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**corporatefile.com.au**

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**RECORD OF INTERVIEW:**

**corporatefile.com.au**

Mincor Resources NL recently made the decision to develop the McMahon Project, which will be Mincor's 8<sup>th</sup> operating nickel mine around Kambalda and you also recently mined the first ore from the Carnilya Hill mine. Can you update progress at your development projects, McMahon and Carnilya Hill, and the Durkin Deeps project which is in feasibility study stage? Will the operation of Carnilya Hill be compromised with your joint venture partner in administration?

**MD David Moore**

We made the decision to develop McMahon in November 2007. The project required an extension to an existing underground decline, which meant rehabilitation and re-equipping the old decline, putting in new ventilation and escape ways and so on. That work was carried out during December and January. We had already put in orders for the critical mobile equipment – a loader, jumbo and truck – so we had that machinery on hand the moment we needed it, which was early February. That's when we started the actual drilling and blasting underground, to extend the decline down to the new ore body. This is an owner-operator mine, run by our team at Otter Juan, and they have done a fantastic job to get it all up and running so quickly. So McMahon is firmly on track for first production next financial year.

Carnilya Hill has also been a great success story. We made the development decision in June 2007, established the infrastructure during July and August and we've been pushing the underground development ever since. In mid January we hit the top of the ore body and we are now strike driving in the upper zones. The focus now though is less on production and more on pushing the decline development so as to make as many levels as possible available for a healthy production rate in due course.

We don't think the fact that our partner in Carnilya Hill, View Resources, is in administration will affect the performance of the operation. View has nothing to do with the management and operation of the mine, and have continued to pay their cash calls. If they fail to do so (and we have had no indication that they would), then we have strong protections under the Joint Venture Agreement. As we announced a short while ago, the administrator declined to extend the cut-off date for our agreement with View to buy their interest in the JV. We will watch the situation and if our pre-emptive rights are triggered then we will probably exercise them.

The feasibility study for Durkin Deeps is well on track. Our main focus at the moment is drilling for resource confirmation and extension. From the results to date we think there is a very good chance that we can add substantially to the original resource. We are also enthusiastic about the picture that is coming together in the deeper lode, the B Lode, which looks like it has the potential to be part of something much bigger. Time will tell. But at this stage Durkin Deeps is looking very positive indeed.

## **corporatefile.com.au**

Otter Juan has been a recent addition to your nickel mines and it was clearly the major contributor to Operating Surplus in the December quarter 2007 (\$20.4 million out of \$35.7 million in total). Why is Otter Juan such a strong contributor? Is Otter Juan performing to expectations from a production and cost perspective? Is there potential to extend the ore body?

### **MD David Moore**

Otter Juan is an extraordinary mine and we knew that when we bought it. It's the oldest continuously producing ore body in the Kambalda district – it's been operating since the early 1970s, with only one short break in 1999/2000. It is also by far the biggest ore body ever discovered at Kambalda, a tremendously consistent ore trend with over 300,000 tonnes of nickel metal already produced. Finally, of course, it is run by an excellent and very experienced crew. Even so, it has performed ahead of expectations and we are delighted with its performance.

An important thing to understand about Otter Juan is that it is not possible to drill out the ore trend from surface, as it is too deep. The drilling must be done from underground and there are a lot of constraints on that. We are currently experimenting with some cutting edge techniques that involve directional drilling from underground, but it is too early to say whether that will be successful. So although we have the strongest and most consistent ore trend ever found at Kambalda, our June 30 ore reserve for Otter Juan had only 11,000 tonnes of nickel metal, because that was as far as we could drill from the underground positions we had available. However if the ore trend continues beyond the extent of the current drilling, which we think is highly likely, then the ore reserve figure could rise substantially.

Another aspect that is probably not widely appreciated is that there is a tremendous remnant mining opportunity at Otter Juan. We are currently working on that, and while we are not in a position to put anything into reserve right now, I can say that we have found more nickel in remnant positions over the last six months than we have mined over the same period. Remnant ore can be tremendously valuable, because it requires very little capital to access. If we can get it going successfully, we could increase production out of the mine by perhaps around 20% on an indefinite basis – for little capital and with most of the operating costs borne by the main operation.

So all in all we see nothing but upside at Otter Juan.

## **corporatefile.com.au**

Which are the most important mines for the Company in terms of production, mine life and expected future operating margins?

### **MD David Moore**

The biggest producers are Miitel, Mariners, Otter Juan and Redross, though the latter will down-size a bit from the end of this financial year. Carnilya Hill will become a significant producer from the next financial year onwards. McMahon, once it starts production, will be smaller but a very useful and profitable adjunct to Otter Juan. Our smaller operations are Wannaway and Coronet, but both make good money and, depending on the nickel price, both could remain in production almost indefinitely. If the feasibility study is successful at Durkin Deeps, that will become a substantial producer over the next few years.

## **corporatefile.com.au**

You've mentioned your quest for an ultra-sized nickel ore body. Can you give more detail on the more important nickel exploration programs to extend current deposits and those aimed at discovering new ones? Where might you find that ultra-sized ore body?

### **MD David Moore**

We're currently focusing our extensional work at Mariners and Miitel and enjoying significant success at both. The N09 ore body, our recent discovery at Mariners, is already in production. We're mining the top part, but

we haven't found the limits of that ore body and it potentially could be much larger. It's very exciting and much of our focus is on continuing to drill out and extend the NO9 ore body.

North Miitel is an important area for extensional exploration work. Recent drilling has hit ore grades well over 200 metres beyond the end of current reserves. Miitel is rapidly becoming one of the most significant ore bodies ever found at Kambalda. It's been the single largest producer in the District ever since we put it into production in 2001, and there is still no end in sight.

Wannaway is currently causing some excitement. It is a great little mine run by a very dedicated team of people who do a fantastic job. And lately we have been getting very significant drill intersections underneath the original NO1 and NO2 ore bodies. There is a chance that the ore trend re-makes entirely at depth, and that is an important target for us in the immediate term.

Redross is another great operation and our team there have performed magnificently. It really has been a fantastically successful operation for Mincor. Recently we drilled out a smaller ore body below the main ore body, called the NO2, and we will be evaluating that new ore zone over the next few months.

We are also starting to get very excited by the down-plunge potential at Coronet. This is an operation supposedly in its waning phase, and when we bought it as part of the Otter Juan acquisition, it was with the expectation that Coronet would be closing down by November 2007. Well it is still going, and likely to stay that way. But what is really exciting right now is that we think the ore body may extend down-plunge. Previous thinking on the matter was that the ore body was cut off by the Loreto Fault. We have now drilled, from surface, in the down-plunge area and are getting clear indications that the ore trend continues, so there is the possibility of a major discovery down-plunge of Coronet, and we are drilling right now.

When it comes to our ultra-sized nickel ore body program, the area we are most interested in is the Durkin/Otter Juan area, in other words the eastern side of our North Kambalda tenements. This area already contains three genuinely world class ore bodies, being Otter Juan, with past production of 300,000 tonnes of nickel, Durkin, with 100,000 tonnes of past nickel production, and Long, which is not on our tenements but is just around the corner and clearly trending onto our ground, with 200,000 tonnes of past nickel production. So this is an area with around 600,000 tonnes of past nickel metal production, around 46% of all the metal yet produced from the entire Kambalda nickel field. The extraordinary thing is that there has been virtually no exploration in this area since the late 1990s. And even before that there was very little deep drilling, because it made little sense to drill those deep holes while there was still so much production coming from the shallower positions. So it is wide open – very little past exploration, a nickel endowment second to none in Australia except perhaps Jubilee's Cosmos area, and no previous application at all of the recent advances in geophysical, geochemical and deep drilling technologies. So this is as good as it gets in nickel exploration, and the discovery of another 300,000 nickel tonne ore body, which would be a life-changing event for Mincor, is high on our list of priorities.

## **corporatefile.com.au**

Mincor is acquiring the Bluebush Line Tenements. You've stated that the Bluebush Line is believed to be the only remaining exposure of the basal contact in the Kambalda Nickel District. Can you explain the significance of that? How will you go about examining the potential of the Bluebush Line?

## **MD David Moore**

We believe the Bluebush Line is the only remaining exposure of the basal contact that is not already in the hands of long-term owners. The basal contact is the stratigraphic position along which all Kambalda's nickel ore bodies are developed. So acquiring around 40 kilometres of the strike of this contact is a pretty big deal. We know the contact is mineralised because previous drilling has come up with numerous intersections of high-grade nickel sulphides of typical Kambalda style. In fact there are around 51 holes into the Stockwell/Grimmsby zone, and we are working through that data right now – in essence we think there is already a discovery there, but its just never been brought to account.

We are very keen to get in there with a drill rig, and we have already applied for the clearing permits, which can take a long time in Western Australia. We are also waiting for Ministerial consent to the sub-lease, which we

expect soon, and then we can get onto the ground and will have the right to explore and to mine. But clearly Bluebush is a major new exploration front for us and we will be tackling it very aggressively.

### **corporatefile.com.au**

What success have you had with the non-nickel exploration such as uranium, copper and zinc? What is the potential for each project? Will you keep base metal or uranium discoveries under Mincor ownership?

### **MD David Moore**

We started our ex-Kambalda grassroots exploration program only 18 months ago and we have already announced our first copper resource, so I would say we have been pretty successful. We also have a potential uranium discovery at our Gascoyne Project in Western Australia, and we have now cleared all hurdles to allow us to drill a number of well-defined zinc targets at our Bonaparte Project in the north of Western Australia. In addition we have started work on our big zinc project in the Northern Territory, and we are currently drilling in Ireland, where we have a major position along the highly prospective Rathdowney Trend.

The Tottenham Project, where we announced our first copper resource last week, is looking very exciting. We think there is potential to get that resource to over 100,000 tonnes of contained copper, because we have around 30 kilometres of strike, and plenty more oxide targets to drill. In addition, the helicopter-borne electromagnetic survey that we carried out during January has come up with a number of sulphide targets, and we will be drill-testing those from March onwards. So it is possible that Tottenham will be our first operation outside of nickel, but of course it is early days yet.

We didn't specifically set out to explore for uranium, but the targets became hard to ignore as we worked on our Gascoyne Project. Right now we have some outstanding uranium prospects there, with high grades of U<sub>3</sub>O<sub>8</sub> in grab samples over very wide areas, in classic near-surface surficial deposits. It's tremendously exciting, but of course at present in Western Australia the mining of uranium is prohibited. Nevertheless we will continue to pursue these targets because they look very strong, and because we don't believe the current anti-uranium mining policy is tenable over the long term.

We've only just commenced exploration on our two main zinc projects in the Georgina Basin, Northern Territory and the Bonaparte Basin, northern Western Australia. This year we'll be drilling in the Bonaparte Basin, where there are clearly defined drill-targets, and doing fundamental work, such as stratigraphic studies and fluid flow modelling, in the Georgina Basin, followed by drilling. These are strong prospects that could move up the value curve very quickly.

We have also acquired ground in Tasmania, and will be flying helicopter-borne electromagnetics at our Round Hill and Heazlewood prospects there during March. The areas are prospective for Aveybury-style nickel deposits in ultramafic rocks, copper in basalts and volcanoclastic rocks, and skarn-type lead-zinc-silver. This is an emerging exploration play for Mincor, and worth keeping an eye on.

In Ireland we are now drilling our second hole. So far we have demonstrated that the prospective stratigraphy is not too deep, and very importantly we have previous intersections of actual mineralisation, as well as several intersections of the critical black-matrix breccia, which is widely considered to be a near-ore indicator. So while still very early stage, our Tipperary Project is looking good.

It is worth noting that all of the above projects, except Tipperary, are held 100% by Mincor. Tipperary is 51% owned by Mincor and we can earn up to 85%.

So we are very active in exploration outside the Kambalda District. This is all firmly in line with our strategy, which is to aggressively grow our Kambalda nickel business while at the same time developing new avenues of growth by exploring outside Kambalda.

### **corporatefile.com.au**

Mincor recently announced NPAT for the half year to 31 December 2007 of \$31.3 million compared with \$37.2 million in the previous corresponding period (pcp). Can you explain how provisional pricing adjustments reduced the headline profit number from \$39.7 million?

## **MD David Moore**

The price for the nickel-in-concentrate that we sell is the average price of nickel during the third month after the month of delivery. This means that at the end of any accounting period we need to estimate the final price for the last three months of the period. We do this by taking a 10% discount to the spot price – and that is the provisional price we use in period-end accounts. When the final price is known, we have to make an adjustment. Usually that adjustment is not very significant. However, due to the exceptionally big drop in the price of nickel between June and September 2007, the adjustment required for the production months of April, May and June 2007 was substantial, some \$12 million, or \$8 million after tax. This had to come off our profit for the half year, and brought that profit down from an excellent \$39.7 million to \$31.3 million.

## **corporatefile.com.au**

Operational earnings (revenues minus cash costs excluding provisional pricing adjustments) for the six months were \$91.9 million versus \$76.3 million in the pcp. What were the major influences on operational earnings? What influences do you expect for the June 2008 half year?

## **MD David Moore**

I think the operational earnings figure is important, as it demonstrates the very healthy performance of our underlying cash flows. What is striking to me is that operational earnings during the first half of FY 2008 were up 22% over the first half of FY 2007, despite nickel prices being very similar for the two periods. What this demonstrates is that Mincor's strong production growth and ability to manage costs is capable of over-riding the effects of nickel price volatility to continue to deliver genuine earnings growth.

Looking ahead to the rest of this financial year, we expect production from Miitel and Mariners to be stronger than the previous six months, we expect Otter Juan to continue to deliver excellent results, and of course Carnilya Hill will start to make a contribution.

## **corporatefile.com.au**

Net operating cash inflow was \$70.6 million and cash as at 31 December 2007 was \$110.8 million, up from \$87.4 million as at 31 December 2006. The interim dividend was steady at 6 cents per share. Why hold so much cash? What major expenditures are budgeted?

## **MD David Moore**

We have McMahon and Carnilya Hill under development, and we also still have South Miitel under development. These projects are absorbing cash at present. We also have a high level of exploration expenditure, both in the Kambalda nickel district and elsewhere. In fact we are exceeding our budget on exploration, but that is just because we have so many targets to drill. We would hope to be able to take a development decision on Durkin over the next few months. So there is a lot of capital expenditure underway – potentially up to \$90 million over the next two years, all of which will add tremendous value.

Although we have very strong cash flows, we prefer to fund everything without debt. We also want to keep some cash in the Company so that we can move on opportunities in addition to organic growth, and I think it is worth mentioning that Mincor has a pretty good record of making value-adding acquisitions. Also, current market conditions have probably demonstrated to investors the many benefits of a strong balance sheet. Having said all that, our Board is always examining the best use for our cash, and I would not entirely rule out the possibility of some form of capital management initiative from Mincor in the future.

## **corporatefile.com.au**

After very strong growth in shareholder value, share prices for nickel companies have eased with the nickel price. How do your assets and strategy differentiate Mincor from your peer group?

## **MD David Moore**

Mincor has a number of unique strengths. One of them is the speed in which we can make a discovery and get it into production. It only took us 19 months from the discovery hole at Carnilya Hill to first production in January 2008. We've developed seven mines in the last seven years, and while growing production year after year we have actually increased our total nickel in resources and reserves year after year. It's an impressive record and it actually gets easier to do with each new ore system that we open up. So I think Mincor is really about delivery, rather than promises. We find, develop and operate mines, we turn this into cash flow, profits and dividends, we reward our shareholders with income and capital growth, and I believe we have the assets to continue doing that for many years to come.

I think we have two major strengths that strongly differentiate ourselves from other ASX listed nickel producers. Firstly, we have multiple production sources, and this greatly reduces our mining risk, because periodic constraints in one mine can be overcome with production from the other mines, and of course it's inconceivable that a total disaster, like losing the whole decline, could strike all seven mines at the same time. Our second major strength is our dominant position in the Kambalda Nickel District. Kambalda is one of the world's premier nickel provinces. It has a forty year history of consistent high nickel production. Mincor owns about 60% of the productive capacity of the Kambalda District. This gives us, in my view, the capacity to continue to discover, develop and deliver nickel for many decades to come.

**corporatefile.com.au**

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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