	HSBC Custody Nominees (Australia) Limited	39,529,400	3.38
4	National Nominees Limited	34,558,063	2.96
5	Citicorp Nominees Pty Limited	32,406,584	2.77
6	RBC Dexia Investor Services Australia Nominees Pty Limited	17,844,460	1.53
7	J P Morgan Nominees Australia Limited <Cash Income A/C>	10,610,712	0.91
8	Emichrome Pty Ltd	3,700,240	0.32
9	Queensland Investment Corporation C/- National Nominees Limited	3,546,616	0.30
10	Mr Peter Johnston	3,365,583	0.29
11	Warbont Nominees Pty Ltd <Settlement Entrepot A/C>	3,204,376	0.27
12	Mr Bruce Lankshear <Lankshear S/F A/C>	3,000,502	0.26
13	Cogent Nominees Pty Ltd	2,992,555	0.26
14	Australian Reward Investment Alliance	2,879,329	0.25
15	Century Three X Seven Resource Fund Inc	2,595,080	0.22
16	Louras Nominees Pty Ltd <Louras Nominees P/L S/F A/C>	2,083,000	0.18
17	Woodross Nominees Pty Ltd	1,915,565	0.16
18	HSBC Custody Nominees (Australia) Limited – A/C 2	1,829,512	0.16
19	Fodiro Pty Ltd <Gary Kam Family A/C>	1,828,668	0.16
20	Communications Power Inc (Aust) Pty Ltd	1,666,668	0.14
Total		**1,051,735,995**	**89.94**

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.

cut off 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.

Disabling Injury Frequency Rate (DIFR)
is the number of disabling injuries per million man hours worked.

environmental incidents
are incidents or circumstances that breach statutory environmental obligations established through legislation, regulation or a site operating licence.

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”.

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.

HDS
is high density slurry.

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.

Lost Time Injury Frequency Rate (LTIFR)
is the number of lost-time injuries per million hours worked.

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.

ROM
is run of mine.

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.

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CORPORATE DIRECTORY

DIRECTORS

Peter Coates AO
Chairman, Non-executive Director

Peter Johnston
Managing Director & CEO

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 for Willy Strothotte

COMPANY SECRETARY

Cynthia Sargent

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FURTHER INFORMATION

Copies of this report, or further information, can be obtained through requests in writing to Investor Relations, Minara Resources Limited, PO Box Z5523, St George's Terrace, Perth WA 6831 or requests by email to info@minara.com.au.

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.

www.minara.com.au

MINARA RESOURCES LIMITED
2010 ANNUAL REPORT