

MINCOR CONFIDENT DESPITE FIRST HALF LOSS

Strong \$28.6M Operating Earnings, Dividend Payments Continue

- **Sharply lower nickel prices lead to Mincor's first ever net loss, of \$22.7 million**
- **This figure includes provisional pricing adjustments and one-off non-cash asset impairment charges totaling \$26.6 million**
- **Solid operating earnings of \$28.6 million** (revenue less cash costs before provisional pricing adjustments)
- **Balance sheet remains exceptionally strong – working capital of \$72 million and no debt**
- **Dividends to continue – fully franked interim payout of 2 cps declared**
- **Outlook for second half much stronger following implementation of Operational Management Plan**
- **Mincor is successfully weathering the financial storm and continues to offer outstanding leverage to a recovery in global growth**

Australian nickel miner Mincor Resources NL (**ASX: MCR**) today announced its first loss since commencing mining operations in 2001. The net loss of **\$22.7 million** for the six months to 31 December 2008 comes despite record production and the Company's best cost performance in more than two years, and is the result of a **39% fall** in gross revenues due to sharp falls in the nickel price during the period.

The result (Dec 2007: \$31.3 million net profit) includes a provisional pricing adjustment charge of \$9.3 million from the previous financial year and a one-off, non-cash asset impairment charge of \$17.3 million. In accordance with its standard accounting practice, Mincor has also written off exploration costs incurred during the period, amounting to \$6.7 million.

However, the strength of Mincor's business, and the effectiveness of its response to the falls in commodity prices during October and November, is reflected in solid operating earnings (revenue less cash costs before provisional pricing adjustments) of **\$28.6 million** and the capacity to declare a **fully franked interim dividend of 2 cents** per share.

The net result was struck on gross revenues of \$100 million for the half year (Dec 2007: \$164.9 million) from the sale of a record **8,976 tonnes** of nickel-in-concentrate. Mincor mined 354,052 tonnes of ore at a grade of 2.87% nickel, for 10,155 tonnes of nickel-in-ore. The average realised price for the period was A\$7.99 per pound, down from A\$14.05 per pound in the previous corresponding period.

Under the impetus of Mincor's Operational Management Plan, cash costs reduced from an average of A\$6.52 per pound of payable nickel in the June 2008 Quarter to **A\$5.61 per pound** (US\$3.65/lb) in the December 2008 Quarter. Average cash costs were **A\$5.76 per pound** for the first half, the lowest they have been since early 2006 (Dec 2007: A\$6.26 per pound).

The Company's balance sheet remains strong, with working capital (cash and receivables minus creditors and accruals) of **\$72 million** at 31 December 2008. This figure is down from \$92 million on 30 June 2008, reflecting the net of tax, dividend and provisional pricing payments as well as capital and exploration expenditures, offset by operational earnings. At 31 December 2008 the Company's hedge book had a marked to market value of \$33 million.

Demonstrating its confidence in the future, Mincor's Board has declared a **2 cents per share** fully franked interim dividend (Dec 2007: 6 cps). The record date for the dividend is 27 February 2009, and the dividend will be payable on 27 March 2009.

Following asset impairment tests required by the accounting standards and triggered by the fall in the nickel price, Mincor has written down a portion of the carrying value of its Miitel and McMahon nickel mines, and has written off the residual value of its previously closed Wannaway mine.

The total impairment cost is \$17.3 million. This is a one-off, non-cash charge against Mincor's profits, and has no effect on Mincor's cash balance. Additionally, given Mincor's high level of retained profits, the write-downs do not affect Mincor's current capacity to pay dividends.

Management Comment

While the harshness of the current business environment is clearly apparent in Mincor's first-ever accounting loss, the strong operating earnings generated throughout the half year underlines the fundamental strength of Mincor's operations, while management's swift response to the events of October and November, together with the Company's strong balance sheet, has ensured Mincor's ability to weather the global financial storm.

"As outlined in previous releases, we have reduced costs by suspending higher cost production. Due to the unique flexibility of our operations, we have been able to do this without damaging the suspended operations or their ore reserves, and without reducing our production capacity," said Mincor's Managing Director, David Moore.

"Since November production has been flexed downwards to a robust core of three low-cost mines, cash costs have been reduced, and group cash flows substantially increased."

"For the half year as a whole, and even before these operational changes came into affect, our business generated substantial operating earnings. This is a significant point given that few nickel mining companies will report a profit for this half year, and many global nickel mines were forced to shut down during the period."

"It is the strength of these operating earnings that gives us the ability to sustain the capital and exploration investments that are vital for Mincor's future growth, while still maintaining our unbroken record of dividend payments."

"Our objective is to ensure that ongoing capital, exploration and dividend expenditures are covered by operating earnings. This was not the case in the first quarter of the current financial year due to the retrospective impact of the nickel price collapse in October and November, which meant that capital expenditures for the first quarter had been (in retrospect) unsustainably high."

"However, following the operational measures taken in the second quarter, investment expenditures have been wound back to sustainable levels compatible with long-term production at the Company's revised production rate."

Outlook

"As a result of these measures, the Company has – since November 2008 – been generating substantially more cash than it has been consuming, and this is expected to continue for the foreseeable future, based on current nickel price assumptions", Mr Moore said. "In addition, the full positive effects of the operational changes will continue to be felt over the remainder of the 2009 financial year."

As previously advised, Mincor is budgeting production of between 6,500 and 7,500 tonnes of nickel-in-ore in the second half of the 2009 financial year, with sustainable exploration and capital expenditures of \$15 million, funded from cash flows.

Exploration through the second half of the financial year will focus on a number of core areas:

- The down-plunge potential of the Mariners, Otter Juan and Carnilya Hill nickel mines, where initial indications are extremely positive;

- The strong potential of the Burnett Shoot at North Miitel, where mineralisation has now been extended along plunge by nearly 1 kilometre beyond ore reserves;
- The search for Ultra-sized Nickel Ore Bodies in the North Kambalda area, guided by the results of the seismic survey carried out jointly with BHP Billiton in December 2008. The results of the survey are expected to be available in April 2009; and
- The testing of high-quality nickel targets along the Bluebush Line.

Mincor's suspended operations, primarily Miitel, are capable of a rapid and low-cost return to production, giving the Company an unparalleled ability to ramp up production when economic circumstances permit.

"Given the strength of our cash flows, the latent capacity of our suspended mines, the quality of our exploration targets, and our healthy, debt-free balance sheet, we look forward to the future with great confidence," Mr Moore said.

"Mincor continues to offer its shareholders outstanding leverage to the nickel price, and an investment in a financially strong mining company with a long-term track record of success."

Mincor is Australia's 3rd largest listed nickel producer. The Company operates two mining centres in the world class Kambalda Nickel District of Western Australia, and has been in successful production since 2001.

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Released by:

Nicholas Read/Kate Bell
Read Corporate
Tel: (08) 9388 1474

On behalf of:

Mr David Moore, Managing Director
Mincor Resources NL
Tel: (08) 9476 7200
www.mincor.com.au