



ASX ANNOUNCEMENT

PRELIMINARY FINAL REPORT

The Directors of Minara Resources Limited are pleased to announce a net annual profit of \$67.0 million for the financial period ended 31 December 2004 (six months).

A press release covering the results is attached.

The information contained in the attached Appendix 4E is lodged with the Australian Stock Exchange under Listing Rule 4.3A

ENDS

APPENDIX 4E

**ASX Preliminary Final Report
Year Ended 31 December 2004**

Lodged with the ASX under Listing Rule 4.3A

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APPENDIX 4E

1. Details of the reporting period and the previous corresponding period.

The current reporting period is 1 July 2004 to 31 December 2004

The previous corresponding comparative period is 1 July 2003 to 31 December 2003

2. Results for announcement to the market

Revenue from ordinary activities	No change	0%	to	\$369.6 million
Profit/(loss) from ordinary activities after tax attributable to members	Down	5.5%	to	\$69.0 million
Net profit/(loss) for the period attributable to members	Up	16.5%	to	\$67.0 million

Dividends (distributions)	Amount per security	Franked amount per security
Propose dividend in relation to this period	5¢	0¢
+Record date for determining entitlements to the dividend	10 March 2005	

	31 December 2004	31 December 2003
NTA Backing Net tangible asset backing per share	\$1.20	\$1.01

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
ACN 060 370 783

DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

The Directors present their report, together with the financial report of Minara Resources Limited ("the Company") and the consolidated financial report of the Consolidated Entity, being the Company and its controlled entities, for the period ended 31 December 2004, together with the auditor's report thereon.

DIRECTORS

The Directors of the Company at any time during or since the end of the financial period, serving at the date of this report are:

James Campbell
Peter Johnston
John Morrison
Ivan Glasenberg
Willy Strothotte
Malcolm Macpherson

PRINCIPAL ACTIVITIES

The principal activities of the Company during the period were the operation of the Murrin Murrin Nickel/Cobalt Project (the "Project" or "the Joint Venture" or "Murrin Murrin"), and the recommencement of exploration.

DIVIDENDS

No dividends have been paid since the end of the previous financial year.

At the date of this report, the Board of Directors resolved to declare a dividend of 5 cents per share which will total approximately \$23 million. This dividend will be unfranked and paid no later than 25 March 2005. The record date will be 10 March 2005.

CAPITAL RETURN

On 26 November 2004, following approval of a resolution at the Annual General Meeting held on 12 November 2004, the Company made a pro-rata capital return of 20 cents per share to all shareholders, totalling \$92.7 million.

REVIEW OF OPERATIONS AND RESULTS

Financial Results (\$million)

	6 Months Ended 31 December 2004	6 Months Ended 31 December 2003 (i)	6 Months Ended 30 June 2004 (i)	12 Months Ended 30 June 2004	<i>12 Months Ended 31 December 2004 (ii)</i>
Revenue from operations	198.0	198.0	171.6	369.6	369.6
Gross profit	69.0	73.0	35.0	108.0	104.0
Net profit after tax	67.0	57.5	115.8	173.3	182.8

- (i) The full year to 30 June 2004 was audited, however the six monthly split as shown has not been specifically audited. This split is shown for comparative purposes only.
- (ii) The full year to 31 December 2004 was not audited.

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The Company recorded a consolidated profit from ordinary activities after tax of \$67.0 million (financial year ended 30 June 2004: profit \$173.34 million) for the financial period ended 31 December 2004 (six months).

The current period result is derived from 6 months of operations with the Company changing its reporting period to a calendar year basis.

The profit from ordinary activities for the financial period ended 31 December 2004 (six months) of \$67.0 million was affected by the reversal of previous accruals for the payment of plant licence fees (\$6.6 million) following a settlement with Dynatec Corporation in December. The Company recorded a gross profit from the sale of product of \$69.0 million (financial year ended 30 June 2004: profit of \$108.0 million).

The average US\$ LME price of nickel in the financial period ended 31 December 2004 (six months) of US\$14,039/tonne, was 3% higher than in the first six months of the calendar year. The average price received by the company of US\$14,277/tonne, was 9% higher in the same period because deliveries were skewed towards the end of the period after packaging problems in the refinery were overcome. Metal despatched for sale was 8% higher.

Shareholders equity decreased from \$580.7 million at 30 June 2004 to \$557.6 million at 31 December 2004 (consolidated) after taking into account the capital return of \$92.7 million in November 2004 and current period profit.

Health, Safety & Environment

The company recorded a decrease in the lost time injury frequency rate from 2.4 to 1.2 occurrences per million manhours worked in the financial period to 31 December 2004 reflecting improved safety performance from the previous financial year.

The Murrin Murrin site continues to satisfy requirements under the environmental and occupational health regulations and actively seeks the identification and implementation of best practice strategies.

Operations

Production at Murrin Murrin for the 6 months to 31 December 2004 was 15,732 tonnes of nickel with 14,548 tonnes packaged, and 1,085 tonnes of cobalt (1,068 tonnes packaged). The Company's share is 60%. Both nickel and cobalt production levels were higher than production in the previous six months (to 30 June 2004) of 12,786 tonnes but slightly lower than for the corresponding six months period to 31 December 2003 levels of 15,793 tonnes and 1,163 tonnes respectively.

After a record for production in the September quarter, various maintenance issues affected plant performance during the December quarter. The most significant problem was with one of the two acid plant blowers which affected the plant steam balance (make-up acid was able to be bought locally during this period).

Nickel despatches were affected by cooling problems in the packaging area with a consequent inventory increase. The installation of a new cooler has rectified the problem and has seen production conditions return to design.

Exploration to discover nickel sulphide mineralisation continued at the Mt Margaret nickel laterite project although initial drill results were disappointing. The exploration activity was extended with two new Joint Ventures targeting nickel sulphide mineralisation.

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Capital Program

In August 2004 the award of contracts totalling \$52 million for the supply of a new replacement mining fleet at Murrin Murrin was announced.

The new fleet comprising 26 items of Caterpillar and Hitachi equipment will be progressively delivered to site over the next 12 months with the existing mine fleet scheduled to be retired. A new workshop for the mining fleet has been completed and commissioned.

The new Murrin Murrin South mining area has been established and commenced production with 120,000 cubic metres of material moved during the period.

Corporate

Shareholdings

At the date of this report, the major shareholder of the Company was Glencore International AG with a 49.6% shareholding. Approximately 21% of the Company's issued capital was held by Australian institutional investors, and a further 14% held by international institutional investors.

Dynatec Settlement

During the financial period the Joint Venture reached a final agreement with Dynatec Corporation to settle a long running dispute relating to process license fees and other royalties that are payable in connection with the use of Sherritt technology at Murrin Murrin.

Under the terms of the settlement, the Joint Venture has paid Dynatec US\$5 million in satisfaction of all past and future payments to Dynatec and Murrin Murrin will retain a life of mine right to use the Sherritt technology.

The consolidated entity's share of the payment to Dynatec is A\$3.95 million (paid subsequent to year end). An amount of \$6.6 million, previously accrued and accounted for as a non-current payable, has been reversed to the statement of financial performance for the period ending 31 December 2004 as a result of this settlement with Dynatec.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has been no significant changes in the state of affairs of the Company during the financial period other than those stated elsewhere in this report.

EVENTS SUBSEQUENT TO BALANCE DATE

Other than as noted elsewhere in this report, there has not arisen in the interval between the end of the financial period 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 Company, the results of those operations, or the state of affairs of the Company, in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

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

ENVIRONMENTAL REGULATION

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The Company's environmental management monitoring and reporting obligations are imposed under local, state and commonwealth legislation. The key legislation includes the Western Australian Mining Act 1978 and Environmental Protection Act 1986 which are regulated by the Department of Minerals and Energy and the Department of Environmental Protection respectively. All environmental performance obligations are monitored by the Audit and Risk Management 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 and are continually improving.

There were no environmental incidents reported to regulatory authorities during the period.

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:

James Campbell BSc (QU Belfast), MA (Cantab) - Age 55
Chairman, Non Executive Director

Mr Campbell joined Anglo American Corporation of South Africa Limited ("AAC") in 1975 as a management trainee and moved into the coal division in 1976 and worked there until 1993 when he left as Managing Director to take up the position of Managing Director De Beers Industrial Diamond Division, a position he held until 1998, when he returned to AAC as Chairman of Amcoal.

In 1996 Mr Campbell was appointed a Director of AAC and De Beers Centenary. With the establishment of Anglo American plc, he was appointed an Executive Director with responsibility for base metals and coal. Mr Campbell left Anglo American plc in 2001.

Mr Campbell was appointed a Director on 22 September 1999 as a nominee of the Anglo American plc group and became an independent member of the Board on 22 October 2001. Mr Campbell was appointed Chairman on 26 November 2001. Mr Campbell is chairman of the Remuneration Committee and is chairman of the Nominations Committee.

Peter Johnston BA, FAusIMM – Age 53
Chief Executive Officer and Managing Director

Before his appointment to the company Mr Johnston was employed by WMC Ltd from 1993 to 2001. During that period he held the position of Executive General Manager and at various times was responsible for 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 an Executive Council member of the Chamber of Minerals and Energy. He is a past President of the Chamber of Minerals and Energy and immediate past President of the Nickel Development Institute.

Mr Johnston joined the Company as Chief Executive Officer and Managing Director on 28 November 2001.

John Morrison BE(Hons), MBA, MAusIMM, MAICD - Age 42
Non Executive Director

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,

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financing and capital management. Prior to this he worked for Clough Ltd in Australia and Sir Robert McAlpine & Sons in the United Kingdom. He is also non-executive chairman of HFA Asset Management Limited.

Mr Morrison was appointed a Director on 16 December 1999 as an independent non-executive director and is currently Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.

Ivan Glasenberg B.Acc, MBA (USC), CASA (Sth Africa) - Age 48
Non Executive Director

Mr Glasenberg joined Glencore International AG ("Glencore") in 1984 and was appointed Chief Executive Officer of Glencore from 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 was appointed a Director on 8 December 2000 as a nominee of Glencore and is a member of the Remuneration Committee and the Nominations Committee.

Willy Strothotte - Age 60
Non Executive Director

Mr Strothotte is Chairman of Glencore International. 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 International, 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 also Chairman of Xstrata AG since 1994, Chairman of Xstrata plc since its listing in March 2002 and a Director of Century Aluminium Corporation.

Mr Strothotte was appointed a Director on 8 December 2000 as a nominee of Glencore and is a member of the Audit & Risk Management Committee.

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Malcolm Macpherson BSc (Canterbury), Cert.Acctg, FAICD, FAusIMM, FTSE – Age 60
Non Executive Director

Before joining the Board, Mr Macpherson was Managing Director and Chief Executive Officer of Iluka Resources Limited, a major West Australian resources company. In addition to his previous board appointments, which include Chairman of Western Power Corporation in the period 1995-1999 and 2002-2004 and Deputy Chairman of Eltin Limited from 1998-1999, Mr Macpherson served as Senior Vice President of the Minerals Council of Australia in 2000 and as President of the Chamber of Minerals & Energy (W.A.) in 1990 - 1994. He is a non executive director of Portman Limited.

Mr Macpherson was appointed a Director on 11 April 2002 as an independent non-executive director and is currently a member of the Audit and Risk Management Committee and the Nominations Committee.

Steven Isaacs

Alternate non-executive director for Mr W Strothotte

COMPANY SECRETARY

John Quayle BSc (Hons)(Canterbury), MAF (Macquarie), DBA – Age 54

Mr Quayle was appointed Company Secretary on 21 January 2002 and is also secretary to the various Board subcommittees. He also holds management responsibilities for investor relations, government relations, marketing, IT, and exploration. Prior to joining the company Mr Quayle was employed by WMC Ltd from 1999 to 2001 in a strategic planning role principally in nickel but also in copper and fertilizers; and prior to that with Pasminco, responsible for strategic planning and acquisitions, and sales and marketing activities.

MEETINGS OF DIRECTORS

The number of Directors' meetings attended by each of the Directors of the Company during the period from 1 July 2004 to 31 December 2004 are shown in the following table.

Directors	Directors' Meetings		Audit & Risk Mgt Committee Meetings		Nominations Committee Meetings		Remuneration Committee Meetings	
	Attended	Eligible to Attend ⁽¹⁾	Attended	Eligible to Attend ⁽¹⁾	Attended	Eligible to Attend ⁽¹⁾	Attended	Eligible to Attend ⁽¹⁾
J Campbell	6	6					1	1
P Johnston	6	6						
J Morrison	6	6	2	2			1	1
I Glasenberg	4	4					1	1
W Strothotte	3	4						
M Macpherson	6	6	2	2				
S Isaacs ⁽²⁾	1	1	2	2				

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

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

DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

DIRECTORS' REMUNERATION

Details of remuneration paid to Directors are set out in the attached Remuneration Report.

DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified by the Directors to the Australian Stock Exchange Limited ("ASX") in accordance with s205G(1) of the Corporations Act, as at the date of this report is as follows:

Directors	Ordinary Shares	Options
J Campbell	-	-
P Johnston	1,333,333	-
J Morrison	-	-
I Glasenberg (1)	229,141,773	-
W Strothotte (1)	229,141,773	-
M Macpherson	-	-

(1) Mr Glasenberg's and Mr Strothotte's relevant interests are an indirect interest in 229,141,773 shares held by Glencore of which both are Directors.

OPTIONS

Options Issued

On 29 July 2003, as part of a Long Term Incentive Plan for senior executives, the Company issued 1,813,337 options (27,200,000 options pre share consolidation) over unissued shares in the Company to 11 senior executives of the Company. The options have an exercise price of \$0.70 per share (adjusted) and are exercisable at any time after 6 June 2005 and before expiry on 6 June 2006. These options vest to the executives on 6 June 2005 if the executives remain employed by the Consolidated Entity at that time.

On 8 October 2004, as part of a Long Term Incentive Plan for senior executives, the Company issued Performance Rights to receive a maximum of 576,915 options over unissued shares in the Company to 36 senior executives of the Company (excluding Mr Johnston). On 12 November 2004, shareholders resolved to grant to Mr Johnston Performance Rights to receive a maximum of 179,375 options over unissued shares in the Company. If the performance criteria are satisfied, on application of the Performance Rights, the options will be granted for nil consideration and are exercisable on or before 30 June 2008 in all or part of the entitlement. The options which result from the Performance Rights will be issued by no later than 31 July 2006. No funds will be raised by the Company on the grant of the Performance Rights or on the exercise of the options.

Options Exercised

During the financial period, 1,333,333 options over unissued shares in the Company were exercised by the Chief Executive Officer, Mr Johnston. These options, with an exercise price of \$0.90 per share, vested to Mr Johnston on 6 June 2004 and were exercisable at any time before expiry on 6 June 2005.

**DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

Options Expired

106,667 options over unissued shares in the Company granted to a senior executive under a contract of employment lapsed during the financial period following his cessation of employment with the Company.

Options on Issue

At the date of this report unissued ordinary shares under option are:

Expiry Date	Exercise Price	Number of Options
6 June 2006	\$0.70	1,600,003
28 November 2006 (a)	\$37.30	666,667

- (a) These options were issued in the prior financial year to the former Chief Executive Officer of the Company, Mr Andrew Forrest as part of a termination package.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate and, in the event of any consolidation of the share capital of the Company, will be subject to proportionate consolidation in accordance with the ASX Listing Rules.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During or since the end of the financial period the Company has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Company or of a related body corporate.

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 important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit & Risk Management 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, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit & Risk Management Committee to ensure they do not impact the integrity and objectivity of the auditor.

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- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, 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.


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

The lead auditor's independence declaration is set out on page 11 and forms part of the Director's report for the six months ended 31 December 2004


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 Directors.



JW Campbell
Chairman



PB Johnston
Chief Executive Officer and Managing Director

Perth, 25th day of February 2005

**DIRECTORS' REPORT
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Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Minara Resources Limited

I declare that, to the best of my knowledge and belief in relation to the audit for the financial period ended 31 December 2004, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'KPMG'.

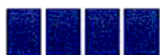
KPMG

A handwritten signature in blue ink that reads 'D P McCOMISH'.

D P McCOMISH
Partner

Perth

Handwritten initials 'DS' in blue ink, followed by the text 'February 2005'.



**REMUNERATION REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

REMUNERATION COMMITTEE

The role of the Remuneration Committee is to:

- review and determine, on the basis of independent external advice, the remuneration of the Chief Executive Officer and Managing Director;
- review and ratify CEO recommendations on the remuneration of executive management;
- agree performance targets to be set for each forthcoming year and the procedures for administering executive remuneration;
- determine the fees payable to the Chairman and other non-executive Directors in accordance with industry standards and external advice;
- review short and long term incentive based schemes including any Option and/or Employee Share Plans;
- review and approve remuneration strategy and policies; and
- brief the Board on remuneration outcomes.

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

The Committee met once during the reporting period to 31 December 2004. Mr Johnston, Managing Director and Chief Executive Officer, attended the meeting at the invitation of the chairman and provided advice on request. He was not present when matters associated with his own remuneration were being discussed. The Committee also sought advice from external consultants including Hay Group.

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

REMUNERATION POLICY

The Company remuneration policy is to ensure remuneration packages properly reflect each person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Article 12.13 of the Company's Constitution provides that the Directors (excluding any Directors who are employees of the Company) may be paid such remuneration as is determined from time to time in general meeting, and that remuneration accrues from day to day. The remuneration may be divided among the Directors in such proportion as they from time to time agree and, in default of agreement, equally. 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.

Subsequent to 30 June 2004, the Board approved, on the recommendation of the Remuneration Committee (with conflicting Directors abstaining as appropriate), an increase in the level of remuneration, or base fees, for non-executive Directors and the non-executive Chairman.

**REMUNERATION REPORT
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Remuneration for non-executive Directors was increased from \$50,000 to \$65,000 per annum, effective 1 July 2004. Remuneration for the non-executive Chairman was increased from \$160,000 to \$180,000 per annum, effective 1 July 2004. Superannuation contributions are also paid by the Company on behalf of the non-executive Directors at the rate of 10% of base fees.

Non-executive Directors do not participate in any cash bonus, options or share plans that may be developed for Executives. From 1 July 2004, additional fees of \$5,000 per annum are payable to non-executive Directors for participation on the Board Audit & Risk Management Committee. Other fees or allowances may be payable in special circumstances as agreed by the Board. Executive Directors are not paid Directors fees.

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

Details of the nature and amount of each major element of the emoluments of each non-executive Director of the Company for the reporting period to 31 December 2004 are:

Non-Executive Directors

reporting period 1 July 2004 to 31 December 2004	Base Fee	Committee Fees	Superannuation	Total Compensation
James Campbell (a)	90,000	-	9,000	99,000
John Morrison	32,500	2,500	3,500	38,500
Malcolm Macpherson	32,500	2,500	3,500	38,500
Ivan Glasenberg (b)	-	-	-	-
Willy Strothotte (b)	-	-	-	-

- (a) Mr Campbell received his base Directors fees in the form of superannuation contributions.
- (b) Messrs Glasenberg and Strothotte, elected not to receive directors' fees as they are nominee Directors of major shareholders.

EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES' REMUNERATION

The Board and Remuneration Committee recognises that the Minara Group 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, short and long-term incentive plans and retirement benefits. The survival and success of Minara will be heavily dependent on the ability of the executive and senior management team at Minara to deliver results over the short to medium term. The variable (at risk) pay structure for this group assists with the following objectives:

- Provide a focus on the key business success factors for the next 12 – 18 months
- Provide an opportunity for executives to share in the success of Minara
- Aid in the retention of critical executive skills in a challenging work environment

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Provide competitive overall reward for successful performance while limiting the growth in fixed pay.

Details are outlined below.

Base Salary

Base salaries are determined by reference to the size and influence of the role, and individuals' performance and experience. The Committee obtains market data to benchmark salary levels in the resources, refining, and petrochemical industries to determine base salaries. Base salaries are reviewed in June each year.

Short Term Incentive Scheme

Short-term incentive (STI) rewards by way of a cash bonus are payable, depending on performance, for meeting or exceeding personal key performance indicators in relation to corporate objectives and specific operational targets. It provides focus for the executive team and ensures they address those issues critical to the future of Minara.

The STI provides a cash incentive payment ranging up to 30% of the base salary for executive roles payable in August each year. Specific performance targets are set for each executive covering financial, production, business improvement and other goals relevant to, and strongly influenced by, the particular executive. Site executives are generally focussed on production and safety goals while the corporate executive goals are more related to corporate financial and specific project activities. The targets are set such that payments will increase progressively for achievements above a minimum acceptable threshold, up to the maximum 20% or 30% payment for achievement of challenging stretch goals. If performance for an individual is below the threshold level no STI payment will be made.

The Hay Group has advised that the maximum incentive opportunity for these jobs is competitive when compared to market practice and recognises the critical issues facing Minara at present. Payment levels for the top three executives including the maximum STI payment are at market median.

Long Term Incentive Scheme

The Long Term Incentive (LTI) plan provides an opportunity to link part of the executive reward to shareholder returns over an extended period. The Minara Executive LTI Scheme has the following features:

- equity-based reward scheme designed to link executive performance to shareholder returns
- granted to selected members of the management team only from time to time
- allocation is determined in line with competitive market practice
- vesting conditions include a minimum of two year's service from date of grant
- performance conditions are applied as appropriate
- maximum life of four years from the date of grant.

The breadth of the Scheme encompasses the executive levels of key decision-makers in the Company. The application of the Scheme allocation is by way of performance rights to receive share options as opposed to the traditional options allocated in 2003. The number of options issued under the performance rights is determined after 1 July 2006, subject to meeting or achieving performance targets. Refer under the section *Chief Executive Officer Remuneration* for further detail.

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Performance Rights issued on 8 October 2004 under the Minara Executive LTI Scheme allow executives (excluding Mr Johnston) to receive a maximum of 576,915 options over unissued shares in the Company. On 12 November 2004, shareholders resolved to grant to Mr Johnston Performance Rights to receive a maximum of 179,375 options over unissued shares in the Company.

ASX best practice recommendation 9.4 recommends companies seek shareholder approval of equity-based reward schemes for executives. The Company's current equity-based reward scheme was introduced in 2003, with identical terms (other than a longer period until exercise) as for the options for the Chief Executive Officer which were extensively disclosed to shareholders in the Notice of Meeting for the 2003 Annual General Meeting and again, including performance targets, in the Notice of Meeting for the 2004 Annual General Meeting. The scheme was not presented to shareholders as it was in the same form as last year.

Service Agreements

The remuneration and other terms of employment for the Managing Director is formalised in a service contract. Under this agreement Mr Johnston is eligible for performance-related cash bonuses, other benefits including a car allowance, and, if approved by shareholders, grant of share options as part of an LTI scheme. If the Company does not agree to renew or extend Mr Johnston's employment contract beyond the existing term of his contract, being 31 October 2006, Mr Johnston's employment will cease and the Company shall pay to Mr Johnston the amount of \$1.5 million. In such circumstances, Mr Johnston shall retain any options or shares provided to him under his employment contract. These payments and benefits are not payable if Mr Johnston's employment contract is terminated prior to 31 October 2006. If Mr Johnston's employment contract is terminated by the Company between 3 December 2004 and 31 October 2006, the Company is required to pay Mr Johnston an amount of \$1.5 million. In such circumstances, Mr Johnston shall also be entitled to exercise any options issued to him and which are capable of vesting over the 12 month period following the termination date.

Other than Mr Johnston, all management and other employees are employed under standard employment contracts with notice periods by either party of three months for senior executives and one month otherwise.

Chief Executive Officer Remuneration

At the Annual General Meeting held on 12 November 2004, shareholders resolved to grant to Mr Johnston performance rights to receive a maximum of 179,375 options over unissued shares in the Company.

The extent of the final allocation that will be made to Mr Johnston will be determined in July 2006 on, generally, the same principles as the offer made to senior employees under Minara's Executive LTI Scheme, as disclosed, including performance targets, in the Notice of Meeting for the 2004 Annual General Meeting.

The actual number of options that may be granted to Mr Johnston will depend on the performance of the Murrin Murrin operation against its 2004/2005 budget and of the Company against its peer group of resource companies over the 2 year period 1 July 2004 to 30 June 2006, as measured by the Company's Total Shareholder Return performance. **Total Shareholder Return (TSR)** is defined as '*share growth plus all other returns or payments to shareholders, i.e. capital returns and dividends*' and is essentially a measure of the average movement in shareholder return over the period 1 July 2004 to 30 June 2006.

The following table lists the performance targets that apply and the weighting given to their achievement in determining the number of Performance Rights available to Mr Johnston.

**REMUNERATION REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

Performance Target	Weighting	Achieve Target	5% Above Target	10% Above Target
Production	50%	25%	37.5%	50%
Cost	10%	5%	7.5%	10%
Safety	10%	5%	7.5%	10%
TSR	30%	15%	22.5%	30%
Maximum				100%

By way of example for "Safety", achieving Target would deliver Performance Rights representing 5% of the options in total or 50% of the options available for that Performance Target.

Subject to satisfaction of the performance criteria, Mr Johnston may be granted a maximum of 179,375 options by 31 July 2006 once his entitlement has been determined.

If the performance criteria are satisfied, on application of the Performance Rights, the options will be granted to Mr Johnston for nil consideration and are exercisable on or before 30 June 2008 in all or part of the entitlement. The options which result from the Performance Rights will be issued by no later than 31 July 2006. No funds will be raised by the Company on the grant of the Performance Rights or on the exercise of the options.

Neither the Performance Rights nor the options attract the benefits of share ownership including dividend nor voting entitlements prior to the conversion into shares.

Superannuation

Minara has established accumulation superannuation accounts for its employees. The Company contributes ten percent (eleven percent from 1 August 2004) of Base Salary into the employee's account which is vested in accordance with Australian superannuation legislation.

DETAILS OF REMUNERATION

Details of the nature and amount of each major element of the remuneration of each of the named officers of the Company receiving the highest emoluments for the reporting period to 31 December 2004 are:

Executives of Minara Resources Limited

reporting period 1 July 2004 to 31 December 2004	Base Salary	STI Bonus (a)	Non-Cash Benefits	LTI Options (b)	Super-annuation	Total Compensation
Peter Johnston Chief Executive Officer	508,201	250,000	26,724	0	45,965	830,890
Stephen Dennis Chief Financial Officer	166,000	130,000	2,220	17,067	17,983	333,270
Neil Meadows General Manager Operations	175,000	30,000	2,220	17,067	18,992	243,279
John Quayle Company Secretary	130,000	75,000	2,220	17,067	14,083	238,370
Jason Cooke Business Development Manager	100,000	36,000	2,220	17,067	10,833	166,120
Michael Ashby Legal Manager	82,250		2,220	0	8,914	93,384

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**REMUNERATION REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2004**

Other Executives of the consolidated entity

reporting period 1 July 2004 to 31 December 2004	Base Salary	STI Bonus (a)	Non-Cash Benefits	LTI Options (b)	Super-annuation	Total Compensation
Paul Sims Commercial Manager	103,500	25,000	2,220	6,827	11,218	148,765

(a) STI cash bonus paid in the reporting period to 31 December 2004 in respect of performance in 2003/04.

(b) The fair value of the options are calculated at the date of grant using a Binomial model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

Options are not issued in respect of Performance Rights (subject of LTI scheme from 2004 onwards) until the achievement of performance hurdles has been determined (normally post 1 July 2006). The maximum number of Performance Rights issued to Mr Johnston is 179,375 options. The maximum number of Performance Rights issued to executives is 576,915 options.

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

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 underlie day-to-day activities.

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

BOARD OF DIRECTORS

The Board has adopted a formal charter which allocates responsibilities between the Board and management which is available from the corporate governance section of the Company website at www.minara.com.au. The charter details the composition, responsibilities and code of conduct under which the Board operates. The Board has resolved unanimously that the Company will at all times aspire to "best practice" in Corporate Governance.

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

Role of the Board

The Board acknowledges its accountability to shareholders for creating shareholder value within a framework that protects the rights and interests of shareholders and ensures the Company is properly managed. The Board aims to achieve these objectives through the adoption and monitoring of strategies, plans, policies and performance as follows:

- a. *Providing input into, and approval of, the Group's strategic direction; approval and monitoring of budgets and business plans; and ensuring appropriate resources are available, including capital management and major capital expenditure.*
- b. *Approving the Group's systems of risk management, monitoring their effectiveness and maintaining a dialogue with the Group's auditors.*
- c. *Considering, approving and monitoring internal and external financial and other reporting, including reporting to shareholders, the ASX and other stakeholders.*
- d. *Selection and evaluation of Directors, the Chief Executive Officer (CEO), Chief Financial Officer, and the Company Secretary and planning for their succession.*
- e. *Setting the CEO and Director remuneration within shareholder approved limits and ensuring that the remuneration and conditions of service of senior executives are appropriate.*
- f. *Ensuring, and setting standards for, ethical behaviour and compliance with the Group's own governing documents, including the Group's Code of Conduct and corporate governance standards.*

CORPORATE GOVERNANCE STATEMENT

Board Processes

The Board aims to perform its role and objectives through the adoption and monitoring of strategies, plans, policies and performance; the review of the CEO and senior management performance, conduct and reward; monitoring of the major risks of the company's business; and by ensuring the company has policies and procedures to satisfy its legal and ethical responsibilities.

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including an Audit and Risk Management Committee, Remuneration Committee and a Nominations Committee. These Committees have written mandates and operating procedures that are reviewed on a regular basis.

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.

Composition of the Board

The names of the Directors of the Company at the date of this Statement are set out in the Directors' Report in this financial report. The composition of the Board is determined using the following principles:

- a maximum of ten Directors;
- a non executive Director as Chairman;
- a majority of non executive Directors; and
- a balance of independent and non-independent Directors.

The Board is currently comprised of six Directors: five non-executive Directors and one executive Director. However, the Company's Constitution provides for a maximum of 10 Directors. The Board periodically reviews its size as appropriate.

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.

The Board presently has three independent Directors who, while not in the majority, are not in the minority. Excluding the Chief Executive Officer, who is appointed by the Board and holds the office of Managing Director, the Board comprises a majority of independent Directors (Messrs Campbell, Morrison and Macpherson) with two non-independent Directors (Messrs Strothotte and Glasenberg).

While the composition of the current Board does not strictly comply with ASX Corporate Governance Council recommendation 2.1 which recommends that the board should comprise a majority of independent directors, the Board regards the present composition of Directors as a good balance with the appropriate mix of expertise and experience and ability to represent the interests of all shareholders.

CORPORATE GOVERNANCE STATEMENT

Meetings

The Board meets on a regular basis and at least six times per year to retain full and effective control and monitor executive management.

During the reporting period for the six months to 31 December 2004, the Board met 4 times. The independent Directors met separately twice to consider matters in which the non-independent Directors were conflicted. The Directors' attendance at meetings is detailed in the Directors' Report.

Papers for Board meetings are circulated seven days prior to the date of meeting.

Members of the Management team may attend meetings at the invitation of the Board.

Role of Chairman and Chief Executive Officer (CEO)

The Chairman is an independent Director elected by the full Board, having no association with the Company, nor is he a substantial shareholder of the Company, has not previously been an employee, nor had a material contractual relationship with the Company within the last three years.

The Chairman is responsible for leading the Board, 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 is responsible for implementing Group strategies and policies. The Board Charter specifies that these are separate roles to be undertaken by separate people.

Term of Office

The Board reviews its performance and composition on an annual basis and aims to have members with high levels of intellectual ability, experience, soundness of judgement and integrity to maximise its effectiveness and contribution. Directors serve a maximum three-year term before being required to be re-elected by members. Minara's constitution provides that at least one third (or the nearest whole number) of Directors must retire at each Annual General Meeting, but are eligible for re-election at that meeting. There is no compulsory retiring age.

Independent Professional Advice

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.

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Nominations, Remuneration and Audit and Risk Management committees. Each is comprised entirely of non-executive Directors. The committee structure and membership is reviewed periodically.

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 on the Company website (www.minara.com.au). All matters determined by committees are submitted to the full Board as recommendations for Board decision.

CORPORATE GOVERNANCE STATEMENT

Minutes of committee meetings are tabled at the immediately subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Audit & Risk Management Committee

The Audit & Risk Management Committee is comprised of the following non-executive Directors:

Mr J Morrison (Chairman)
Mr M Macpherson
Mr W Strothotte (alternate Mr S Isaacs)

The Committee operates under a charter adopted by the Board of Directors to ensure that an effective system of financial reporting, internal control and risk management is in place to present a true and factual statement of the Company's financial and risk position. 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.

The Committee's primary function is one of oversight. In carrying out this function it reviews and monitors internal controls and procedures to ensure they are adequate and effective to minimise material financial, operating, and environmental risks; reviews and assess' the adequacy of compliance with all regulatory requirements and generally accepted accounting principles; reviews the scope and effectiveness of the internal and external audit and risk review functions and reviews findings and issues brought to its attention and to report to the Board on appropriate actions; and reviews the appointment, performance and remuneration of external auditors.

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

The Chairman of the Audit & Risk Management Committee is not the Chairman of the Company. The Audit & Risk Management Committee reports to the Board after each Committee meeting. The Audit and Risk Management 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.

Remuneration Committee

The Remuneration Committee is comprised of the following non-executive Directors:

Mr J Campbell (Chairman)
Mr I Glasenberg
Mr J Morrison

The Remuneration Committee reports to the Board after each Committee meeting. The details of Director and senior Executive remuneration are set out in the Remuneration Report.

CORPORATE GOVERNANCE STATEMENT

Nominations Committee

The Nominations Committee is comprised of the following non-executive Directors:

Mr J Campbell (Chairman)
Mr I Glasenberg
Mr M Macpherson

The main role of the Nominations Committee is for recommending candidates to fill Board and sub-Committee vacancies and for recommending Board composition and balance. The Committee also reviews Board performance.

New Directors receive a formal letter of appointment setting out the responsibilities, rights and terms and conditions of their appointment. Directors participate in a comprehensive induction which covers the operations, financial position, strategic and risk management issues, as well as the operation of the Board and its sub-committees.

CODE OF BUSINESS CONDUCT

The Board has adopted a Code of Conduct (the Code) and a policy "Behaviour Standards - Standards Of Business Conduct" setting out parameters for ethical behaviour and business practices which applies to all of the Company's directors, officers and employees as well as to directors, officers and employees of each subsidiary company. The Code is included in the Board Charter and is available for review on the Company website. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

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 Company or its subsidiaries. Where the Board believes that a significant conflict exists, the director concerned does not receive relevant board papers and is not present at the meeting whilst the item is considered. The Board has developed procedures to assist Directors to disclose potential conflicts of interest.

All directors and executive officers of the Company and its subsidiaries 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.

Insider Trading

Trading in shares by any Director or senior executive of the Company within the period between the close of each financial quarter and the release of quarterly, half yearly interim and full year results by the Company requires the express written approval of the Chief Executive Officer or Chairman before any trading is conducted or the entry into any share trading agreements.

The Code and the Company's trading policy is discussed with each new employee as part of their induction training and all employees are asked to sign an annual declaration confirming their compliance.

Fair dealing and ethical standards

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The Code requires all directors, officers and employees of the Company and its subsidiaries to behave honestly and ethically at all times with all people and other organisations.

The Code requires employees who are aware of unethical practices within the Group or breaches of the Company's trading policy to report these using the Company's whistleblower program. This can be done anonymously. The Company Secretary also has responsibility for the initial investigations of significant issues raised under the whistleblower program. These matters are reported to the Audit & Risk Management Committee.

The Directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities. A copy of the Code and the trading policy are available on the Company's website www.minara.com.au

FINANCIAL REPORTING

Reporting Standards

The Company is committed to providing shareholders with clear, transparent, and high quality financial information in a timely manner. The Company continuous disclosure policy underpins this approach.

The financial reports of the Company are produced in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act, and in many cases exceed the disclosure requirements of the Corporations Act and the Australian Accounting Standards Board policy 1034. The financial accounts and reports are subject to audit review every half year and the auditor issues an audit opinion accompanying the full year results for each financial year.

External Auditors

The Company and Audit & Risk Management Committee 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. KPMG were appointed as the external auditors in 1995. It was KPMG policy to rotate audit engagement partners on listed companies at least every seven years (since been amended to five years post CLERP 9). In accordance with the rotation policy a new audit engagement partner was introduced for the year ended 30 June 2003.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in note 3 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit & Risk Management Committee.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

CORPORATE GOVERNANCE STATEMENT

Management Certification

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 make the following certifications to the Board:

1. 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.
2. 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.

International Financial Reporting Standards (IFRS)

IFRS are being promoted as a single set of global standards. IFRS will become a requirement for all Australian reporting entities with financial years commencing on or after 1 January 2005.

There are many benefits of reporting under these standards, including better financial information for shareholders and regulators, enhanced comparability, improved transparency of results, and increased capability to secure cross-border listing and funding.

Conversion to IFRS is much more than an accounting compliance issue. It poses a number of significant and complex questions that the Company needs to consider.

The Company has formed an IFRS project team which, working in conjunction with advisors, has been charged with the complete implementation of IFRS for the Company and its subsidiaries.

As noted above, all Companies must be IFRS compliant by 1 January 2005. For Minara, this means that the first official IFRS compliant set of reports to be published will be for the financial year ending 31 December 2005. However, these financial reports will require the comparative figures (31 December 2004) to be IFRS compliant as well.

Advisors have been engaged to help identify the impact of IFRS and to identify major issues for Minara. The major issues and a brief discussion are set out in note 33 to the Financial Report.

RISK ASSESSMENT

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

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Detailed control procedures cover management accounting, purchases and payments, financial reporting, capital expenditure requests, project appraisal, environment, health and safety, IT

CORPORATE GOVERNANCE STATEMENT

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 quarterly. The group reports on current and future risks and mitigation activities to the Audit & Risk Management Committee.

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.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company is a disclosing entity under the Corporations Act and is subject to the continuous disclosure requirements under the ASX Listing Rules. Communications with shareholders and other stakeholders are given a high priority. In addition to statutory disclosure documents such as Annual Reports and Quarterly production reports, the Board is committed to keeping all stakeholders informed in a timely manner, of all material developments that affect the Company.

The Company has a formal policy and comprehensive procedures on continuous disclosure. Once the Board or Management becomes aware of information concerning the Company that would be likely to have a material effect on the price or value of the company's securities (and which does not fall within the exceptions to the disclosure requirements contained in the Listing Rules), that information is released to the ASX.

The Board has appointed the Company Secretary (or in his absence, Chief Legal Counsel) as the person responsible for communication to ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. All Company announcements, presentations or other briefings are posted on the company's website after release to the Australian Stock Exchange. The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates of Company matters.

The Board also endorses full and regular communication with and between Directors, the Chief Executive Officer, the Company Secretary, Senior Management, the external auditors and other Professional Advisers, Shareholders and other significant stakeholders. The Board also ensures the Company Secretary maintains a good, open and frank relationship with the ASX and its designated Company officers to ensure compliance and full disclosure.

All shareholders receive a copy of the Company's annual report at the same time as they receive by post a copy of the Notice of the Annual General Meeting. Full use is made of annual general meetings to inform shareholders of current developments through appropriate presentations and to provide opportunities for questions.

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STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE PERIOD ENDED 31 DECEMBER 2004

	Note	Consolidated		The Company	
		Dec 2004 6 months \$'000	Jun 2004 12 months \$'000	Dec 2004 6 months \$'000	Jun 2004 12 months \$'000
Revenue from operations	2(a)	197,959	369,597	-	49,533
Cost of product sold					
Costs of production		(107,188)	(216,569)	-	(31,448)
Depreciation and amortisation expense		(15,075)	(33,499)	-	-
Operating lease expense		(2,045)	(2,995)	-	-
Royalties		(4,625)	(8,550)	-	-
Gross profit from the sale of product	2(b)	69,026	107,984	-	18,085
Other revenue from ordinary activities	2(c)	3,748	29,780	167	1,026
Borrowing costs	2(d)	(746)	(2,538)	(2)	(936)
Net other (expenses)/gains from ordinary activities	2(e)	(3,885)	(27,453)	(2,748)	10,016
Provisions and write downs	2(f)	(1,062)	83,253	(861)	117,223
Net gain/(loss) on redemption and forgiveness of Senior Secured Creditors	2(g)	-	(18,991)	-	-
Profit/(loss) from ordinary activities before income tax		67,081	172,035	(3,444)	145,414
Income tax expense attributable to operating profit from ordinary activities	5	(58)	(78)	-	-
Profit/(loss) from ordinary activities after income tax		67,023	171,957	(3,444)	145,414
Outside equity interests	32	-	1,385	-	-
Profit/(loss) from ordinary activities attributable to members of the parent entity		67,023	173,342	(3,444)	145,414
Basic earnings per share (Cents per share)	4	14.51	37.56		
Diluted earnings per share (Cents per share)	4	14.48	37.41		

The statements of financial performance should be read in conjunction with the accompanying notes.

**MINARA RESOURCES LIMITED
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**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

	Not e	Consolidated		The Company	
		Dec 2004	Jun 2004	Dec 2004	Jun 2004
		\$'000	\$'000	\$'000	\$'000
Current Assets					
Cash assets		103,213	148,861	7,606	4,856
Receivables	6	46,264	48,130	4,928	5,693
Inventory	7	62,020	49,558	-	-
Other	8	4,423	5,921	-	-
Total Current Assets		215,920	252,470	12,534	10,549
Non Current Assets					
Receivables	6	848	15,882	151,980	251,306
Inventory	7	41,412	32,209	-	-
Other financial assets	9	-	-	-	-
Property, plant and equipment	10	392,166	385,841	-	-
Exploration, evaluation and development	11	24,220	24,423	-	-
Deferred tax assets	12	7,673	9,703	-	-
Other	8	858	858	296,329	296,329
Total Non Current Assets		467,177	468,916	448,309	547,635
Total Assets		683,097	721,386	460,843	558,184
Current Liabilities					
Payables	13	44,549	46,926	1,863	5,877
Interest bearing liabilities	14	6,922	3,213	27	43
Provisions	16	2,490	2,013	116	115
Total Current Liabilities		53,961	52,152	2,006	6,035
Non Current Liabilities					
Payables	13	31,021	50,186	1,635	1,435
Interest bearing liabilities	14	21,269	18,492	6	14
Provisions	16	11,802	10,497	15	9
Deferred tax liabilities	17	7,434	9,406	-	-
Total Non Current Liabilities		71,526	88,581	1,656	1,458
Total Liabilities		125,487	140,733	3,662	7,493
Net Assets		557,610	580,653	457,181	550,691
Equity					
Contributed equity	18	771,938	862,004	771,938	862,004
Accumulated losses	19	(213,297)	(280,320)	(314,757)	(311,313)
Total Parent Equity Interest		558,641	581,684	457,181	550,691
Outside equity interest	32	(1,031)	(1,031)	-	-
Total Equity		557,610	580,653	457,181	550,691

The statements of financial position should be read in conjunction with the accompanying notes.

**MINARA RESOURCES LIMITED
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**STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2004**

Note	Consolidated		The Company		
	Dec 2004 6 months \$'000	Jun 2004 12 months \$'000	Dec 2004 6 months \$'000	Jun 2004 12 months \$'000	
Cash Flows From Operating Activities					
Cash receipts in the course of operations	208,747	345,392	-	249	
Cash payments in the course of operations	(145,158)	(277,548)	(2,914)	(4,530)	
Interest received	3,641	2,758	167	1,026	
Interest paid	(746)	(2,538)	(2)	(7)	
Net cash provided by / (used in) operating activities	20(b)	66,484	68,064	(2,749)	(3,262)
Cash Flows From Investing Activities					
Proceeds from repayment of loan	-	8,625	-	8,625	
Payments for exploration, evaluation and development	(988)	-	(861)	-	
Payments for acquisition of tenements	(7,692)	(11,450)	-	(20)	
Proceeds from sale of exploration, evaluation and development	-	50	-	-	
Payments for property, plant and equipment	(20,665)	(25,143)	-	-	
Proceeds from term deposits	5,611	443	18	1,047	
Loans to controlled entities	-	-	(3,873)	(60,864)	
Proceeds from loans to controlled entities	-	-	101,734	-	
Fluor Arbitration costs recovery	-	-	-	-	
Fluor final settlement Phase 1 & 2	-	113,021	-	-	
Net cash provided by / (used in) investing activities		(23,734)	85,546	97,018	(51,212)
Cash Flows From Financing Activities					
Proceeds from issue of shares	1,200	-	1,200	-	
Capital return payments to shareholders	(92,696)	-	(92,696)	-	
Payment to Senior Secured Creditors	-	(18,991)	-	-	
Proceeds from borrowings	8,536	-	-	-	
Repayment of interest bearing liabilities	(296)	(49,175)	-	-	
Finance lease payments	(1,596)	(3,024)	(23)	(44)	
Net cash provided by / (used in) financing activities		(84,852)	(71,190)	(91,519)	(44)
Net increase / (decrease) in cash held		(42,102)	82,420	2,750	(54,518)
Cash at the beginning of the financial period		148,861	64,930	4,856	59,374
Effects of exchange rates on balances of cash held in foreign currencies		(3,546)	1,511	-	-
Cash at the end of the financial period	20(a)	103,213	148,861	7,606	4,856

The statements of cash flows should be read in conjunction with the accompanying notes.

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1. Statement of Significant Accounting Policies

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

These accounting policies have been consistently applied by each entity in the Consolidated Entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial period amounts and other disclosures.

(b) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity and its controlled entities ("the Consolidated Entity"). Where an entity either began or ceased to be controlled during the period, the results are included only from the date control commenced or up to the date control ceased. The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated. Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(c) Taxation

The Consolidated Entity adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(d) Receivables

Trade and other debtors to be settled within 60-90 days are carried at amounts due. The collectibility of all receivables is assessed at balance date and specific provision is made for any doubtful debts.

(e) Inventories

Inventories include stores, consumables and spares, ore stocks, work in progress and finished product that are in a form expected to be sold.

Stores are valued at average cost. Provision is made for obsolescence where items of property are no longer used or have been superseded. Net realisable value is determined on the basis of usage.

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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, based on proportionally allocating the weighted average costs of mining over the total volume of material. 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 stock pile is assessed for its net realisable value, with any costs greater than assessed value being written down and taken to the statement of financial performances. 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.

(f) Revenue Recognition

Sales revenue comprises revenue earned (net of sales discounts and direct selling costs) from the provision of product to customers and is recognised at fair value of the consideration received net of goods and services tax. Sales revenue is recognised when the control of goods passes to the customer. Sales revenue is generated by the sale of product received from the Project and includes the effect of foreign currency and commodity hedging.

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

(g) Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when they are declared by the controlled entities.

Investments in other listed entities are measured at fair value, being the current quoted market prices.

(h) Property, Plant and Equipment

Plant and Equipment

Items of plant and equipment are initially recorded at cost, being the fair value of consideration provided plus incidental costs and depreciated as outlined below.

Items of plant and equipment, including buildings and leasehold property are depreciated/amortised using the straight line method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation and amortisation rates are reviewed annually.

The depreciation and amortisation rates used for each class of asset for the Jun 2004 and Dec 2004 financial periods are as follows:

Plant and equipment	5% - 40%
Leased plant and equipment	20% - 40%

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Mine Properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the Consolidated Entity in relation to areas of interest in which mining of a mineral resource has commenced.

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.

(i) Borrowing Costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and lease finance charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.

Interest charges are capitalised to the extent that the related debt directly finances the purchase and construction of plant. Interest charges cease to be capitalised when the expenditure no longer satisfies the above policy or when production commences.

(j) Leases

Leases of plant and equipment under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight line basis over the term of the relevant lease, or where it is likely the Consolidated Entity will obtain ownership of the asset, the life of the asset. Lease liabilities are reduced by repayments of principal.

Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(k) Exploration Evaluation and Development Expenditure

Exploration and evaluation

Where right of tenure is current, full provision is raised against all expenditure in the period in which exploration and evaluation expenditures are incurred. If it is established that a project has reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, full provisioning for exploration and evaluation costs ceases and the accumulated expenditures and associated provisions are transferred to development costs.

Development

Development costs related to an area of interest where right of tenure is current are carried forward to the extent that they are expected to be recouped through sale or successful exploitation of the area of interest. If an area is subsequently abandoned or the Directors believe that it is not commercial, any accumulated costs in

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respect of that area are written off in the financial period the decision is made. Where mining of a mineral resource has commenced, the accumulated costs are transferred to mine properties.

(l) Recoverable Amount of Non-Current Assets

All non-current assets, excluding exploration and evaluation expenditure carried forward, are reviewed to determine if the carrying amounts of each cash generating unit are in excess of their recoverable amount at reporting date.

A cash generating unit represents an identifiable group of assets and liabilities that generates cash inflows from continuing use that are largely independent of the cash flows from other assets or group of assets.

The recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant cash generating unit, or disposal value if higher. The cash flow projections represent ungeared pre tax cash flows based on reasonable and supportable assumptions that reflect use of the asset in its current condition. The discount rate represents a market derived pre tax weighted average cost of capital.

If the carrying amount of a non-current asset exceeds its recoverable amount, a provision for impairment is recognised and the carrying value is lowered to the assessed recoverable amount. The provision for impairment is recognised in the reporting period in which it occurs. This provision may be reversed in future periods as appropriate.

(m) Payables

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

(n) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing of which is uncertain.

Provisions are determined on an undiscounted basis unless the effect of discounting expected future cash flows required to settle the obligation, at a pre tax rate that reflects current market assessments of the time value of money, is material.

Restoration

Provisions are made for mine site rehabilitation and restoration on an incremental basis over the lower of mine life or 30 years. Provisions, which are determined on an undiscounted basis include the following costs: reclamation, waste, site closure and monitoring activities. These costs have been determined on the basis of current costs, current legal requirements and current technology. Changes in estimates are dealt with on a prospective basis.

Uncertainty exists as to the amount of restoration obligations which will be incurred due to uncertainty as to the remaining life of existing operating sites and the impact of future changes in environmental legislation.

Assumptions have been made as to the remaining life of existing sites based on studies conducted by technical advisors.

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(o) Employee Benefits

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services provided up to balance date. The provisions are calculated on an undiscounted basis, based on current wage and salary rates including related on-costs.

The provision for employees' entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

Provisions for employee entitlements which are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and the Consolidated Entity's experience with staff departures. Related on-costs have also been included in the liability.

The Company and controlled entities contribute to a defined contribution superannuation plan.

(p) Joint Venture

The Consolidated Entity's interest in unincorporated joint ventures are brought to account by including its interest in the following amounts in the appropriate categories in the statement of financial position and statement of financial performance:

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

(q) Foreign Currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

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

The translation rate for the A\$:US\$ exchange rate was 0.7805 at 31 December 2004 (0.6952 at 30 June 2004).

(r) Derivatives

The Consolidated Entity is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Consolidated Entity may use forward foreign exchange contracts, forward commodity exchange contracts and put and call options to hedge its foreign exchange rate and commodity risk. Derivative financial instruments are not held for speculative purposes.

All non-specific hedge transactions are initially recorded at the relevant rate at the date of the transaction. Hedges outstanding at balance date are valued at the rates ruling on that date and any gains or losses are brought to account in the statement of financial performance. Costs or gains arising at the time of entering into the hedge are deferred and amortised over the life of the hedge.

Where hedge transactions are designated to hedge the purchase or sale of goods or services, exchange differences arising up to the date of purchase or sale, together with any costs or gains arising at the time of

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entering into the hedge are deferred and included in the measurement of the purchase or sale. Any exchange differences on the hedge transaction after that date are included in the statement of financial performance.

When the anticipated transaction is no longer expected to occur as designated, the deferred gains and losses relating to the hedge transaction are recognised immediately in the statement of financial performance.

Where a hedge transaction is terminated early and the anticipated transaction is still expected to occur as designated, the deferred gains and losses that arise on the foreign currency hedge prior to its termination continue to be deferred and are included in the measurement of the purchase or sale when it occurs. Where a hedge transaction is terminated early because the anticipated transaction is no longer expected to occur, deferred gains and losses that arose on the foreign currency hedge prior to its termination are included in the statement of financial performance for the period.

Where a hedge is redesignated as a hedge of another transaction, gains and losses arising on the hedge prior to its redesignation are only deferred where the original anticipated transaction is still expected to occur as designated. Where the original anticipated transaction is no longer expected to occur, any gains or losses relating to the hedge instrument are included in the statement of financial performance for the period.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur as designated. If the forecasted transaction is no longer expected to occur as designated, the gains and losses are recognised immediately in the statement of financial performance.

The Consolidated Entity has not entered into any new forward foreign exchange contracts, forward commodity exchange contracts or put and call options during the financial period.

(s) Goods and Services Tax

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

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(t) Earnings per Share

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

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

(u) Use and Revision of Accounting Estimates

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As a result of the uncertainties inherent in business and other activities, many items in a financial report cannot be measured with precision but can only be estimated. The estimation process involves best estimates based on the latest information available. Estimates may be required, for example, of bad debts, inventory obsolescence or the useful lives or expected pattern of consumption of economic benefits of depreciable assets. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Consolidated		The Company	
Dec 2004	Jun 2004	Dec 2004	Jun 2004
6 months	12 months	6 months	12 months
\$'000	\$'000	\$'000	\$'000

2. Profit from ordinary activities

Profit from ordinary activities after tax has been arrived at after crediting / (charging) the following items:

(a) Revenue from operations

Revenue from sale of product (i)	201,060	368,870	-	-
Revenue from settlement of forward sales contracts – controlled entity	-	-	-	49,533
Foreign exchange				
Realised foreign exchange gains/(losses)	(3,101)	727	-	-
	197,959	369,597	-	49,533

- (i) Revenue from the sale of product, being nickel, cobalt and ammonium sulphate, is recorded net of sales discounts, commissions and freight charges.

(b) Cost of product sold

Production costs	(107,188)	(216,569)	-	-
Cost of product purchased under forward sales contracts – controlled entity	-	-	-	(31,448)
	(107,188)	(216,569)	-	(31,448)
Depreciation of property plant and equipment	(11,956)	(23,065)	-	-
Amortisation of leased property plant and equipment	(1,399)	(2,798)	-	-
Amortisation of mine properties	(1,720)	(7,636)	-	-
	(15,075)	(33,499)	-	-
Operating Lease Expense	(2,045)	(2,995)	-	-
Royalties	(4,625)	(8,550)	-	-
Total cost of product sold	(128,933)	(261,613)	-	(31,448)
Gross profit from the sale of product	69,026	107,984	-	18,085

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(2. Profit from ordinary activities cont...)

	Consolidated		The Company	
	Dec 2004 6 months \$'000	Jun 2004 12 months \$'000	Dec 2004 6 months \$'000	Jun 2004 12 months \$'000
(c) Other revenue from ordinary activities				
<i>From operating activities:</i>				
Interest received / receivable				
Other persons	3,641	2,758	167	1,026
<i>From outside operating activities:</i>				
Proceeds from Fluor Final Settlement (i)	-	25,751	-	-
Proceeds from sale of exploration, evaluation and development	-	50	-	-
Other	107	1,221	-	-
	3,748	29,780	167	1,026

(i) Refer note 2 (g)(i)

(d) Borrowing costs

<i>Interest paid / payable:</i>				
Working capital facility – Glencore	-	(929)	-	-
Finance leases	(720)	(1,609)	(2)	(7)
Secured loan	(26)	-	-	-
Other	-	-	-	(929)
	(746)	(2,538)	(2)	(936)

(e) Net other expenses from ordinary activities

Corporate, Finance and Other

Corporate and non production	(5,516)	(17,159)	(2,748)	(4,950)
Legal costs – Fluor Arbitration	-	(8,570)	-	-
Accrual for native title payable	(301)	(627)	-	-
Reversal of /(accrual for) plant licence fees payable (i)	6,576	(3,021)	-	-
Provision for doubtful debts	(176)	(46)	-	-
Provision for rehabilitation	(1,080)	(2,078)	-	-
	(497)	(31,501)	(2,748)	(4,950)

(i) Represents the reversal of plant licence fees and interest accrued in prior periods as a result of a settlement to extinguished the liability.

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	Consolidated		The Company	
	Dec 2004	Jun 2004	Dec 2004	Jun 2004
	6 months \$'000	12 months \$'000	6 months \$'000	12 months \$'000
Foreign Exchange				
Unrealised gains / (losses) on:				
Cash	(261)	1,509	-	-
Debt	158	-	-	-
Realised gains / (losses) on:				
Cash	(3,285)	-	-	-
Debt repayment – related parties	-	2,956	-	14,966
Senior Secured Debt repayment	-	-	-	-
Other	-	(417)	-	-
	(3,388)	4,048	-	14,966
Net other gains / (expenses) from ordinary activities	(3,885)	(27,453)	(2,748)	10,016

(f) Provisions and Write Downs

Reversal of provision for diminution in loans to controlled entities	-	-	-	75,811
Provision for inventory obsolescence	(580)	(2,042)	-	-
Inventory written down	(2,783)	(1,357)	-	-
Other inventory adjustments	1,629	503	-	-
Reversal of provision for impairment of property, plant and equipment (i)	1,102	86,169	-	-
Provision for exploration, evaluation and development of mine properties	(988)	(20)	(861)	(20)
Write back of accrual on deferred settlement (ii)	558	-	-	-
Provision for unrealised foreign exchange and commodity price gains/(losses) on nickel prepayment	-	-	(63,625)	197,656
Reversal of /(provision for) diminution in nickel prepayment – controlled entities	-	-	63,625	(156,224)
	(1,062)	83,253	(861)	117,223

(i) The provision for impairment has been reversed to the extent that the amounts due in respect of the Fluor Settlement have reduced the carrying value of property, plant & equipment (refer Note 10).

(ii) Refer note 13

(g) Net gain/(loss) on redemption and forgiveness of Senior Secured Creditors debt

Fluor Daniel Phase 1 and 2 settlements distributed to Senior Secured Creditors (i)	-	(18,991)	-	-
Net gain/(loss) on forgiveness of Senior Secured Debt	-	(18,991)	-	-

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(2g. Profit from ordinary activities cont...)

- (i) On 5 May 2004, the Murrin Murrin Joint Venture reached a final settlement in respect to Phase 2 and the Phase 1 5th autoclave claim with Fluor Daniel. The settlement resulted in a further distribution of Phase 1 amounts retained after the Phase 1 award in September 2002. The total amounts received by the consolidated entity as a result of the settlement were as follows:

	Consolidated Jun 2004 \$'000	
Recognised as revenue		
Proceeds from Phase 1 5 th Autoclave Settlement	9,404	
Fluor Final Settlement	16,347	25,751
Recognised as reduction to property, plant & equipment		
Proceeds from the Balance of Phase 1 Appeal	2,634	
Phase 1 Appeal	7,984	
Fluor Final Settlement	76,653	87,271
		113,022
Recognised as expense		
Distribution of Balance of Phase 1 Appeal	(2,403)	
Distribution of Phase 1 5 th Autoclave	(9,404)	
Distribution of Phase 1 Appeal	(7,184)	(18,991)
Net Distribution of Phase 1 and Final Settlement received by the consolidated entity		94,031

	Consolidated		The Company	
	Dec 2004	Jun 2004	Dec 2004	Jun 2004
	6 months	12 months	6 months	12 months
	\$	\$	\$	\$

3. Auditor's Remuneration

Auditors of the Company – KPMG Australia

Audit services: KPMG	100,000	230,000	65,000	85,000
Audit and review of financial reports	100,000	230,000	65,000	85,000
Other assurance services:				
Other	16,400	26,300	16,400	26,300
Tax services:				
Tax compliance and advisory	115,135	283,650	115,135	283,650
Research and development allowance concession	87,242	15,425	-	15,425
	218,777	325,375	131,535	325,375

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4. Earnings Per Share (EPS)

Earnings Reconciliation

	Consolidated	
	Dec 2004 6 months \$'000	Jun 2004 12 months \$'000
Net Profit	67,023	171,957
Outside Equity Interests	-	1,385
Basic Earnings	67,023	173,342

Number For Basic Earnings Per Share

	Consolidated	
	Dec 2004 Number	Jun 2004 Number
Weighted average number of shares on issue	461,773,585	6,922,533,645
Consolidation of share capital (i)	-	(6,461,031,402)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	461,773,585	461,502,243

Number For Diluted Earnings Per Share

Weighted average number of shares used for basic EPS	461,773,585	461,502,243
Effect of executive share options on issue (ii)	994,596	1,875,746
Weighted average number of shares used in the calculation of diluted earnings per share	462,768,181	463,377,989

(i) Following shareholder approval at the prior year AGM held on 27 November 2003 the share capital of the Company was consolidated on a 15:1 basis.

(ii) Options expiring 28 November 2006 with an exercise price of \$37.50 have not been included in the calculation of diluted EPS as they are not dilutive.

Options issued to the CEO totalling 1,333,333 were exercised on 18 December 2004.

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	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
5. Taxation				
(a) Income Tax (Expense) / Benefit				
Prima facie income tax (expense)/benefit calculated at 30% (2004: 30%) on the profit from ordinary activities:	(20,107)	(51,611)	1,033	(43,624)
Increase in income tax expense due to:				
Amortisation of mine properties	(516)	(2,291)	-	-
Non-deductible foreign exchange loss	-	(3,603)	-	-
Legal and restructuring costs	(100)	-	(100)	-
Recognition of net deferred tax liability	-	(9,406)	-	-
Decrease in income tax expense due to:				
Non-assessable foreign exchange gain	-	4,490	-	4,490
Recognition of future income tax benefit not previously brought to account	-	9,406	-	37
Reversal of diminution in receivable – controlled entity	-	-	-	35,173
Income tax expense on the profit from ordinary activities before individually significant items	(20,723)	(53,015)	933	(3,924)
Individually significant income tax items:				
Recovery of tax losses and timing differences not previously brought to account	20,665	52,937	-	3,924
Income tax losses not brought to account	-	-	(933)	-
Income tax expense attributable to profit from ordinary activities	(58)	(78)	-	-

(b) Deferred Tax Liabilities

Provision for Deferred Income Tax

Provision for deferred tax comprises the estimated expense at the applicable rate of 30%.

Difference in depreciation and amortisation of property, plant and equipment for accounting and income tax purposes	31,897	8,465	-	-
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	7,267	7,327	-	-
Tax losses	(31,730)	(6,386)	-	-
	7,434	9,406	-	-

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(5. Taxation cont...)

	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
(c) Deferred Tax Assets				

Future income tax benefit brought to account

Future income tax benefit comprises the estimated future benefit at the applicable rates of 30%.

Provisions and accrued employee benefits not currently deductible	7,434	9,406	-	-
Other timing differences	239	297	-	-
	7,673	9,703	-	-

Future income tax benefit not brought to account

As at 31 December 2004, the Consolidated Entity and Company have estimated net unrecognised income tax losses of \$302,444,000 (Jun 2004: \$433,591,000) and of \$9,813,000 (Jun 2004: \$6,470,000) respectively, available to offset against future years taxable income. These losses are expected to be realised at an applicable company tax rate of 30%. The benefit of these losses of \$90,733,000 (Jun 2004: \$130,077,000) and \$2,944,000 (Jun 2004: \$1,941,000) has not been brought to account as realisation is not virtually certain.

Estimated income tax losses carried forward are dependent on the lodgement of certain income tax returns and finalisation of research and development concession claims outstanding for the Consolidated Entity. The potential future income tax benefit will only be obtained if:

- (i) the relevant Company and or the Consolidated Entity derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised;
- (ii) the relevant Company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the relevant Company in realising the benefit.

(d) Tax consolidation

In the prior financial year, legislation was enacted to allow groups, comprising of a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes. The legislation, which includes both elective and mandatory elements, is applicable to the Minara Group.

As at 31 December 2004, the Directors have not made a decision to elect to be taxed as a single entity. In accordance with UIG 39 "Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances", the financial effect of the legislation has not been brought to account in the financial statements for the financial period ended 31 December 2004.

6. Receivables

Current

Trade debtors (a)	30,690	39,807	-	-
Term deposits & other receivables (i)	15,605	8,370	73	19
Provision for doubtful debts	(31)	(47)	-	-
Receivables from controlled entities (b)	-	-	4,855	5,674
	46,264	48,130	4,928	5,693

(6. Receivables cont...)

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
Non Current				
Term deposits (i)	848	15,882	848	882
Receivables from controlled entities (b)	-	-	203,879	303,172
Provision for diminution in receivable	-	-	(52,747)	(52,748)
Other receivables	10,645	10,645	10,645	10,645
Provision for doubtful debts	(10,645)	(10,645)	(10,645)	(10,645)
	848	15,882	151,980	251,306

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

Amounts secured by bank issued indemnity guarantees	9,422	15,034	15	34
Other deposits	848	848	848	848
	10,270	15,882	863	882

(a) Trade debtors include amounts owed to the Consolidated Entity from the sale of finished product to Glencore under nickel and cobalt offtake agreements of \$30.7 million (2004: \$38.6 million). All sales under these offtake agreements have been previously approved by shareholders.

(b) Amounts are unsecured and interest free.

7. Inventory

Current

Raw materials and stores – at cost	46,137	43,909	-	-
Provision for obsolescence	(6,642)	(6,606)	-	-
	39,495	37,303	-	-
Ore stocks – at cost	7,165	6,321	-	-
Work in progress – at cost	12,597	4,734	-	-
Finished goods – at cost	2,763	1,200	-	-
	62,020	49,558	-	-

Non Current

Ore stocks	44,195	33,566	-	-
Ore stocks written down	(2,783)	(1,357)	-	-
(a)	41,412	32,209	-	-
Total Inventory	103,432	81,767	-	-

(a) Reconciliation of non current ore stocks

Ore stocks – at cost	37,168	31,160	-	-
Ore stocks – net realisable value	4,244	1,049	-	-
	41,412	32,209	-	-

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	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
8. Other Assets				
Current				
Prepayments	4,352	5,921	-	-
Other	71	-	-	-
	4,423	5,921	-	-
Non Current				
Nickel prepayments	-	-	450,896	514,521
Provision for diminution in nickel prepayments – note 24	-	-	(154,567)	(218,192)
Secured deposits (a)	858	858	-	-
	858	858	296,329	296,329
(a) Secured by a bank issued indemnity guarantee.				
9. Other Financial Assets				
Investment in controlled entities – at cost	-	-	317,539	317,539
Provision for diminution in investment in controlled entities	-	-	(317,539)	(317,539)
	-	-	-	-
10. Property Plant and Equipment				
Plant and Equipment – at cost	682,560	671,303	1,045	1,045
Provision for impairment	(5,535)	(15,678)	-	-
Provision for borrowing costs	(194,590)	(194,590)	-	-
Accumulated depreciation	(176,618)	(164,662)	(1,045)	(1,045)
Transfer of amortisation to mine properties	3,447	-	-	-
	309,264	296,373	-	-
Leased plant and equipment – at cost	37,713	37,713	996	996
Accumulated amortisation	(19,645)	(18,246)	(996)	(996)
	18,068	19,467	-	-
Mine properties – at cost	511,314	511,314	-	-
Provision for impairment	(360,691)	(360,691)	-	-
Accumulated amortisation	(82,342)	(80,622)	-	-
Transfer of amortisation from property, plant & equipment	(3,447)	-	-	-
	64,834	70,001	-	-
Total Property Plant and Equipment – net book value	392,166	385,841	-	-

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(10. Property Plant and Equipment cont...)

	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
Plant and Equipment				
Carrying amount at beginning of period	461,035	439,970	1,045	1,045
Additions	20,298	22,167	-	-
Net Fluor award attributed to plant and equipment (i)	-	(87,271)	-	-
Transferred of amortisation to mine properties	3,447	-	-	-
Reversal of previous provision for impairment (ii)	1,102	86,169	-	-
Carrying amount at period end	485,882	461,035	1,045	1,045
Accumulated Depreciation and Amortisation				
Carrying amount at beginning of period	(164,662)	(141,596)	(1,045)	(1,045)
Depreciation expense	(11,956)	(23,066)	-	-
Carrying amount at period end	(176,618)	(164,662)	(1,045)	(1,045)
Total Plant and Equipment	309,264	296,373	-	-
Leased Plant and Equipment				
Carrying amount at beginning of period	37,713	37,713	996	996
Additions	-	-	-	-
Disposals / write offs	-	-	-	-
Carrying amount at period end	37,713	37,713	996	996
Accumulated Amortisation				
Carrying amount at beginning of period	(18,246)	(15,450)	(996)	(996)
Amortisation expense	(1,399)	(2,796)	-	-
Disposals / write offs	-	-	-	-
Carrying amount at period end	(19,645)	(18,246)	(996)	(996)
Total Leased Plant and Equipment	18,068	19,467	-	-
Mine Properties				
Carrying amount at beginning of period	70,001	66,319	-	-
Additions	-	11,318	-	-
Transfer of amortisation from plant and equipment	(3,447)	-	-	-
Amortisation expense	(1,720)	(7,636)	-	-
Total Mine Properties	64,834	70,001	-	-
Total Property Plant and Equipment	392,166	385,841	-	-

(i) Refer note 2g(i).

(ii) The reversal of previous provision for impairment has been made to offset, to the extent possible, the reduction in carrying value of plant and equipment associated with the Fluor Daniel award.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
11. Exploration Evaluation and Development				
Exploration and evaluation				
Carrying amount at beginning of period	-	-	-	-
Additions	988	20	861	20
Provision for exploration and evaluation	(988)	(20)	(861)	(20)
Carrying amount at period end	-	-	-	-
Development				
Carrying amount at beginning of period	24,423	24,809	-	-
Additions (i)	(203)	(386)	-	-
Carrying amount at period end	24,220	24,423	-	-
Total Exploration Evaluation and Development	24,220	24,423	-	-

(i) Relates to the recoupment of development expenditure by way of royalties received.

12. Deferred Tax Assets

Future income tax benefit (refer Note 5)	7,673	9,703	-	-
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13. Payables

Current

Trade creditors	43,753	45,994	897	1,038
Amounts owed to controlled entities (b)	-	-	966	4,839
Other	796	932	-	-
	44,549	46,926	1,863	5,877

Non Current

Trade creditors	-	2,697	-	-
Deferred settlement (a)	-	8,250	-	-
Amounts owed to controlled entities (b)	-	-	1,635	1,435
Other (c)	31,021	39,239	-	-
	31,021	50,186	1,635	1,435

- (a) Administrators of Sons of Gwalia Limited accepted a discounted amount of \$7,692,000 in full and final satisfaction of amounts owing on 2 September 2004. This was in connection with the acquisition of certain tenements, held in the company's Mount Margaret project, which had been previously written off. The balance of the accrual was reversed and taken to the statement of financial performance.
- (b) The amounts are unsecured, interest free and repayable on demand.
- (c) Includes an amount of \$26.1 million (2004: \$26.1 million) payable to Amshell Pty Limited, a subsidiary of Glencore, and relates to the acquisition of Abednego Nickel Pty Limited. There are no repayment terms on this amount.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
14. Interest Bearing Liabilities				
Current				
Secured loan (i)	3,699	-	-	-
Finance Lease liabilities (Note 25)	3,223	3,213	27	43
	6,922	3,213	27	43

Non Current

Secured loan (i)	4,383	-	-	-
Finance Lease liabilities (Note 25)	16,886	18,492	6	14
	21,269	18,492	6	14

(i) The loan is secured by a specific charge (Equipment mortgage) over the mining operating lease equipment. The secured loan is denominated in USD (United States Dollars).

15. Financing Arrangements

Total facilities available:

Environmental Bonds	20,000	-	-	-
	20,000	-	-	-

Facilities utilised at balance date

Environmental Bonds	9,500	-	-	-
	9,500	-	-	-

Facilities not utilised at balance date

Environmental Bonds	10,500	-	-	-
	10,500	-	-	-

16. Provisions

Current

Employee entitlements	2,490	2,013	116	115
	2,490	2,013	116	115

Non Current

Employee entitlements	2,051	1,349	15	9
Provision for rehabilitation	9,751	9,148	-	-
	11,802	10,497	15	9
Number of full time equivalent employees at period end	679	671	6	5

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(16. Provisions cont...)

	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
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 (%)	2.50	2.50	2.50	2.50
Discount rate	5.00	5.00	5.00	5.00
Settlement term (years)	5	5	5	5

17. Deferred Tax Liabilities

Deferred tax liability (refer Note 5)	7,434	9,406	-	-
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18. Contributed Equity

Share capital

463,482,030 (2004: 461,504,697) fully paid ordinary shares				
Balance at beginning of period	862,004	862,004	862,004	862,004
Employee Share issue (644,000 shares) (a)	1,430	-	1,430	-
Employee options exercised (1,333,333 shares)	1,200	-	1,200	-
Capital Return (b)	(92,696)	-	(92,696)	-
Balance at end of period	771,938	862,004	771,938	862,004

- (a) On 25 August 2004 the board of directors approved the issue of 1,000 shares in Minara Resources Limited to each employee of the consolidated entity for a total of 644,000 shares for no consideration and having an average fair value of \$2.22 each. No Director received these shares.
- (b) The Company issued a capital return of \$0.20 per ordinary share, pursuant to a resolution passed by shareholders at the annual general meeting on 12 November 2004.

19. Accumulated Losses

Accumulated losses at the beginning of the financial period	(280,320)	(453,662)	(311,313)	(456,727)
Profit/(loss) from ordinary activities after income tax	67,023	173,342	(3,444)	145,414
Accumulated losses at the end of the financial period	(213,297)	(280,320)	(314,757)	(311,313)

20. Notes to the Statements of Cash Flows

(a) Reconciliation of Cash

For the purposes of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial period as shown in the Statements of Cash Flows is reconciled to the relevant items in the statements of financial position as follows:

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(20. Notes to the Statements of Cash Flows cont...)

	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
Cash	103,213	148,861	7,606	4,856
	103,213	148,861	7,606	4,856

(b) Reconciliation of profit from ordinary activities after income tax to the cash flows from operations

	67,023	171,957	(3,444)	145,414
Profit from ordinary activities after income tax				
Add / (less) items classified as investing or financing activities:				
Proceeds from sale of exploration, evaluation and development	-	(50)	-	-
Gain on redemption and forgiveness of Senior Secured Debt	-	18,991	-	-
Flour Phase 1&2 Award proceeds	-	(25,751)	-	-
Foreign exchange gain on loan repayment	-	(2,956)	-	(14,966)
Foreign exchange loss on cash held	3,285	-	-	-
Add / (less) non cash items:				
Depreciation and amortisation	15,075	33,499	-	-
Provision for doubtful debts	176	46	-	-
Provision for rehabilitation	1,080	2,078	-	-
Unrealised foreign exchange (gains)/losses	103	(1,509)	-	-
Provision for inventory obsolescence	580	2,042	-	-
Provision for write-down of inventory	2,783	1,357	-	-
Other inventory adjustments	(1,629)	(503)	-	-
Employee bonus share issue	(867)	-	(9)	-
Reversal of property plant and equipment provision	(1,102)	(86,169)	-	-
Provision for exploration evaluation and development and mine properties	988	-	861	-
Provision for native title	301	627	-	-
Writeback of accruals	(558)	(226)	-	(226)
Provision for employee costs	702	-	6	57
(Writeback) / Provision for licence fees	(6,576)	3,022	-	-
(Reversal)/provision for diminution in nickel prepayment – controlled entity	-	-	-	(41,432)
Reversal of provision for diminution in loans to controlled entities	-	-	-	(75,811)
Interest payable to controlled entity	-	-	-	929
Net cash provided by & used in operating activities before change in assets and liabilities	81,364	116,455	(2,586)	13,965

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(20. Notes to the Statements of Cash Flows cont...)

	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
(Increases) / decreases in:				
Receivables	11,675	(24,847)	(39)	(31)
Inventory	(23,400)	(18,312)	-	-
Prepayments	1,498	27	-	-
Nickel prepayments receivable (net)	-	-	-	(18,085)
Increases / (decreases) in:				
Trade creditors	(4,711)	(5,176)	(124)	791
Provisions	-	(161)	-	98
Deferred tax balances	58	78	-	-
Net cash provided by / (used in) operating activities	66,484	68,064	(2,749)	(3,262)

(c) Non cash Financing and Investment Activities

There were no non cash financing and investing activities undertaken by the Consolidated Entity during the financial period.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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21. Particulars In Relation To Controlled Entities

Name	Note	Class of Share	Interest Held %	
			Dec 2004	Jun 2004
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
Anaconda Pastoral Holdings Pty Ltd	1	Ord	60	60
Murrin Murrin East Pty Ltd	1	Ord	100	100
Yundamindra Pastoral Holdings Pty Ltd	1	Ord	60	60
Murrin Murrin Investments Pty Ltd	1	Ord	60	60
Abednego Nickel Pty Ltd	1	Ord	100	100
Canning Basin Investments Pty Ltd	1	Ord	100	100
Jenlore Pty Ltd	1	Ord	100	100
MGM Gold Pty Ltd	1	Ord	100	100
Murrin Murrin Resources Pty Ltd	1	Ord	100	100
Mount Margaret Nickel Pty Ltd	1	Ord	100	100
Anaconda Exploration Pty Ltd	1	Ord	100	100
Quartz Water Leonora 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	50	50
Rentals (Cogen) Pty Ltd	1	Ord	50	50
Rentals (Village) Pty Ltd	1	Ord	50	50
Mining Fleet Pty Ltd	1	Ord	60	60

1. These companies are small proprietary companies as defined by the Corporations Act and are not required to be audited for statutory purposes.
2. Manager of the Murrin Murrin Joint Venture.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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22. Directors and Executives' Remuneration

Executive Directors and Senior Executives' Remuneration

The Board and Remuneration Committee recognises that the Minara Group 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, short and long-term incentive plans and retirement benefits. The success of Minara is heavily dependent on the ability of the executive and senior management team at Minara to deliver results over the short to medium term.

Details are outlined below.

Base Salary

Base salaries are determined by reference to the size and influence of the role, and individuals' performance and experience. The Committee obtains market data to benchmark salary levels in the resources, refining, and petrochemical industries to determine base salaries. Base salaries are reviewed in June each year.

Short Term Incentive Scheme

Short-term incentive (STI) rewards by way of a cash bonus are payable, depending on the performance of the Company, for meeting or exceeding personal key performance indicators in relation to corporate objectives and specific operational targets. It provides focus for the executive team and ensures they address those issues critical to the future of Minara.

The STI provides a cash incentive payment ranging up to 30% of the base salary for executive roles payable in August each year. Specific performance targets are set for each executive covering financial, production, business improvement and other goals relevant to, and strongly influenced by, the particular executive. Site executives are generally focussed on production and safety goals while the corporate executive goals are more related to corporate financial and specific project activities. The targets are set such that payments will increase progressively for achievements above a minimum acceptable threshold, up to the maximum 20% or 30% payment for achievement of challenging stretch goals. If performance for an individual is below the threshold level no STI payment will be made.

The Hay Group has advised that the maximum incentive opportunity for these jobs is competitive when compared to market practice and recognises the critical issues facing Minara at present. Payment levels for the top three executives including the maximum STI payment are at market median.

Long Term Incentive Scheme

The Long Term Incentive (LTI) plan provides an opportunity to link part of the executive reward to shareholder returns over an extended period. In the absence of an LTI, companies have to provide higher levels of fixed pay and annual incentives to maintain a competitive remuneration profile for senior staff.

The Minara Executive LTI Scheme has the following features:

- is an equity-based reward scheme designed to link executive performance to shareholder returns
- granted to selected members of the management team only
- allocation is determined in line with competitive market practice
- vesting conditions include a minimum of two year's service from date of grant
- performance conditions are applied as appropriate
- maximum life of four years from the date of grant.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(22. Directors and Executives' Remuneration cont...)

		Salary & Fees \$	STI Bonus \$	Non- Monetary Benefits \$	Super- annuation Benefits \$	Value of LTI Options (ii) \$	TOTAL \$
SPECIFIED DIRECTORS (i)							
Mr J Campbell	Dec 2004	90,000	-	-	9,000	-	99,000
Chairman	Jun 2004	160,000	-	-	16,000	-	176,000
Mr P B Johnston	Dec 2004	508,201	250,000	26,724	45,965	-	830,890
Managing Director & Chief Executive Officer	Jun 2004	1,000,000	400,000	53,449	100,000	1,329,333	2,882,782
Mr M Macpherson	Dec 2004	35,000	-	-	3,500	-	38,500
Director	Jun 2004	50,000	-	-	5,000	-	55,000
Mr J Morrison	Dec 2004	35,000	-	-	3,500	-	38,500
Director	Jun 2004	50,000	-	-	5,000	-	55,000
Total, all specified directors	Dec 2004	668,201	250,000	26,724	61,965	-	1,006,891
	Jun 2004	1,260,000	400,000	53,449	126,000	1,329,333	3,168,782
SPECIFIED EXECUTIVES							
Mr S B Dennis	Dec 2004	166,000	130,000	2,220	17,983	17,067	333,270
Chief Financial Officer	Jun 2004	332,000	120,000	5,983	33,200	34,133	525,316
Mr N Meadows	Dec 2004	175,000	30,000	2,220	18,992	17,067	243,279
General Manager Operations	Jun 2004	310,000	-	-	31,000	34,133	375,133
Mr J Quayle	Dec 2004	130,000	75,000	2,220	14,083	17,067	238,370
Company Secretary	Jun 2004	260,000	65,000	13,000	26,000	34,133	398,133
Mr J Cooke	Dec 2004	100,000	36,000	2,220	10,833	17,067	166,120
Business Development Manager	Jun 2004	200,000	-	-	20,000	34,133	254,133
Mr M Ashby	Dec 2004	82,250	-	2,220	8,914	-	93,384
Legal Manager	Jun 2004	160,000	-	-	16,000	-	176,000
Mr P Sims	Dec 2004	103,500	25,000	2,220	11,218	6,827	148,765
Commercial Manager	Jun 2004	200,000	6,000	-	20,000	13,653	239,653
Total, all specified executives	Dec 2004	756,750	296,000	13,320	82,023	75,095	1,223,188
	Jun 2004	1,462,000	191,000	18,983	146,200	150,185	1,968,368

(i) Directors Glasenberg and Strothotte did not receive remuneration from the consolidated entity.

(ii) The fair value of the options are calculated at the date of grant using a Binomial model and allocated to each reporting period evenly over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(22. Directors and Executives' Remuneration cont...)

Options and Rights Over Equity Instruments Granted as Remuneration

During the prior reporting period, the following options over ordinary shares were granted:

	Number of Options Granted during the prior period	Number of Options Vested during the prior period
Specified Directors (i)		
Mr P B Johnston	1,333,333	1,333,333
Specified Executives (ii)		
Mr S B Dennis	266,667	-
Mr N Meadows	266,667	-
Mr J Quayle	266,667	-
Mr J Cooke	266,667	-
Mr P Sims	106,667	-
Mr M Ashby	-	-

- (i) Options granted in the prior year have an expiration date of 6 June 2005, vesting date 6 June 2004, and exercise price of 0.90 cents per share.
- (ii) Options granted in the prior year have an expiration date of 6 June 2006 and a vesting date of 6 June 2005 with an exercise price of 0.70 cents per share (adjusted for capital return). These options are non-transferable and expire if the employee leaves employment before the vesting date.

No new options were granted during the current reporting period. On 8 October 2004, as part of a Long Term Incentive Plan for senior executives, the Company issued Performance Rights to receive a maximum of 576,915 options over unissued shares in the Company to 36 senior executives of the Company (excluding Mr Johnston). On 12 November 2004, shareholders resolved to grant to Mr Johnston Performance Rights to receive a maximum of 179,375 options over unissued shares in the Company. If the performance criteria are satisfied, on application of the Performance Rights, the options will be granted for nil consideration and are exercisable on or before 30 June 2008 in all or part of the entitlement. The options which result from the Performance Rights will be issued by no later than 31 July 2006. No funds will be raised by the Company on the grant of the Performance Rights or on the exercise of the options.

Directors and Executives' Holdings of Shares and Share Options

The interests of Directors of the Company and their Director-related entities in shares and share options of the Company at period end are set out below.

	Number Held 1 July 2004	Purchased During the Period	Number Held 31 December 2004
Specified Directors			
Mr I Glasenberg	229,141,773	-	229,141,773
Mr W Strothotte	229,141,773	-	229,141,773
Mr P Johnston ^(a)	-	1,333,333	1,333,333

Mr Glasenberg and Mr Strothotte's relevant interests are indirect interests in 229,141,773 (2004: 229,141,773) shares held by Glencore, of which both are Directors. No other Directors held beneficial ownership in shares of the Company during the period.

- (a) During the period Mr Johnston exercised 1,333,333 options at a price of \$0.90 per share.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(22. *Directors and Executives' Remuneration cont...*)

Specified Executives

The following Specified Executives held beneficial ownership in shares of the Company at 31 December 2004.

Specified Executives (ii)	Dec 04	Jun 04
	Number of Shares Held	Number of Shares Held
Mr S Dennis	1,000	-
Mr N Meadows	1,000	-
Mr J Quayle	1,000	-
Mr P Sims	1,000	-
Mr J Cooke	1,000	-
Mr M Ashby	1,000	-

All shareholders including specified directors and specified executives participated in the capital return of \$0.20 per share on the above shares, which were paid to shareholders based on the record date of 19 November 2004.

Other

Pursuant to an employment contract, and subject to earlier termination, Mr Johnston's employment continues until 31 October 2006. If the Company does not agree to renew or extend Mr Johnston's employment contract beyond 31 October 2006, Mr Johnston's employment will cease and the Company shall pay to Mr Johnston the amount of \$1.5 million. In such circumstances, Mr Johnston shall retain any options or shares provided to him under his employment contract.

If Mr Johnston's employment contract is terminated by the Company between 3 December 2004 and 31 October 2006, the Company is required to pay Mr Johnston an amount of \$1.5 million. In such circumstances, Mr Johnston shall also be entitled to exercise any options issued to him and which are capable of vesting over the 12 month period following the termination date.

23. Segment Information

The Consolidated Entity operates in Western Australia in the nickel mining industry.

24. Related Parties

Directors

The names of each person holding the position of Director of the Company during the financial period were:

- JW Campbell
- PB Johnston
- JA Morrison
- I Glasenberg
- W Strothotte
- M Macpherson

Details of Directors remuneration is set out in note 22.

Transactions with Directors or Director-related entities

The terms and conditions of all transactions with Directors and their Director-related entities were no more favourable than those available, on similar transactions to non Director-related entities on an arms length basis, except as noted below.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(24. Related Parties cont...)

Glencore

In January 2002, 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. The COA allows Glencore to purchase MMH’s entire share of cobalt produced by the Project for a period up to 31 December 2006, with annual price negotiations. Under both the NOA and COA, Glencore receives a 4% discount on the market sale price. The NOA and COA were approved by shareholders at an extraordinary general meeting on 9 January 2002.

In the prior financial year, Minara began repayment of the US\$ denominated Glencore working capital facility in accordance with the terms of the amended loan agreement. Minara repaid the Glencore working capital facility through the delivery of 375 tonnes of nickel per month resulting in a foreign exchange gain of \$3.0 million and was fully repaid in May 2004.

Wholly Owned Group

During the prior financial period the Company received product at a cost of \$31,448,000, which was sold on its behalf by MMH. At 31 December 2004, the balance owing to Minara from MMH under these arrangements was 24,176 (2004: 24,176) tonnes of nickel. The forward sales contracts are on an arms length basis. These proceeds were used to repay a loan from a wholly owned subsidiary resulting in a foreign exchange gain of \$15 million in the Company in the prior financial year.

All other receivables and payables with related entities are unsecured, interest free and repayable on demand.

Other Related Parties

The Company provides corporate and other administration services to its controlled entities and the Project from which it earns services fees. These transactions are in the normal course of business and on normal terms and conditions. These services amounted to \$1,500,000 (2004: \$3,005,071). During the period the Company issued 1,000 ordinary shares to each employee of the Project. The cost of this issue, being \$858,000, was back charged to the project. Glencore as the owner of 40% of the project would have taken up 40% of this charge being \$343,200.

The Project provides finance, accounting, information technology, investor relations and other administration services to the Company and its controlled entities from which it earns service fees. These transactions amounted to \$nil (2004: \$1,713,898) and are in the normal course of business and on normal terms and conditions.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000

25. Commitments

a) Capital Expenditure Commitments

Capital expenditure requisitioned but not provided and payable at balance date is:

Not longer than one year	36,562	4,041	-	-
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b) Exploration Expenditure Commitments

In order to maintain current rights of tenure to exploration tenements, the Company and the Consolidated Entity are 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 out and at other times. The commitments not provided and payable at balance date are:

Not longer than one year	7,221	7,480	-	-
Longer than one year but not longer than two years	9,747	8,743	-	-
Longer than two years but not longer than five years	21,663	26,228	-	-
Longer than five years	60,604	90,772	-	-
	99,235	133,223	-	-

c) Operating Lease Commitments

Operating lease commitments in the prior year relating to mining equipment contracted but not provided for and payable at balance date are. During the current period the operating lease was paid out and converted to a secured loan.

Not longer than one year	-	2,995	-	-
Longer than one year but not longer than two years	-	2,995	-	-
Longer than two years but not longer than five years	-	2,995	-	-
	-	8,985	-	-

d) Finance Lease Commitments

Finance lease commitments are payable as follows:

Not longer than one year	4,531	4,634	29	47
Longer than one year but not longer than two years	9,416	4,460	6	14
Longer than two years but not longer than five years	9,014	15,553	-	-
	22,961	24,647	35	61
Future finance charges	(2,852)	(2,942)	(2)	(4)
	20,109	21,705	33	57

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(25. Commitments cont...)

	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
Lease liabilities provided for in the financial statements				
Current (note 14)	3,223	3,213	27	43
Non Current (note 14)	16,886	18,492	6	14
	20,109	21,705	33	57

e) Other Commitments

Other commitments relating to native title claimants, process licensing fees and other property and access agreements not provided and payable at balance date are:

Not longer than one year	1,179	4,200	-	-
Longer than one year but not longer than two years	696	2,422	-	-
Longer than two years but not longer than five years	2,760	7,938	-	-
Longer than five years	13,600	15,625	-	-
	18,235	30,185	-	-

The Joint Venture has commitments relating to camp facilities, handling facilities, grade control drilling and calccrete mining and processing, maintenance contracts and industrial gas supply which predominantly relate to the earnings of revenue in the ordinary course of business.

26. Events Subsequent To Balance Date

At the date of this report, the Board of Directors resolved to declare a dividend of 5 cents per share which will total approximately \$23 million. This dividend will be unfranked and paid no later than 25 March 2005. The record date will be 10 March 2005.

Other than noted above, there has not arisen in the interval between the end of the financial period 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.

27. Interest in Joint Ventures

MMH has a 60% (2004: 60%) interest in the Project. The principal activity of the unincorporated Murrin Murrin Joint Venture is the operation of the Project.

The Consolidated Entity has incurred expenditure on the Murrin Murrin East Project in a 60/40 joint venture arrangement with Glencore. The expenditure relates to feasibility studies on exploration and evaluation interests originally owned by Murrin Murrin East Pty Ltd ("MME") a wholly owned controlled entity of the Company.

Included in the assets of the Consolidated Entity are the following items which represent the Consolidated Entity's interest in the assets employed in the Murrin Murrin Joint Venture and Murrin Murrin East Project, recorded in accordance with the accounting policies described in note 1.

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	Consolidated		The Company	
	Dec 2004 \$'000	Jun 2004 \$'000	Dec 2004 \$'000	Jun 2004 \$'000
Current Assets				
Cash	7,427	1,874	-	-
Receivables	3,767	8,263	-	-
Inventory	59,257	48,358	-	-
Other	4,421	5,919	-	-
Total Current Assets	74,872	64,414	-	-
Non Current Assets				
Receivables	-	1,226	-	-
Inventory	41,412	32,209	-	-
Property Plant and Equipment	314,120	306,773	-	-
Exploration Evaluation and Development	24,220	23,096	-	-
Other	858	858	-	-
Total Non Current Assets	380,610	364,162	-	-
Total Assets	455,482	428,576	-	-

28. Contingent Assets and Liabilities

(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.

- (i) On 8 August, 2003 Glenmurrin Pty Ltd and Glencore Investment AG (collectively 'the Glencore Companies') issued a writ claiming US\$25.76 million together with interest, damages and costs, against the Company, Murrin Murrin Holdings Pty Ltd and Murrin Murrin Operations Pty Ltd (collectively 'the Minara Companies') in the Supreme Court of Western Australia.

The claim by the Glencore Companies arises out of alleged breaches by the Minara Companies of the Murrin Murrin Joint Venture Agreement dated 28 August 1997 in connection with the level of financial contributions made by the Minara Companies to the Project during its construction phase. The claim was first disclosed to shareholders and the market as a contingent liability in the notes to the 1998 Financial Report and has continued to be disclosed in each subsequent financial report.

The writ has not yet been served on the Minara Companies. On 26 July, 2004 the Supreme Court of Western Australia extended the time for service of the writ by the Glencore Companies by a period of 12 months and will expire in early August 2005.

The Consolidated Entity intends to defend any action brought by the Glencore Companies. An Independent Committee of the Board comprising Directors not related to the Glencore Companies, has been established to review and conduct the defence of this matter on behalf of the Minara Companies.

- (ii) The Consolidated Entity has entered into agreements with numerous native title claimants. 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. Determinations under section 35 of the Native Title Act have been made in favour of granting various title applications and the Project is currently

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(28. *Contingent Assets and Liabilities cont...*)

proceeding in relation to the recent applications. The Consolidated Entity is confident that the remaining tenements, which are now minimal, under the Project will be granted.

On 1 December 2004, Minara Resources Limited (Minara) received a letter on behalf of the Goolburthunoo Native Title Claimant Group (Goolburthunoo) in relation to monies the Goolburthunoo claim are due to be paid in accordance with an agreement with Anaconda Nickel Limited dated 8 July 1998. The agreement relates to tenements now held by Murrin Murrin Holdings Pty Ltd and Glenmurrin Pty Ltd. On the same day, Minara was informed that IMF (Australia) Limited, an ASX listed litigation funder, had entered into an agreement with the Goolburthunoo and the NEIB Aboriginal Corporation (NEIB) to fund the claim being made against Minara. Neither the Goolburthunoo nor the NEIB has initiated proceedings against Minara at the date of this report.

The Company responded to the Goolburthunoo letter of 1 December 2004 rejecting their demands and indicated that if proceedings are issued those proceedings will be vigorously defended.

- (iii) The Consolidated Entity has provided indemnity guarantees in favour of the Minister of Mines of \$18,922,000 (2004: \$15,034,000). The guarantees are secured by \$9,422,000 (2004: \$15,034,000) of term deposits. The Project has provided guarantees to third parties as satisfaction of contractual obligations of \$1,430,000 (2004: \$1,430,000).

Consolidated		The Company	
Dec 2004	Jun 2004	Dec 2004	Jun 2004
\$'000	\$'000	\$'000	\$'000

29. Amounts Receivable/Payable in Foreign Currencies

Amounts receivable/(payable) in foreign currency which are not effectively hedged:

	\$A'000	\$A'000	\$A'000	\$A'000
United States Dollars (equivalent):				
Cash	28,356	18,536	-	-
Current - Receivables	30,690	38,558	-	-
Current - Payables	3,699	-	-	-
Non current - Payables	4,383	-	-	-

30. Financial Instruments

Derivatives and Other Financial Instruments

The Consolidated Entity's activities expose it to changes in interest rates, foreign exchange rates and commodity prices. It is also exposed to credit, liquidity and cash flow risks from its operations. The Board has confirmed policies and procedures in each of these areas to manage these exposures. Management reports to the Board on a monthly basis as to the monitoring of the policies in place, and adherence to the policies is strictly observed.

The Consolidated Entity may use derivative financial instruments to hedge cash flows subject to interest rate, foreign exchange rate and commodity price risks. Derivative financial instruments are not held for speculative purposes. Exposures including related derivative hedges, are reported to the Board on a monthly basis. The Consolidated Entity only deals with financial market intermediaries with an acceptable credit rating determined by a recognised rating agency. Financing facilities and operating cash flows are managed to ensure that the Consolidated Entity is not exposed to any liquidity risks.

The Consolidated Entity has not entered into any new forward foreign exchange contracts, forward commodity exchange contracts or put and call options in the financial period.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(30. Financial Instruments cont...)

(a) Foreign Exchange Risk

In the current and prior financial period, the Consolidated Entity has not entered into any financial instrument to hedge anticipated sales denominated in United States Dollars (“USD”).

(b) Interest Rate Risk

The Consolidated Entity’s exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Weighted Average Interest Rate %	Floating Interest Rate \$'000	Fixed Interest Maturing In:			Non Interest Bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	More than 5 years \$'000		
Dec 2004							
Financial Assets							
Cash assets	5.5	103,213	-	-	-	-	103,213
Receivables	0.0	-	-	-	-	36,842	36,842
Receivables	4.8	9,422	-	-	-	-	9,422
Other – secured deposits	4.8	848	-	-	-	-	848
		113,483	-	-	-	36,842	150,325
Financial Liabilities							
Payables	0.0	-	-	-	-	75,570	75,570
Lease liabilities	6.0	-	3,223	16,886	-	-	20,109
Secured loans	3.6	-	3,699	4,383	-	-	8,082
Provisions	0.0	-	-	-	-	14,292	14,292
		-	6,922	21,269	-	89,862	118,053
Net financial assets / (liabilities)		113,483	(6,922)	(21,269)	-	(53,020)	32,272
Jun 2004							
Financial Assets							
Cash assets	5.6	148,861	-	-	-	-	148,861
Receivables	0.0	-	-	-	-	48,130	48,130
Other – secured deposits	4.8	16,740	-	-	-	-	16,740
		165,601	-	-	-	48,130	213,731
Financial Liabilities							
Payables	0.0	-	-	-	-	97,112	97,112
Lease liabilities	6.0	-	3,213	18,492	-	-	21,705
Provisions	0.0	-	-	-	-	12,510	12,510
		-	3,213	18,492	-	109,622	131,327
Net financial assets / (liabilities)		165,601	(3,213)	(18,492)	-	(61,492)	82,404

(c) Commodity Price Risk

In the current financial period and prior year, the Consolidated Entity has not entered into any forward sale contracts to hedge a proportion of anticipated nickel sales.

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(30. *Financial Instruments cont...*)

(d) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Recognised Financial Instruments

The credit risk on financial assets, excluding investments, of the Consolidated Entity which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

Credit risk in respect of cash, deposits and receivables is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

(e) Net Fair Values of Financial Assets and Liabilities

Valuation Approach

Net fair values of financial assets and liabilities are determined by the Consolidated Entity on the following basis:

Recognised Financial Instruments

Monetary financial assets and financial liabilities not readily traded in an organised financial market are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the timing of the cash flows. The carrying amounts of bank term deposits, accounts receivable, investments, accounts payable, bank overdrafts and lease liabilities approximate net fair value.

Net Fair Values

Recognised Financial Instruments

The carrying amounts and net fair values of financial assets and liabilities as at the reporting date are as follows:

	Dec 2004		Jun 2004	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial Assets				
Cash assets	103,213	103,213	148,861	148,861
Receivables	46,264	46,264	48,130	48,130
Other	848	848	16,740	16,740
Financial Liabilities				
Payables	75,570	75,570	97,112	97,112
Lease liabilities	20,109	20,109	21,705	21,705
Secured Loan	8,082	8,082	-	-
Provisions	14,292	14,292	12,510	12,510

All other financial assets and liabilities are not readily traded on organised markets in a standardised form.

Unrecognised Financial Instruments

The Consolidated Entity does not have any unrecognised financial instruments at 31 December 2004 or 30 June 2004.

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31. Employee Benefits

Minara options outstanding at the end of the financial period are as follows:

Expiry Date	Exercise Price \$	Number of Options		Equivalent Number of Shares	
		Dec 2004	Jun 2004	Dec 2004	Jun 2004
28 November 2006	37.30	666,667	666,667	666,667	666,667
6 June 2006	0.70	1,600,003	1,706,670	1,600,003	1,706,670

The market value of Minara shares at 31 December 2004 was \$1.85 (2004: \$2.35).

32. Outside Equity Interests

	Consolidated		The Company	
	2004 \$'000	2004 \$'000	2004 \$'000	2004 \$'000
Outside equity interests in controlled entities comprise:				
Interest in retained profits at the beginning of the financial period	(1,031)	354	-	-
Interest in profit from ordinary activities after income tax	-	(1,385)	-	-
Interest in retained profits at the end of the financial period	(1,031)	(1,031)	-	-

33. International Financial Reporting Standards (IFRS)

Management has established a formal project to achieve transition to Australian equivalent to IFRS (AIFRS) reporting, beginning with the half-year ended 30 June 2005. The Company's implementation project consists of three phases as described below:

Assessment and Planning Phase

The assessment and planning phase aims to produce a high level overview of the impacts of conversion to AIFRS reporting on existing accounting and reporting policies and procedures, systems and processes, business structures and staff.

This phase includes:

- high level identification of the key differences in accounting policies and disclosures that are expected to arise from adopting IFRS
- assessment of new information requirements affecting management information systems, as well as the impact on the business and its key processes
- evaluation of the implications for staff, for example training requirements
- preparation of a high level conversion plan.

The Company considers the assessment and planning phase to be complete as at 31 December 2004.

MINARA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

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(33. *International Financial Reporting Standards (IFRS) cont...*)

Design Phase

The design phase aims to formulate the changes required to existing accounting policies and procedures and systems and processes in order to transition to AIFRS. The design phase will incorporate:

- formulating revised accounting policies and procedures for compliance with AIFRS requirements
- identifying potential financial impacts as at the transition date and for subsequent reporting periods prior to adoption of AIFRS
- developing revised AIFRS disclosures
- designing accounting and business processes to support AIFRS reporting obligations
- identifying and planning required changes to financial reporting and business source systems
- developing training programs for staff.

The Company has completed its design phase. The implementation phase is expected to be completed by 30 June 2005.

Implementation Phase

The implementation phase will include implementation of identified changes to accounting and business procedures, processes and systems and operational training for staff. It will enable the Company to generate the required disclosures of AASB 1 as it progresses through its transition to AIFRS.

Impact of transition to AIFRS

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and AIFRS identified to date as potentially having a significant effect on the Consolidated Entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and AIFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Consolidated Entity has not completed its project to assess the impact of AIFRS and has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the consolidated financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with AIFRS.

Any assessment made in respect to the transition to AIFRS may require adjustment before inclusion in the first complete annual / half year financial report prepared in accordance with AIFRS due to new or revised standards or interpretations, changes in operations of the business, or additional guidance on the application of AIFRS in a particular industry or to a particular transaction.

The key potential implications of the conversion to AIFRS on the consolidated entity are as follows:

- financial instruments must be recognised in the statement of financial position and all derivatives and most financial assets must be carried at fair value.
- income tax will be calculated based on the "balance sheet" approach, which will result in more deferred tax assets and liabilities and, as tax effects follow the underlying transaction, some tax effects will be recognised in equity. Under AIFRS, recognition of tax losses as a deferred tax asset is made when utilisation is probable as opposed to the strict current test under Australian GAAP which is "virtually certain".

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(33. International Financial Reporting Standards (“IFRS”) cont...)

- full provision for rehabilitation and closedown costs are required to be recognised for disturbance caused to date. The provision will represent the present value of total rehabilitation payments recognised with a corresponding asset. The provision is increased annually for the impact of discounting and the asset is amortised.
- impairments of assets will be determined on a discounted basis with strict tests as to whether individual cash-generating units have been impaired.
- equity-based compensation in the form of shares and options will be recognised as expenses in the periods during which the employee provides related services.
- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.
- the Functional Currency of the Company must be determined as to what best represents the economic effects of the underlying transactions, events and conditions of the Company’s business.

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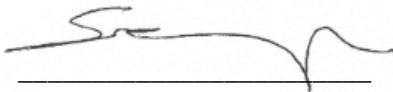
DIRECTORS' DECLARATION FOR THE PERIOD ENDED 31 DECEMBER 2004

In the opinion of the Directors of Minara Resources Limited:

- (a) the financial statements and notes, set out on pages 27 to 65, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and Consolidated Entity as at 31 December 2004 and of their performance, as represented by the results of their operations and their cash flows, for the period ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Dated at Perth this 25th day of February 2005



JW Campbell
Chairman



PB Johnston
Chief Executive Officer and Managing
Director