

# 17<sup>th</sup> ANNUAL GENERAL MEETING

## 25 May 2010



Peter Coates AO, Chairman

### ***Introduction***

Good morning ladies and gentlemen and welcome to Minara Resources' 17<sup>th</sup> **Annual General Meeting**.

In my report to you today I will provide a brief overview of Minara's activities over the past year – from an extremely challenging first half of 2009 through to a solid turnaround as we entered 2010.

We will then move to procedural matters and you will have an opportunity to ask questions about the last 12 months' operations and our plans for the future.

### ***Operating Philosophy / Operational Results***

During the second half of 2008 and the first half of 2009 there were extreme pressures placed upon our business as a result of increased input costs, falling metals markets and the global financial crisis and consequent world recession. This required an immediate change in direction for Minara.

Our early recognition of this rapidly changing market environment was the key to the position we find ourselves in today. Our equity raising in late 2008 and our "back to basics" philosophy focusing on capital conservation, cost minimisation, productivity improvement and high operational standards enabled Minara to enter 2009 in a sound position for the inevitable recovery of world commodity markets.

We have remained debt-free, with strong and growing cash reserves. The continuation throughout the year of our conservative philosophy has delivered a reduced cost base and improvements to our already consistent production profile.

For the year ended 31 December 2009, I am pleased to report **record metal production** of 32,977 tonnes of nickel and 2,350 tonnes of cobalt. This result is testament to the success of prudent operational strategies.

Our continued focus on cost management and production improvement necessitated ongoing suspension of capital projects during 2009, including expansion of our Heap Leach facility. These projects will be reviewed during 2010.

### ***Sustainable Operations***

The changing environment throughout 2009 did not diminish Minara's efforts in the areas of occupational health, safety and the environment, and our support for the communities in which we operate.

To this end, it is very pleasing to note that Minara's overall safety performance in 2009 continued to improve towards industry best practice levels, and we reported no environmental incidents.

Our commitment to social responsibility saw a further annual commitment of \$250,000 to the Minara Community Foundation, to benefit a number of organisations and projects in the northern goldfields.

### ***Financial Results***

I will now turn to the financial results for the 12 months to 31 December 2009. During the period, Minara recorded a **net profit of \$48.5 million**, following a loss of \$19.8 million in 2008. This is a credible performance in a volatile market.

Particularly pleasing was the focus on cost reduction despite the impact of a rising Australian/US dollar exchange rate. Our full year direct cash costs were US\$4.97 per pound against the previous year's costs of US\$5.39 per pound.

The company's increase in cash reserves – to \$247.1 million at the end of 2009 compared to \$142.5 million the previous year – reflects our reduced cost base and our continued focus on seeking further improvements to run the business more efficiently.

Given this solid turnaround and continuing evidence of sustained recovery, the company is reviewing growth opportunities. The improvement may also provide a platform for a possible return to shareholders in the near future.

### ***Nickel Markets***

Whilst nickel market conditions have remained volatile, overall there was a 50% increase in nickel metal price over the 2009 calendar year. Nickel prices currently are remaining strong and there has been a recent decline in the London Metal Exchange nickel stock levels– indicating increasing demand as the world recovers from economic crisis.

### ***People***

Minara continues to undertake initiatives to consolidate our position as an employer of choice in the mining and mineral processing industry.

We support a number of work/life balance initiatives, continue to review our rosters, and provide personal and professional development opportunities. In addition, we look for promotional opportunities to ensure we offer career pathways for our employees.

This people management focus – together with the effect of the Global Financial Crisis – resulted in a substantially reduced staff turnover during 2009.

## ***Corporate Governance***

The Board remains committed to the highest standards of corporate governance and ethical behaviour. Our corporate policies are continually reviewed to best practice standards and underpin every activity and deliberation.

### ***The Australian Government's Proposed "Super Tax"***

On 2 May 2010 the Federal Government announced that it intends to introduce a "Resource Super Profits" tax, which will apply to all mining projects and is scheduled to come into force generally on 1 July 2012. Minara has serious concerns about this new tax on its operations.

The proposed 40% super tax would see the total effective tax rate on the profits of the Australian minerals sector increase to around 57%. This would mean that Minara would be subject to the highest resources tax regime in the world.

This tax will create a distinct advantage for our international competitors. It will jeopardise our ability to generate or access capital for expansion plans, and lower returns for Australian investors, shareholders and superannuation funds.

There is no doubt that this proposed "super tax" is a threat to future investment in Australian resources and, like many other resource companies, Minara will be forced to look more closely at overseas investment opportunities.

It is worth remembering that, to create value from a resource that was previously considered uneconomic, new technologies were applied and over \$1.2 billion was invested to build the laterite nickel operation at Murrin Murrin. Through the onsite production of nickel and cobalt briquettes the project incorporates downstream processing and resource value adding that successive governments have sought to promote within Australia. Regrettably, we would consider it unlikely such an investment would be repeated in a post "Resource Super Profits" tax Australia as the returns simply would not justify the risks involved.

We will continue to review the impact of the regime on our business and we will continue to lobby with the Australian minerals sector in relation to the proposed tax.

### ***Future Developments***

As I enter my third year on Minara's Board, I continue to be impressed by the enthusiasm and commitment of the management team and their willingness to respond to market conditions in the way they have – by aggressively reducing costs and improving productivity.

Their success is clearly demonstrated as Minara – unlike many of its competitors – remains a healthy, secure business with significant cash reserves and a bright future.

To this end I am delighted to confirm that Managing Director, Peter Johnston, has committed to a further three-year term at the helm of Minara's executive team. Under Peter's guidance I have every confidence in the company's ability to take full advantage of world market recovery.

As we begin 2010 we have solid cash reserves, we are debt free and have a strong balance sheet. Our costs have stabilised and our focus is on maintaining and expanding our production profile whilst we review growth opportunities beyond Murrin Murrin.

### ***Conclusion***

I would like to record Minara's appreciation for our Joint Venture partner, Glencore International AG, for its ongoing support of our operations. I would also like to thank my fellow Board members for their expertise, commitment and support.

Finally I would like to thank Minara's management team and all employees for their hard work, commitment and understanding as they successfully address the challenges we continue to face. This gives me every confidence in our ability to deliver strong returns to our shareholders.

Thank you

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