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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 Mincor Resources (ASX: MCR – current market capitalisation: $180 million), including the Company's recent $30 million PNG copper and gold transaction, the performance of its Kambalda nickel operations in Western Australia and its longer-term growth strategy. Highlights of this interview include:

- *Mincor's rationale for entering into a major new copper-gold exploration joint venture in Papua New Guinea as well as other business development initiatives in lead-zinc, copper and iron ore;*
- *how the Company is addressing recent operational challenges at its Kambalda Nickel Mines, by switching its key mines to owner-operator and unifying operational management structures; and*
- *the benefits expected to flow from a major capital investment program completed at its nickel mines over the past financial year and its key strategic priorities over the next few years.*

Inside Briefing: The recent PNG transaction is Mincor's most significant business development initiative since the $68.5 million acquisition of the Otter Juan mine in Kambalda in 2007. What are the key features of this transaction and how does it fit with your long-term growth vision for the Company and risk profile benchmarks?

David Moore: We have said for some time that Mincor needs to expand its asset base outside Kambalda in order to take the next big step in its growth. That's not to say we don't see lots of upside in Kambalda, and we are continuing to pursue exploration there very aggressively. But new business opportunities (as opposed to exploration opportunities) are now quite limited in the Kambalda District, so we must also look further afield.

In this respect, we're looking for assets to which we can add value. That generally means not buying fully developed mines, but rather coming in at the exploration level. We want projects in proven mineral districts where clear and evident potential is already demonstrated, in the form, say, of drill or trench results. Another important consideration is that we want to be exploring for really big deposits, so we want projects in mineral provinces that can and do host world-class deposits. Finally, while we are prepared to go outside Australia, we want to avoid high-risk countries.

So in all respects our new PNG joint ventures fit the bill perfectly. They bring us a whole pipeline of advanced-stage projects that tick all the boxes: clear, obvious exploration potential based on existing drill, trench and even production results; a strategic location in a mineral province known for its world-class ore deposits; and an established mining jurisdiction that is currently receiving billions of dollars of investment from some of the world's biggest resource companies, and that has deep ties with Australia.

For example, one of the key projects, Edie Creek, is a known epithermal gold system with a long history of production. But there has been no modern systematic exploration – no geophysics at all and only 23 drill holes, with very little work outside of the known structures.

The project lies only five kilometres from the huge Hidden Valley gold deposits that are now ramping up to full production. To add icing to the cake, the infrastructure and access is outstanding, so we can use that to go straight into intensive exploration. We think there is a real opportunity to define a resource of between 1 and 2 million ounces of gold there.

The May River Exploration Licence is right alongside Frieda River, where Xstrata is carrying out a major feasibility study. We have two entirely separate targets at May River. In the south, and adjacent to Frieda River, we have a series of targets that appear to be porphyry or intrusive-related. Gold mineralisation was discovered there by Highlands in the 1990's, but no work has been done since. Highland's results included drill holes with intersections like 109 metres @ 1.53 g/t gold from surface. Obviously we are very keen to follow-up on these results, targeting very large mesothermal or epithermal gold deposits as well as porphyry copper-gold mineralisation as part of the Frieda River mineralising system.

In the north at May River we have a different set of rocks – the type of rocks that are known to host volcanogenic massive sulphide (VMS) deposits. And indeed previous explorers discovered a number of such deposits on our Licences, and once again little work has been done since the late 1990's. There appear to be at least four known massive sulphide bodies, and some of the drill results are pretty spectacular – including 19 metres @ 11.4% copper and 2.7g/t gold, and 11 metres @ 10.6% copper and 1.9g/t gold.

At Bolobip we have a substantial area only 60 kilometres from Ok Tedi. There is actually an identified multi-phase porphyry intrusive on this licence, with trench results dating back to CRA work in the late 1980's, including 95 metres at 1.5 g/t gold. Clearly this is a very high-quality target for a big porphyry copper-gold deposit. It has never been drilled and we are very keen to rectify that as soon as possible.

So in summary the deal gives us a range of outstanding opportunities, all of which we can really get our teeth into. We have structured the deal so that it is four separate joint ventures. At Edie Creek, we spend $15 million to earn a 51% interest – and the earn-in is staged so that we earn 17% for every $5 million we spend, and we can withdraw at any time, and, provided we have at least earned the first tranche, we can keep what we have earned to that point.

On the other tenements we spend $5 million on each tenement to earn 72%; again, it's staged, so that we earn 18% for every $1.25 million we spend. And again, we can withdraw at any time and keep what we have earned to that point, provided we have earned the first tranche as a minimum. We have also agreed to support our joint venture partner Niuminco's capital raising with up to $5 million, if they request it.

That's the only up-front cash – an investment in Niuminco. All the rest of the money goes into the ground – it is a very straight-forward earn-in joint venture. We are very happy with our joint venture partner. They are well established in PNG and will help us enormously in getting set up and getting going, and ultimately, if we are successful, in building world-class mines in PNG.

Inside Briefing: What are Mincor's expenditure commitments in PNG for FY 2012 and how will this be allocated across the various projects? Can you briefly summarise your priorities at each project? How quickly do you expect to be in a position to define JORC compliant resources?

David Moore: There are no actual expenditure commitments. But, broadly speaking, in order to maintain our right to continue to earn our interests we need to spend $8.75 million in the first two years - $5 million at Edie Creek and $1.25 million at each of the other three licences. If we don't meet that expenditure on a particular Licence then we simply withdraw from the joint venture on that specific Licence, without affecting our interests in the joint ventures on the other Licences.

Anyway we clearly have the targets on which to spend the money, and of course we have the money to spend. Mincor currently has just under $100 million in cash plus the ongoing cash flows from our Kambalda nickel mines, so we are more than fully funded for these growth opportunities.

At Edie Creek, we want to do a round of tenement-wide exploration before we start drilling, even though there are immediate drill targets. But we really want to see what else the tenement may contain before we focus on the known mineralisation. So we will do tenement-wide ridge and spur sampling, channel sampling, and an Induced Polarisation (IP) geophysical survey. This should not take much more than about 3-4 months. Then we can start drilling – there are at least two target styles – large-scale open-pittable gold mineralisation, and high-grade epithermal vein-style gold mineralisation.

At May River and Bolobip we will establish fly camps within the next six weeks. At Bolobip and May River South we will clean out and re-examine the old trenches, and then carry out an extensive IP survey at both areas. This has never been done before, and with the modern systems now available we believe the IP will quickly map out the main alteration and mineralisation centres and provide high-quality early drill targets.

At May River North (the massive sulphide prospects) we will fly airborne electromagnetics – this is a powerful new tool that could really open up the area. Once that is done we will focus on the known high-grade VMS bodies as well as any new targets, and go straight into drilling and resource estimations.

Inside Briefing: Turning to the Kambalda nickel business, to what extent have the production constraints, cost pressures and other factors which impacted the first half continued into the second half? Is the nickel business currently cash flow positive? What steps has the Company taken to mitigate the impact of some of the factors that affected production earlier this year into the future?

David Moore: We have experienced a series of misfortunes at Kambalda over the past year – the seismic event at Mariners in July, the ground control problems at Otter Juan and resulting production cut-backs, and the under-performance of the Miitel Mine. All these issues have been discussed previously, and while they have presented serious challenges they are certainly not terminal for our Kambalda nickel business, neither individually nor cumulatively.

At the operational level we continue to generate positive cash flows from our mines, though for the three months from February to April Miitel and Mariners were largely carried by the other operations. The net free cash generated Kambalda-wide, after capital and exploration expenditures, is positive some months and negative other months, depending on the nickel price, production levels and other factors.

So the Company and its operations remain sound, but rising costs in the mining industry generally, and the static nickel price, together with the early closure of Otter Juan and the problems at Miitel, all mean that our business is changing, and we must change with it. As a result we have decided to fundamentally restructure our operations in order to improve productivities, cut costs, increase margins, and ensure that we are playing to our natural strengths.

To this end, we are going to unify the operational and management structures of all of our mines and change both Miitel and Mariners to owner-operator. This process is underway right now. These changes will cut costs across the board very substantially. They will increase our direct control over our troublesome mine (Miitel) and ensure that we get maximum value from the high-grade ore reserves at

Mariners. They will also allow us to continue to employ our own high-quality, hand-picked operational workforce as Otter Juan and Carnilya Hill wind down over the next six to nine months.

The move will sharpen the focus on grade as opposed to volume, and while the theoretical maximum production rate will fall (which of course has the side benefit of extending mine lives), that is less important than making sure that every tonne we mine is profitable. These changes are underway now. We will have a unified management structure by the end of July. Miitel will move to owner-operator from 1 July, and Mariners will follow suite in December. We have concluded an amicable and suitable arrangement with our mining contractor and we are appreciative of their co-operation and hard work to date.

Inside Briefing: Mincor has been undertaking a significant capital investment program at Kambalda during FY 2010. What are the key deliverables of this program and what impact will it have on the Company moving forward? Can you briefly summarise your capital investment and exploration budget for FY 2012.

David Moore: We have incurred a substantial capital spend over the 2010-11 financial year – a total to the end of April of around $26 million, to which one could add a further $13 million which has been spent on exploration. These investments will bring their rewards in the coming years. For example, at McMahon we have been developing a decline to the high-grade MNO3 ore body ever since July 2010, at a cost of around $800,000 per month. We expect to reach the ore body towards the end of this calendar year. Once production starts, McMahon will change from being a drain on cash to a source of cash.

At Mariners, we've been pushing the decline towards the high-grade N10 ore body all year – at a cost for the year to date of nearly $8 million. We expect to get the N10 into production towards the end of the year, and that will be very profitable indeed. Of course at Mariners we have the recently discovered and very high-grade Terrace position, which we are accessing as we speak. In fact, last week I examined samples of massive sulphides from the first few cuts into that new ore body – beautiful stuff – so nickel grades from Mariners will start to rise as of now.

Its worth mentioning that our mineral resource for the Terrace position at Mariners now stands at 75,000 tonnes @ 6.3% nickel, that's 4,780 tonnes of very high-grade nickel, of which we currently have 3,000 tonnes in Ore Reserves (71,300 tonnes @ 4.3% nickel). Not a bad outcome for an overlooked little ore pod that we found only six months ago and at first considered just a sweetener on the way down to the main N10 ore body. We have now accessed it on the 1200 Level and will do so shortly on the 1220 Level, and that high-grade nickel will carry us through until we can access the N10 ore body later in the year.

At Miitel, we've had a very difficult year, but the key thing is that the N18 ore body is now almost fully developed, and even though we are certain to have lost some reserves there, it nevertheless represents a substantial and very valuable asset. The change in our operational structure will ensure that we can extract that ore body profitably, and this process will commence in July.

Capital investments for 2011-12 will include the continued development of the McMahon and Mariners ore bodies. It may include further development at Miitel, depending on the success of extensional exploration work that is underway right now. Exploration throughout the district will continue at a healthy rate, although we have not yet finalised the budgets.

Inside Briefing: Mincor reported 22% lower nickel production of 2,273 tonnes of nickel-in-ore for the March Quarter. What are your expectations for nickel production for the full FY 2011 financial year? When do you expect to be in a position to update the longer term production guidance provided in March?

David Moore: We expect to achieve around 10,000 tonnes of nickel-in-ore for the current financial year. We are compiling ore reserves and building our budgets for the next financial year at present. The process is complicated by the operational changes I mentioned above, so I would expect to be able to provide future production targets by about mid-July.

Inside Briefing: What are your key exploration priorities in nickel exploration over the next 12 months? Where are the best opportunities to enhance your nickel resource and reserve inventory?

David Moore: In addition to our ongoing near-mine extensional exploration, where we have outstanding opportunities at all our mines, over the next 12 months we intend to put a very strong focus on Kambalda regional exploration – the search for entirely new ore bodies. We own approximately 120 kilometres of the strike of the prospective basal contact, and have numerous targets throughout the region. Kambalda is a great place to explore because it is so well mineralised. In addition, we will continue to hunt for our Ultra-sized Nickel Ore Body target at North Kambalda. Our knowledge of that region has grown tremendously, it remains home to some of the biggest and most valuable high-grade nickel ore bodies in Australia, and we have several strong targets still to be tested.

Inside Briefing: The Tottenham Copper Project in NSW has been delivering some recent high-grade results. What budget have you allocated to drilling out this project in FY 2012 and where does it fit in terms of your overall business development strategy? Can you briefly summarise your other regional exploration opportunities?

David Moore: Tottenham continues to emerge as an exciting exploration story, although we have not yet made a discovery there. We certainly are drilling a lot of copper and gold mineralisation, and we need to find the focus of all this – the point where the metal has accumulated into a viable ore deposit. We will complete the current round of drilling within a few weeks, and then carefully review what we have – pretty well every hole we drilled intersected copper and gold, so we certainly have something. It is just a question of tracking down the focus of it all.

At Bohemia in Western Australia's Lennard Shelf region we have at last got through all the regulatory hurdles, and will commence a gravity survey in the new financial year, leading hopefully to drilling by the end of the calendar year – our target there is a big, high-grade Lennard Shelf style zinc-lead ore body.

In addition, we are currently carrying out detailed studies and a land acquisition process in order to build a portfolio of iron ore prospects in Australia. We think there is still an outstanding opportunity for significant discoveries. We are targeting areas sufficiently close to existing infrastructure to be worthwhile if a discovery is made, and will set aside a substantial budget for the exploration phase. More information on this endeavour will be released shortly.

And then of course during the year we will be drilling our superb portfolio of porphyry copper-gold and epithermal gold projects in PNG.

Inside Briefing: Mincor has consistently maintained a strong cash balance in the region of $100 million for the past few years. To what extent will the recent business development initiatives and capital investment program erode this strong cash position? What are your broader strategic priorities for the company over the coming 2-3 years?

We've always maintained a strong exploration and capital spend, and this has generally been largely covered by our operational cash flows, with money to spare for dividends. Even this past year, with all the operational difficulties we experienced, we expect to have broadly maintained our cash balance by the end of the financial year. This is a good outcome and demonstrates our disciplined approach to running the business.

That said, however, our intention us to use the funds at Mincor's disposal to grow the Company. That is the purpose of holding the cash. So, as our exploration assets develop and require more funding, we will have that available. I consider it one of our great strengths that we are fully funded for our growth ambitions, through both our cash balance and our ongoing nickel cash flows.

Over the next few years we will continue to develop our long-standing Kambalda interests, and will continue to very actively pursue additional growth options. We are cashed up, with ongoing cash flows, very strong and proven skills in the acquisition and development of new projects, and, of course, well-proven operational capabilities.

We live in exciting times, and I think Mincor has an outstanding opportunity to build a big multi-commodity resource company over the next few years.

Inside Briefing: Thank you David.

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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 KRL. 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.

The information in this Public Report that relates to Exploration Results is based on information compiled by Messrs Robert Hartley, Richard Hatfield and Peter Muccilli, all of whom are Members of The Australasian Institute of Mining and Metallurgy. Messrs Hartley, Hatfield and Muccilli are permanent employees of Mincor Resources NL. Messrs Hartley, Hatfield and Muccilli have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Messrs Hartley, Hatfield and Muccilli consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Tabulation of Mineral Resources and Ore Reserves Mentioned in this Report (the Mariners Terrace position):

RESOURCE	MEASURED		INDICATED		INFERRED		TOTAL		
	Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Ni Tonnes
N09I			31,000	5.0			31,000	5.0	1,600
N09L			41,000	7.4	4,000	6.7	44,000	7.4	3,300
Grand total			**72,000**	**6.4**	**4,000**	**6.7**	**76,000**	**6.4**	**4,800**

The information in this Public Report that relates to Mineral Resources is based on information compiled by Robert Hartley, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hartley is a permanent employee of Mincor Resources NL. Mr Hartley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Hartley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

RESERVE	PROVED		PROBABLE		TOTAL		
	Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Ni Tonnes
N09I			31,000	3.8	31,000	3.8	1,200
N09L			40,000	4.7	40,000	4.7	1,900
Grand total			**71,000**	**4.3**	**71,000**	**4.3**	**3,000**

The information in this Public Report that relates to Ore Reserves is based on information compiled by Dean Will, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Will is a permanent employee of Mincor Resources NL. Mr Will has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Will consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mincor is a leading Australian nickel producer and an emerging multi-commodity resources growth company. Mincor operates two mining centres in the world class Kambalda Nickel District of Western Australia, and has been in successful production since 2001.