

MARKET UPDATE – OPERATIONS AND PRODUCTION

Deteriorating Ground Conditions at Otter Juan Mine Dictate Swift Response

- Mincor has acted swiftly to **reduce production from the Otter Juan nickel mine** following a sudden deterioration in ground conditions in the lower-most levels of the mine.
- **Production will continue safely** from the areas of the ore body above the lower-most levels.
- The scheduled closure of Otter Juan, which is Kambalda's oldest nickel mine, may be **brought forward by approximately one year** – with final production by early 2012.
- Otter Juan has proved an outstanding acquisition for Mincor and has substantially outperformed original expectations – **generating \$131M in pre-tax cash flow to date** – and repaying its July 2007 acquisition cost within one year at the EBITDA level.
- Based on **current Ore Reserves only**, Mincor has solid nickel production out to 2015, which may be substantially augmented by production from identified Mineral Resources that are now under evaluation.
- The Company's consistent record of exploration success at Kambalda is also likely to continue. An update on recent exploration results and other growth initiatives will be released shortly.
- As at end February 2011 Mincor had a net cash balance (net of receivables and payables) of **\$108.3 million**, including \$99.4 million in the bank, and no debt.

Australian nickel mining company Mincor Resources NL (**ASX: MCR**) advises that it has taken swift action to reduce production from its **Otter Juan** underground nickel mine in Kambalda as a result of a sudden and unexpected deterioration in ground conditions in the lower levels of the mine.

At this stage it appears unlikely that full production will be restored, and the mine – which is one of the deepest in Australia and Kambalda's oldest operating nickel mine – is now expected to cease operations early in the 2012 calendar year, approximately one year earlier than budgeted in the June 2010 life-of-mine plan.

Mincor's decision, which is based on detailed geotechnical analyses conducted over the past 10 days and the advice of two independent expert consultants, follows a series of seismic events at the bottom of the mine which damaged ground support in the drives that provide access to the lower production levels.

The geotechnical work revealed that the configuration of the six lower-most access drives in relation to certain structural elements of the local geology, combined with depth-related stress, has rendered these access drives unsupportable.

The actual production areas within the mine that are accessed by the drives are stable and the problem is confined to the access drives only. However, with these drives rendered inaccessible, it is not possible to continue production from the lower-most stoping areas – which account for approximately 50% of budgeted production and around half of Otter Juan's remaining Ore Reserve.

Production is continuing safely from stoping areas above the lower-most six sub-levels. These areas will sustain production, at reduced levels, until early in 2012. At that time, it will be Mincor's intention to offer all affected employees alternative positions in the Company's operations, wherever possible.

Development of the nearby McMahon ore body, which has been underway since July 2010, will continue unaffected by the events at Otter Juan. The McMahon ore body is due to enter production during the December Quarter of calendar 2011.

“It is sad to see the end coming for Kambalda’s oldest producing mine,” said Mincor’s Managing Director David Moore. “However, we had to act decisively following detailed and consistent expert advice from two independent consultants.”

“Otter Juan is really the granddaddy of Kambalda operations and for the past decade has been run by perhaps the best underground crew in Australia. Certainly from Mincor’s perspective our ownership of the mine has been fantastically rewarding, and by the time it does close it will have exceeded our original expectations by several times. There is no doubt that the entire team at Otter Juan can be exceptionally proud of what they have achieved.”

A range of other production opportunities exist elsewhere on Mincor’s North Kambalda holdings and these may be capable of offsetting the production loss from Otter Juan. These include the Gellatly ore system, the high-grade Ken ore system, and a possible option to re-develop access to the lower-most levels of Otter Juan itself. These options are under evaluation and have not been included in any production forecasts.

Mincor is also currently carrying out a program of in-fill drilling on three significant Mineral Resources – Durkin North, Burnett, and Stockwell – with a view to their early development. The three deposits contain a total Mineral Resource estimated at 45,900 tonnes of nickel metal – none of which is included in current production forecasts.

Updated Nickel Production Forecasts Under Preparation

Mincor is in the process of re-working its life-of-mine production schedules to incorporate the events at Otter Juan and the previously canvassed under-performance at Miitel. The Company has a strong medium term production base underpinned by the high-grade N10 ore body at Mariners, due to enter production towards the end of this year; the now almost fully-developed ore bodies at Miitel, and the new McMahon ore body.

Based on these operations alone Mincor has nickel production extending to 2015, simply assuming average production rates of around 10,000 tonnes of nickel-in-ore per annum. Moreover, there is additional production potential in the identified Mineral Resources mentioned above. It is also highly likely that Mincor’s consistent record of exploration success will continue.

“Our Kambalda operations will continue to provide a strong core of value and excellent cash flows,” Mr Moore said. “This strong cash generation, together with our \$100 million bank balance, will be used to develop further growth opportunities both within and outside Kambalda.

“We will be providing further information to the market on a range of new growth initiatives, as well as updates on our copper and nickel exploration results, in the weeks ahead,” he added.

Mincor is a leading Australian nickel producer. The Company is listed on the Australian Securities Exchange and forms part of the benchmark S&P/ASX 200 Index. Mincor operates two mining centres in the world class Kambalda Nickel District of Western Australia, and has been in successful production since 2001.

Mineral Resources as at 30 June 2010

RESOURCE	MEASURED		INDICATED		INFERRED		TOTAL		
	Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Ni Tonnes
Mariners	100,000	3.5	542,000	4.2	62,000	3.3	704,000	4.0	28,500
Redross	31,000	5.1	138,000	2.9	67,000	2.9	236,000	3.2	7,500
Burnett	-	-	-	-	250,000	3.7	250,000	3.7	9,400
Miitel	51,000	4.0	550,000	3.9	98,000	3.6	699,000	3.8	26,800
Wannaway	-	-	123,000	2.6	16,000	6.6	139,000	3.0	4,200
Carnilya Hill*	48,000	5.0	99,000	3.5	-	-	147,000	4.0	5,900
Otter Juan**	113,000	4.3	289,000	3.0	83,000	2.4	485,000	3.2	15,500
McMahon/Ken	-	-	249,000	2.9	79,000	6.2	328,000	3.7	12,200
Durkin	-	-	251,000	5.2	127,000	5.0	378,000	5.1	19,400
Gellatly	-	-	29,000	3.4	-	-	29,000	3.4	1,000
Stockwell	-	-	557,000	3.1	-	-	557,000	3.1	17,100
Cameron	-	-	96,000	3.3	-	-	96,000	3.3	3,200
Grand total	343,000	4.2	2,923,000	3.6	782,000	4.0	4,048,000	3.7	150,700

- Figures have been rounded and hence may not add up exactly to the given totals.
- Note that Resources are inclusive of Reserves.
- * Resources shown for Carnilya Hill are those attributable to Mincor – that is, 70% of the total Carnilya Hill Resource.
- ** Otter Juan includes Coronet and McCloy.

The information in this Public Report that relates to Mineral Resources is based on information compiled by Mr 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.

Ore Reserves as at 30 June 2010

RESERVE	PROVED		PROBABLE		TOTAL		
	Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Ni Tonnes
Mariners	77,000	2.4	447,000	3.2	524,000	3.1	16,300
Redross	33,000	3.5	-	-	33,000	3.5	1,200
Miitel	28,000	2.6	585,000	2.7	613,000	2.7	16,400
Wannaway	-	-	39,000	2.9	39,000	2.9	1,100
Carnilya Hill*	52,000	3.5	30,000	3.1	83,000	3.3	2,800
Otter Juan**	109,000	3.6	104,000	2.9	212,000	3.2	6,900
McMahon	-	-	242,000	2.3	242,000	2.3	5,600
Grand total	299,000	3.2	1,447,000	2.8	1,746,000	2.9	50,200

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- ** Otter Juan includes Coronet and McCloy.

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