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Mincor Resources NL in FY07 produced 12,927 tonnes of nickel-in-concentrate compared with 13,496 tonnes in FY06. In FY07, you delivered a profit of $101 million and EBITDA of $175.7 million compared with $29.3 million and $70.6 million respectively in FY06. What nickel production do you expect in the future? What's the status of your current growth projects?

**MD David Moore**

This financial year we expect to produce between 16,000 and 17,000 tonnes of nickel metal in concentrate, or around 19,000 tonnes of nickel in ore, that's about 28% higher than last year. The following year we are targeting a further 20-25% increase in production, to well over 20,000 tonnes of nickel in ore.

Over the long-term, and by that I mean the next decade or two, we are targeting an average of around 20,000 tonnes of nickel metal per annum.

As regards our growth projects, our recent acquisition, Otter Juan, is operating very well, with the first 2 months of production bringing in a provisional 24,000 tonnes of ore at 3.7% nickel – ahead of our expectations.

We are currently doing resource confirmation drilling at McMahon, which was part of the same acquisition, and we're just starting the same on Durkin. We expect the feasibility studies on these projects to be completed in the next 6 months or so and to make a decision on project go-ahead soon after.

Mincor's other major growth project is Carnilya Hill and we've already committed to mine development there. We are fully mobilised to site, the surface infrastructure is up and running, we have completed the rehabilitation of the decline and we have started the main work of extending the decline down to the new ore body. So we are on track for production to commence in January 2008, barring anything unforeseen, and to ramp-up from there.

At our established nickel operations we have several new developments underway, including the development of the South Miitel ore body, the development of the new extensions to the North Miitel ore body, and the extension of the decline down to our major new discovery at Mariners, the NO9 ore body.

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Mincor recently announced that its mineral resource inventory as at 30 June 2007 had increased by 93% to 146,300 tonnes and Ore Reserves increased by 40% to 62,700 tonnes of contained nickel metal. Can you explain the main areas contributing to the changes? Broadly, how did the increases compare with your expectations?

**MD David Moore**

This massive increase in metal inventory is really just the first fruits of our exploration and acquisition success over the past 12 months. The big increase in resources comes from our exploration success at Carnilya Hill and Mariners as well as the acquisition of the Otter Juan, McMahon and Durkin projects.

The increase in reserves is partly the result of successful extensional drilling at North Miitel, where a large inferred resource was converted to high quality reserves during the year, and partly from Carnilya Hill and Otter Juan. However the reserve position is very much an interim one, as at this point only around 30% of the new Mariners N09 resource has been converted to reserves due to the paucity of drilling; and as yet none of the McMahon and Durkin resources have been converted to reserves. Ultimately we would expect most of the current resource to convert to reserve, as has been our record to date.

In addition, of course, is the fact that much of the current resources are still open and still being actively drilled out. In particular the Mariners N09 ore body; the down-plunge continuation of the Otter Juan ore body; and the down-plunge continuations of the McMahon, Durkin and Carnilya Hill ore bodies. Miitel also remains open to both north and south.

It is worth recapping Mincor's record when it comes to resources and reserves. Our total attributable reserve when we started mining was 25,400 tonnes of contained nickel. At the end of June 2007, our reserve was 62,700 tonnes, and that was after having mined 75,085 tonnes over the intervening period. That means our total mined and unmined reserves at the end of June 2007 were 137,800 tonnes – a massive 440% increase over our starting position. And the rate of increase of reserves is speeding up, not slowing down. So we have pulled off the remarkable feat of substantially increasing reserves even as we have increased the rate at which we mine them. This feat is in fact less remarkable to those who understand the Kambalda Nickel District. Its prime characteristic is that it contains lots of small, high-grade ore bodies that are quite hard to find. However they are there and the 40 year history of the district demonstrates that Kambalda as a whole can sustain a production rate of around 35,000 tonnes of nickel metal per annum. I estimate that we have about 60% of the district, and hence I believe we can sustain a production rate of around 20,000 tonnes nickel per annum on an indefinite basis. Kambalda's record, and our own record, demonstrates this.

One has to realise that past production mostly took place in the zone between surface and about 600 metres below surface. However once you have a decline 600 metres below surface, you have a sunk-cost access to that point and any nearby ore body is strongly economic because of that. So, while I think many new near-surface ore bodies will still be found, I think the bulk of production for the next 40 years of Kambalda's life will come from the zone between 600 metres and 1,200 metres below surface – an area that is as yet barely explored, and for which we certainly have the technology to mine.

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The current nickel spot price is around A$15/lb. The average nickel price you received in FY07 was A$17.28/lb. What hedging commitments did you meet in FY07? What commitments do you have in FY08?

**MD David Moore**

In FY07 our hedging commitment was 3,138 tonnes payable nickel at an average price of A$8.61/lb. After taking this into account our average realised price for the year was A$17.28/lb. Right now the spot price is around A$15.00/lb and for this financial year we have 3,526 tonnes payable nickel hedged at A$14.11/lb. So if the spot price is maintained we would realise an average price of around A$14.70/lb payable nickel, which will yield an excellent margin.

Our total hedging as of July this year was 4,876 tonnes payable nickel, or about 19% of forecast production over the next 2 years, hedged at a price of around A$14.67/lb.

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In FY07, the average cash cost was A$6.59/lb compared with A$5.11/lb in FY06. Can you explain the difference? What major influences do you expect on costs this year?

**MD David Moore**

Cash costs are very sensitive to grade, and the main driver of the higher cash costs was a drop in grade from Miitel – from around 2.9% in FY06 to about 2.3% in FY07. The lower grade ore from Miitel will continue for 6-9 months while we transition from the current mining area to the new northern extensions and to South Miitel. Once we open up those areas the nickel grade should improve.

Another major influence on cash costs in FY07 was royalties, especially with the very high nickel prices. Our royalty costs averaged A$1.40/lb, or 21% of our overall cash cost per pound, compared with A$0.57/lb (or 11% of cash costs) for FY06. Obviously, this cost falls when the nickel price comes down.

It is pretty important that shareholders understand that cash costs are broadly linked to nickel prices. The royalty cost is only the most obvious linkage. But more generally at present our main focus is production rather than costs, and a few extra cents per pound in costs incurred to achieve higher production is barely relevant when the extra revenue per pound is measured in dollars. The important thing to understand is that cash costs would reduce substantially in a low nickel price environment.

Nevertheless if you look at our costs without the influence of grade, that is the costs per tonne of ore, you will see that they have actually been very steady and in some cases fell in FY07. This demonstrates that we are doing an excellent job in a very tough environment in terms of cost control.

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Mincor has been very active with both exploration and new acquisitions over the last year. Can you recap your achievements over the last year or so? Will you look for further acquisitions or choose to consolidate?

**MD David Moore**

We had a very successful year both in exploration and in acquisitions, and this has laid the foundations for strong production increases over the next few years, and for what we believe is a long-term and sustainable production rate of around 20,000 tonnes per annum.

We have acquired what was traditionally the “jewel in the crown” at Kambalda, being the Otter Juan ore body, which alone accounts for over 20% of Kambalda’s historical production, and still has plenty of life. That is currently in production and doing very well. In addition we have acquired a large swathe of ground, comprising the northern third of the exceptionally well-endowed Kambalda Dome, which is the original heart of the Kambalda Nickel District. We have two projects there currently undergoing feasibility studies – McMahon and Durkin – and we hope to make go-decisions on those during this year. We are also drilling very actively – the first significant exploration drilling there since 1998 – and I have high hopes that a really major new discovery will be forthcoming in due course.

In addition we proved up a major new discovery at Carnilya Hill and have already started development of a new mine there. We’ve also made what is probably our most significant discovery to date, being the NO9 ore body at Mariners, and that is still wide open and drilling is continuing. We also discovered significant extensions at North Miitel. In addition we laid some foundations for the future with a number of early stage exploration plays and joint ventures. These include our Rav 8 joint venture with Tectonic Resources and our West Kambalda project, part of which is in joint venture with Image Resources.

So in summary we have made excellent use of the past 12 months, and have substantially expanded both our production capacity and our exploration potential, and in many ways have secured our long-term growth. The first fruits of this work are already apparent in the massive increases in resources and reserves.

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Have the acquisitions so far delivered what you expected, particularly in terms of potential production and exploration upside and overall value add for shareholders?

**MD David Moore**

We have owned GMM for only around 8 weeks. Production from Otter Juan has been strong, with provisional figures for July and August of 24,000 tonnes of ore at 3.7% nickel at provisionally estimated cash costs of around A$5.50/lb payable. This suggests a provisional operating surplus for the first two months of production (assuming spot nickel prices) of around $10 million. At that rate we will pay back the entire purchase cost of GMM, including Otter Juan itself, the McMahon and Durkin Projects and all the exploration upside, just from Otter Juan's cash flows over the next 10 months. In addition, our first reserve estimate for Otter Juan, which we released last week, shows 11,000 tonnes of contained nickel at a grade of 3.9%. At our base case production rate of approximately 100,000 tonnes of ore per annum, that gives a minimum 3 year mine life – but the reserve is limited only by lack of drilling, and we expect that the ore body will continue well beyond the current level of drilling. So I would have to say that expectations at this point are being substantially exceeded.

As regards the broader package of ground, including the McMahon and Durkin projects, we must await the result of the feasibility studies and resource confirmation drilling. However I can already say that the drilling at McMahon is showing that the system does extend down-plunge beyond the end of the currently defined mineral resource, as we hoped it would. We have very high expectations for both McMahon and Durkin, and the wider exploration potential.

If you count Carnilya Hill as an acquisition – it was originally just an earn-in exploration joint venture – then certainly that has met or exceeded our expectations. For an earn-in expenditure of only $2.5 million we have 70% of a significant new discovery that is now under development as our next new mine – only a year and a bit after the first drill-hole.

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In FY07, net operating cash flow was $192.2 million and capital expenditure was $25.1 million, exploration $13.1 million, acquisition expenditure $14.2 million and dividends paid were $17.6 million. What major expenditures do you expect this year, particularly with capital and exploration?

**MD David Moore**

Our major budgeted expenditures for the coming year are $15 million on exploration and $61 million on capital development, mostly underground decline development at Carnilya Hill, North and South Miitel, Mariners and a little bit at Otter Juan and Wannaway. If we proceed to the development of McMahon and Durkin this financial year, then those capital costs would come on top.

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Mincor is also pursuing gold and base metal exploration projects. What stage are you up to with each of these and how do you hope to progress them? What importance do they have for Mincor's future growth?

**MD David Moore**

We carry out a disciplined program of early stage exploration outside of nickel. We have projects in NSW, NT, northern WA and a lead/zinc project in Ireland. These programs are conducted with disciplined expenditure to generate targets and test them and, if they don't live up to expectations, we move on to the next one.

These programs are not expensive, but they do provide high rewards if they are successful. We have just finished drilling our NSW tenements for copper and we are waiting to see if we are granted a significant piece of land in Ireland.

If any of these projects is successful it would add huge value to our shareholders almost immediately.

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Mincor has grown strongly over the last few years. How will you maintain that growth over the long-term?

**MD David Moore**

Right now we have several years of strong production growth ahead of us, already mapped out from identified projects. Over the longer term I see our Kambalda business as the Company's core growth asset and cash-flow generator and the perfect base from which to grow further. So we will be looking to bolt-on, through exploration or acquisitions, additional growth assets to this strong core business, with the intention that these new assets, be they in nickel or in other base metals, will over time lift us to an entirely new level of production and profitability.

I think the commodity cycle will be around for quite a while, and I am determined that Mincor will play its part and continue to give our shareholders outstanding exposure to what may be the greatest mineral boom in history.

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Thank you, David.

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**For further information on Mincor Resources please visit [www.mincor.com.au](http://www.mincor.com.au) or call David Moore on (08) 9321 7125.**

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