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The following is an *Inside Briefing* interview with Mincor Resources Managing Director, Mr David Moore

In this interview, David Moore provides an update on Kambalda nickel producer and explorer Mincor Resources NL (ASX: MCR – market capitalisation: ~\$50 million – 188.2 million shares on issue) including:

- Its swift response to the recent falls in the nickel price;
- Its production and cost outlook moving forward; and
- Its strategy to develop a significant new suite of Kambalda growth projects to take advantage of the widely predicted turnaround in the nickel price, when that occurs.

Inside Briefing: Mincor has outlined a flexible short-term production strategy for the Kambalda nickel operations in response to the recent fall in the nickel price to six-year lows. What are the key elements of this strategy from a mining and production perspective?

David Moore: We moved quickly in the June Quarter to realign our production to the new nickel price – a decision that looks pretty good now, given the price has continued to fall. What we did essentially was to consolidate our two operating mines, Miitel and Mariners, into a single unit operated by one work crew and one management team.

Regretfully, this led to numerous redundancies but it has brought our cost base down very substantially while greatly improving productivity, because we now have many more working headings available across both mines. Obviously this has cut production as well, but at this point we are more interested in margin than volume.

Inside Briefing: Can you give us an idea of your projected C1 cash costs under this short-term production strategy, as well as your forecast for sustaining capital and exploration expenditure over the first six months of FY16?

David Moore: Our cost base has been substantially reduced and is generally steady month-to-month. Our cash costs are more volatile, depending as they do on monthly nickel grades and tonnes. The other important thing to remember is that, right now, our cash costs equate to our total costs, given that we have no capital development underway.

So far this quarter – that is for July and August – our average cash cost (i.e. our total cost) is A\$5.70 per pound of payable nickel. Of course, that is before head office and exploration costs, but we have always had a very lean head office, and it has been further slimmed down recently with all of our senior executives taking a voluntary 8% pay cut, and myself a voluntary 16% pay cut.

Other major expenditures for the half year are the two feasibility studies we are undertaking. Both of these studies are currently underway and due for completion before Christmas. We expect the total cost of these two studies to be about \$350,000. It's important to note that these are final, bankable level feasibility studies on Durkin North and our integrated Miitel/Burnett project. The reason that the cost of these studies is so low is because a lot of the detailed technical work has already been done.

On the exploration front we have a budget of just over a million dollars for the first half. We are focusing our efforts on the emerging Cassini discovery and our interesting new prospect at Republican Hill.

Inside Briefing: To what extent is the falling Australian Dollar off-setting the lower nickel price? What would represent key nickel price triggers in terms of either raising, lowering or suspending production?

David Moore: The falling Aussie has softened the blow somewhat, but even in Australian Dollar terms the nickel price is down around 30% since its highs of over A\$20,000 a tonne last year. On the other hand forecasts remain bullish, and analysts are pretty universal in predicting higher prices for next year. But no-one really knows of course.

From the perspective of our production levels, at this point I would rather think in terms of a trend than a single fixed trigger price. Once it is clear that the nickel price is in recovery mode and trending upwards we would have the motivation to start rebuilding production. Right now the price is low and flat, and if it stays that way it is quite likely that we will suspend production by the end of the year.

Inside Briefing: What is Mincor's own assessment of the outlook for nickel? Does the current price weakness create any opportunities for counter-cyclical acquisitions or growth?

David Moore: I think we will see a rising nickel price environment, commencing sometime over the next 12 months. Everything I read and all the analyses I've seen by people who really dig into the details support this view. I think at the moment it's really a demand problem, exacerbated by high levels of stock. But once demand picks up, as it will, global stocks may erode quite quickly and then it will become evident that supply is actually quite constrained.

One thing that is hard to predict is when the market will wake up to this. It is possible that the nickel price will react well before an actual supply squeeze happens. Nickel tends to be like that, very volatile. When it finally starts to move upwards it could move very quickly. So yes, now is a great time to acquire nickel assets.

Inside Briefing: Mincor has outlined a clear strategy to focus on its new growth assets including Burnett, Durkin North, Cassini and Voyce. Can you give us a brief overview of each project and how these assets could contribute to your upside growth target of around 10,000 tonnes nickel-in-ore per annum?

David Moore: The timing is good for us in a way because with the production pressure down a trifle we can focus serious resources on getting our next generation of production assets ready.

We have already completed a Prefeasibility Study on South Miitel/Burnett and it does look like a decent mining proposition at consensus nickel price forecasts. We are now doing the full-scale Feasibility Study on the project and we expect that to be complete before Christmas.

In essence this project represents a continuation of our long-standing Miitel operation. It involves developing out to Burnett at North Miitel, where our drilling over the past year has added significant tonnes and improved the grade, and simultaneously finalising access to the two ore bodies at South Miitel, the N30C and N30D. Production then kicks in from both ends of the mine and high rates can be achieved and maintained for two solid years, based on current Ore Reserves.

Of course even beyond that the ore system is open well past the end of the current reserves both to the north and the south. So Miitel looks like it still has at least two years – and possibly many more – of good production ahead of it. The final Feasibility Study we have underway at the moment will pin down the restart costs and timelines, as well as the nickel price required to deliver a healthy capital return.

Then we have our Durkin North Project. The drilling we completed there earlier this year added very substantially to the upper ore bodies; this is important because these are the ore bodies that would be accessed first with the capital development, so they bring forward cash flows and should significantly improve the economics.

We have a detailed final-level Feasibility Study underway now and expect it to be complete by Christmas. Durkin North is a very important project, as it is our biggest and highest grade undeveloped resource. We believe that it is the northern continuation of the Long ore system that has been mined so successfully by Independence Group over the past decade or so. Given that, we would expect that once it is in production we will gain a much clearer picture of the exploration upside.

The other important project for us is Cassini. It's early days there as yet, but we believe that further drilling will demonstrate a viable mineral resource and our scoping level work has suggested that an economically positive outcome is possible. This is shaping up as a major discovery – the first greenfields discovery in the Kambalda District for some time.

Finally we have our Voyce Project. At this stage the resource is small but very high grade. Our view is that it needs higher prices than the other projects to make it work, but certainly prices that are within the range of current forecasts. Once we get it into production there is every chance that it will just keep going, because we know that the hosting channel structure has a plunge extent of at least one kilometre.

So the process we see unfolding now is the completion of the Feasibility Studies on Burnett/South Miitel and Durkin North, and the completion of exploration drilling at Cassini. Subject to the nickel price, that will put us in a position, from about the end of this calendar year, to put Miitel back into production as a high-volume mine exploiting both ends of the ore body. Once that is up and running we will be in a position to commence the development of Durkin North – which will take about a year to get into sustained production. Meanwhile, we will be completing the drill-out and feasibility work on Cassini, so that, by the end of next calendar year and subject to results, we will be in a position to commence that development.

In summary, that means we would be looking at sustained increases in production over the next three or four years, to somewhere up to or beyond 10,000 tonnes of nickel-in-ore per annum – especially if Voyce kicks in. Of course all this is subject to the outcome of feasibility studies, the drilling at Cassini, and the forecast recovery in the nickel price.

Inside Briefing: While these new growth projects are still subject to Feasibility and Scoping Studies, can you give investors an indication of what level of capital investment would be required to bring these assets into production and how Mincor would fund them?

David Moore: Our Prefeasibility Study at South Miitel/Burnett suggests a maximum cash draw-down of around \$16 million. This is not upfront capital, it is the maximum cash negative position that eventuates as we develop the accesses and start to mine the ore body. And we think we will be able to improve on that significantly in the full feasibility study. At Durkin North, our initial work suggests the maximum draw-down could be as much as \$30 million, but that does not yet take account of the extra metal we now have in the upper mineral resources following our successful drilling there earlier in the year.

Again, this is not upfront capital, it is the maximum negative position that develops as access capital is incurred, offset by the value of production. Naturally, in both cases, the value of production is dependent on the prevailing nickel price, so the higher the price the lower the maximum cash draw-down.

Our Scoping Study at Cassini – which is only very preliminary of course as we don't yet have a published resource there – suggested that we could get this deposit into production for a figure as low as \$8 million.

This is because the top of the mineralisation is very shallow, and also because we can use the surface infrastructure at our old Redross Mine, which is close by.

So we see all this new development as being manageable largely within our current cash resources, though it does depend on when the nickel price turns. We would probably start South Miitel/Burnett first and, once we have positive cash flows from that we could start developing Durkin North, and then move on to Cassini. Staged in that way, and given the expected rising nickel price, it all looks doable – perhaps with a small amount of top-up project debt finance to give us a buffer.

Inside Briefing: What are your key exploration priorities in the Kambalda region moving forward? Can you give us a quick summary of your exploration plans for the next 12 months?

David Moore: We have a massive opportunity in Kambalda. No-one else has the sheer acreage we have in the District. And I'm talking prime exploration ground, with the actual basal contact present and in one of the world's great nickel districts.

We have a number of immediate goals: At Cassini we must complete the drill-out of the mineralisation we have discovered so far. I would like to see that at an Indicated Resource level by the end of the financial year if not sooner (of course there is no guarantee that further drilling will result in a resource). But there is a lot more to the story at Cassini than what we have drilled so far. It is a very large magnetic anomaly, probably a massively thickened pile of high-MgO ultramafic rock – the classic feature of large Kambalda ore systems.

The Cassini Project as currently defined lies at the southern end of this magnetic anomaly, and the whole northern extent of the anomaly, or rather the basal contact as it wraps around the anomaly, has had little or no exploration. We are already aware of at least one other channel structure, and we think there may be two more. It is a fabulously prospective patch of ground and we will be paying it due attention.

Then there is our new prospect at Republican Hill. This is on the Bluebush Line, not far from Miitel. We think it is a dead ringer for Cassini, containing the same embayed features in the surface expression of the basal contact and the same substantial magnetic anomaly. And in fact there is even a small surface gossan there, or zone of weathered sulphides.

In addition to that of course we have a constant level of target generation underway. We have literally dozens of targets at various stages of being worked up to drill readiness. We think Kambalda still has a lot to yield.

Inside Briefing: In summary, how would you characterise the investment opportunity presented by Mincor at this stage of the nickel price cycle? What milestones should investors look out for in the coming months?

David Moore: Right now we look very undervalued, with about \$30 million in the bank and, at today's share price, a market capitalisation of just \$50 million. This is a business that has paid out \$133 million in fully franked dividends over the past 14 years.

As the saying goes, buy low and sell high, and that is especially true of commodities. Now is a great time to buy nickel, and there would be few companies in the world that offer the degree of leverage to the nickel price that we do. Of course that comes with risks, and any potential investor needs to do their homework.

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The information concerning production targets in this announcement are not intended to be forecasts. They are internally generated goals set by the board of directors of Mincor Resources NL. The ability of the company to achieve these targets will be largely determined by the company's ability to secure adequate funding, implement mining plans, resolve logistical issues associated with mining and enter into off take arrangements with reputable third parties.

It is common practice for a company to comment on and discuss its exploration in terms of target size and type. The information above relating to the exploration target should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the terms Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

About Mincor Resources NL:

Mincor is a leading Australian nickel producer and explorer. Mincor operates two mining centres in the world class Kambalda Nickel District of Western Australia, and has been in successful production since 2001.