

Quarterly Report 30 June 2011



ASX Announcement: 13 July 2011

ASX CODE: MRE

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Managing Director and
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SIGNIFICANT EVENTS

Production

- 7,157 tonnes of nickel packaged for the quarter.
- Murrin Murrin East ore processing commenced.
- Production impacted by failure of acid plant heat exchanger.
- Replacement heat exchanger installed. Operations recommenced.
- 2011 production guidance revised to 29,000 to 32,000 tonnes of nickel packaged (Minara 60%).

Exploration

- Marshall Pool feasibility study commenced.

Corporate

- \$204 million cash at 30 June 2011.
- \$19 million interim insurance payment received for 2010 autoclave pipeline failure (Minara 60%).

PRODUCTION

Total production of 7,157 tonnes of packaged nickel and 457 tonnes of packaged cobalt was achieved at Murrin Murrin for the three months to 30 June 2011. The previous quarter saw 7,468 tonnes of packaged nickel and 488 tonnes of packaged cobalt produced. Minara's share is 60%.

	Unit	Quarter ending 30 June 2011	Previous Quarter ending 31 March 2011
Material mined	BCM	3,265,041	2,842,447
Autoclave feed	Tonnes	633,895	697,689
Autoclave feed grade (Ni)	%	1.28	1.27
Nickel production	Tonnes	7,157	7,468
Cobalt production	Tonnes	457	488
Direct cash costs	US\$/lb Ni	9.06	6.97

Autoclave feed for the quarter was 633,895 tonnes of ore grading 1.28% nickel.

Quarterly production was adversely impacted by a number of issues. A planned mixed sulphide circuit train-swap occurred in April, however, this was followed by a number of unrelated maintenance issues. Gas supply issues arose in June resulting from maintenance works on the lateral gas supply pipeline by the pipeline operator. As previously announced, failure of an acid plant heat exchanger in late June saw nickel production continue at reduced rates before being shut down in early July.

The acid plant was brought off-line following identification of the heat exchanger failure. Testing subsequently confirmed that the unit required replacement and an alternate heat exchanger unit was installed. Operations have now recommenced.

The impact of the heat exchanger failure is currently estimated at approximately 2,000 tonnes of lost nickel production. 2011 production guidance is adjusted to 29,000 to 32,000 tonnes of packaged nickel (Minara's share 60%).

INSURANCE CLAIM

The Murrin Murrin Joint Venture maintains Material Damage and Business Interruption insurance. The insurance underwriters have been advised of a potential claim in relation to the heat exchanger failure and insurance loss adjustors have attended the Murrin Murrin plant for an initial assessment.

During the quarter the joint venture received \$17.8 million of an A\$19 million interim insurance payment (Minara share \$11.4 million) being part of an over \$30 million claim, which has been submitted for the loss of production (and associated rectification costs) arising from the Train 1 HPAL autoclave pipeline failure at Murrin Murrin in May 2010. The final \$1.2 million of this interim payment has since been received.

The interim insurance payment is provisional and subject to final agreement of the total claim amount by the underwriters. However, the \$19 million cash payment is seen by Minara to indicate a potential favourable outcome for this matter. The claim is expected to be finalised in the September quarter.

COSTS

Direct cash costs (Brook Hunt C1) were US\$9.06 per pound nickel (post by-product credits) for the quarter. This was higher than the first quarter, reflecting the relatively strong Australian dollar, higher than expected maintenance costs and the production losses discussed above.

The Australian dollar averaged US\$1.0618 for the quarter. This added approximately US\$1.12 per pound nickel of C1 costs compared to the position if the 2010 average exchange rate of US\$0.9208 had applied.

The resumption of full production, including the benefit of a higher proportion of Murrin Murrin East ore processed, is expected to drive reported C1 costs lower in future periods, subject to the prevailing exchange rate.

Minara continues to benefit from sulphur price protection arrangements. These arrangements with long-term suppliers, covering over 80% of Murrin Murrin's forecast 2011 sulphur requirements, will continue to protect the company from potential sulphur price increases over the balance of the year. A portion of these price protection arrangements extends to 2013. Negotiations commenced during the quarter for extension of the remainder to 2012 and beyond.

DEVELOPMENT

Relatively minor volumes of Murrin Murrin East (MME) ore were blended with other run-of-mine ores and processed during the quarter. MME processing volumes will ramp-up to full budgeted levels across the second half of 2011, contributing to an expected increase in autoclave feed grade to over 1.30% nickel for the remainder of the year.

The Murrin Murrin East ore-body comprises approximately 20% of the Joint Venture's Proven and Probable in-situ Reserves.

EXPLORATION

Murrin Murrin Exploration (Murrin Murrin JV 100%)

The near-mine exploration program continued during the quarter with drilling recommencing on high grade targets. This drilling program will continue for the remainder of the year with the aim of delineating zones of higher-grade ore within the existing mine environs and proving up additional resources with near term mining potential.

Marshall Pool (Murrin Murrin JV 100%)

The Marshall Pool deposit is a large low-grade nickel laterite deposit which is highly siliceous and amenable to upgrading by simple beneficiation. The project is located 70 km north of Leonora in Western Australia and is 140 km from Murrin Murrin by sealed road.

During the quarter a pre-feasibility study into beneficiation of Marshall Pool ore commenced. The study is focussing on the potential to generate an intermediate beneficiated run of mine ore which can be transported to Murrin Murrin for further beneficiation and processing. Preliminary drill planning to provide core samples was completed, pulp re-samples were determined from existing pulps in storage and consultant selection advanced. The study is expected to take approximately 12 months to complete.

Mt Lucky (Murrin Murrin JV 100%)

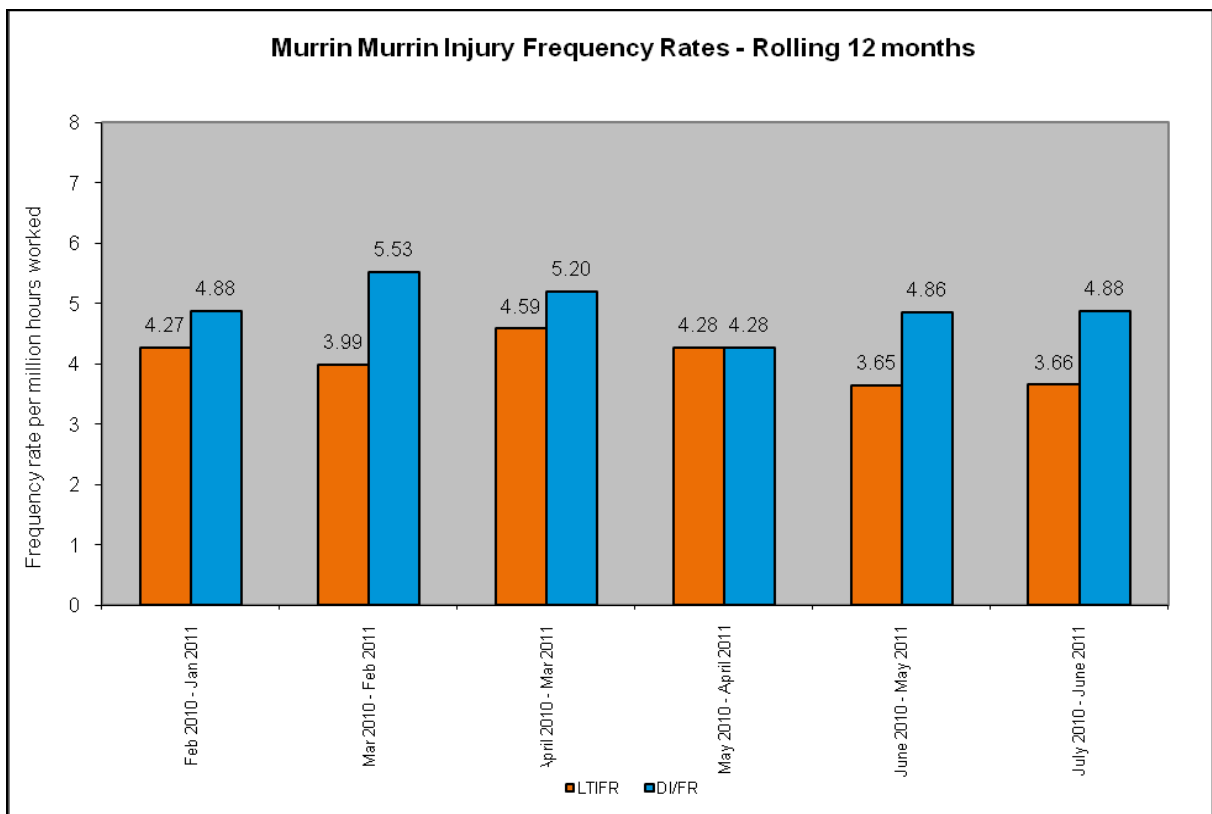
The Mt Lucky deposit is a small low-grade manganese deposit which is to be used for process enhancement of nickel sulphide ore and nickel sulphide concentrate. During the quarter a program of works was approved for a drilling program to increase definition of the known mineralisation and to test deeper targets.

HEALTH AND SAFETY

The LTIFR 12 month rolling average is 3.66.

The DIFR 12 month rolling average is 4.88.

Safety continues to be a major focus for the company.



ENVIRONMENT

There was one reportable environmental incident for the quarter.

Corrective action was taken and no fines or penalties issued.

CORPORATE/FINANCIAL

Cash

Cash on hand at 30 June 2011 was \$204 million (31 March 2011 \$199 million).

Metals Markets

Minara's nickel and cobalt revenue is priced in US dollars, with the majority of input costs denominated in Australian dollars (with the exception of sulphur and some maintenance parts).

The London Metal Exchange (LME) nickel spot prices were relatively volatile during the quarter, trading in a range of approximately US\$21,410 to US\$27,420 per tonne nickel. The spot price opened the reporting period at US\$25,555 per tonne nickel and closed the period on 30 June 2011 at US\$23,125 per tonne nickel.

LME nickel stock levels opened the reporting period at 123,948 tonnes and closed at 107,148 tonnes.

The cobalt price traded in a range of approximately US\$15.65 to US\$18.00 per pound cobalt during the quarter. The price opened the quarter at US\$16.40 per pound cobalt and closed the quarter at US\$15.65 per pound cobalt.

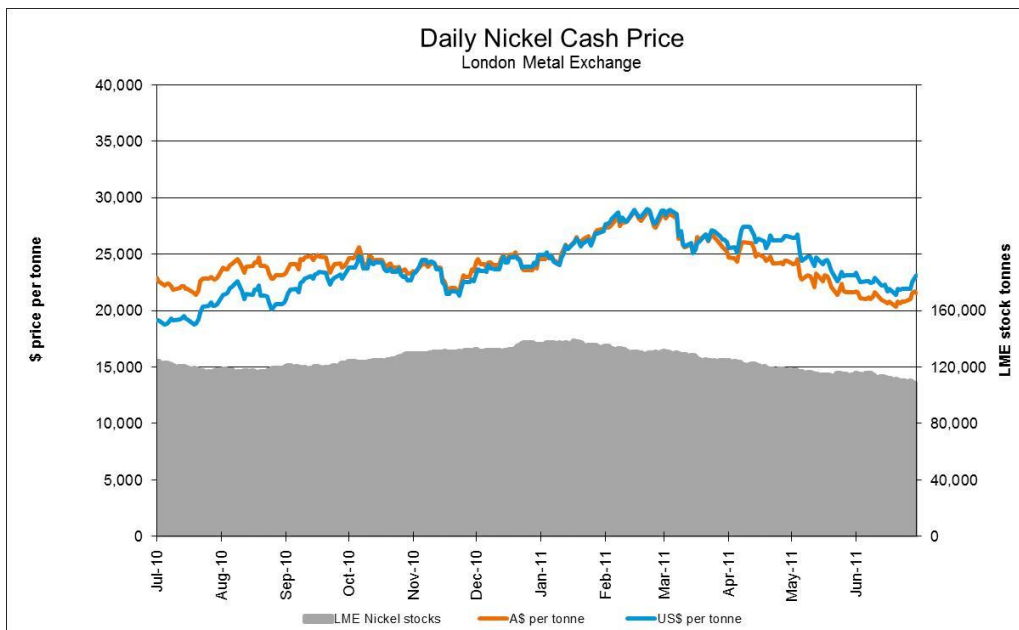
PROPOSED CARBON TAX

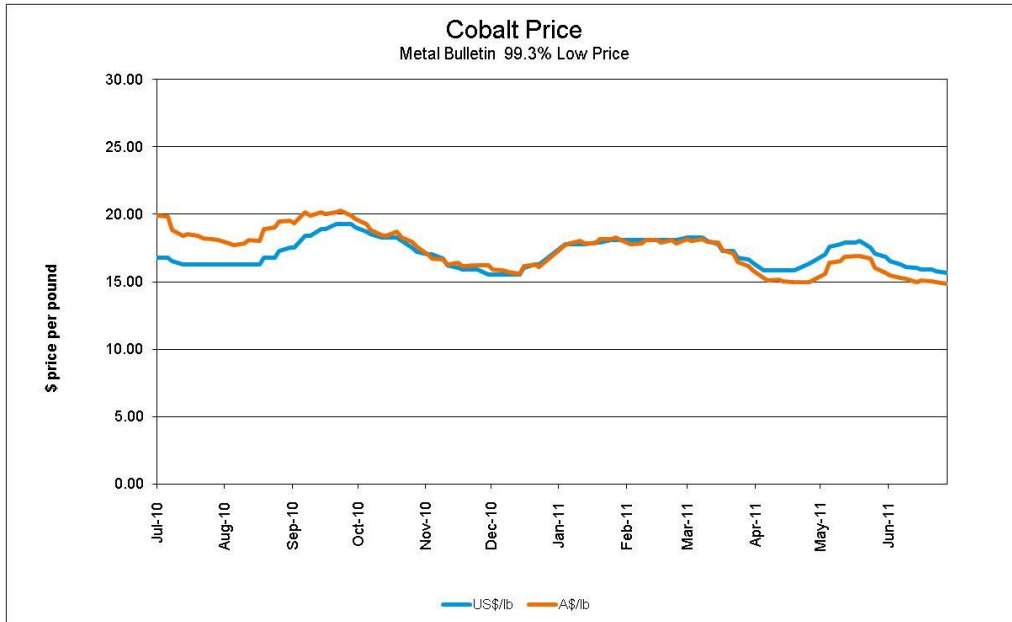
Minara is closely monitoring the proposed carbon tax and its potential effects on the Company. Minara maintains that it operates in a trade-exposed industry as almost all of the Murrin Murrin Joint Venture's production is exported to international markets and therefore seeks protection from the impact of a carbon tax which would otherwise increase its cost base and reduce its international competitiveness.

Murrin Murrin reports to the Federal Government under the National Greenhouse and Energy Reporting (NGER) Act 2007. In the NGER reporting year 2009-2010 Murrin Murrin reported emissions of 568,620t CO₂-e. Minara's share would be 60% of this amount.

Minara is considering the recent announcements made by the Federal Government and the potential impact on the Company.

Commodity Prices	Prices as at 30 June 2011	Average for quarter ending 30 June 2011	Average for quarter ending 31 March 2011	Average for quarter ending 30 June 2010
LME Nickel				
Cash Seller & Settlement				
US\$ per tonne	23,125	24,165	26,899	22,382
US\$ per pound	10.49	10.96	12.20	10.15
A\$ per tonne	21,534	22,759	26,773	25,368
Cobalt				
US\$ per pound	15.65	16.57	17.86	18.46
Exchange rate A\$:US\$	1.0739	1.0618	1.0047	0.8823





CEO'S COMMENTS

Murrin Murrin produced 14,625 tonnes of nickel in the first half of 2011, with the production profile set to improve in the second half, reflecting increased plant availability and increased processed ore-grade following the ramp-up to full production from the Murrin Murrin East ore-body.

As previously announced, the acid plant was taken off-line following a heat exchanger failure in late June. Currently, we estimate this will cost approximately 2,000 tonnes of lost nickel production and have reduced our 2011 production guidance to 29,000 to 32,000 tonnes of nickel packaged. A replacement heat exchanger has been installed and operations have recommenced.

We are focussed on improving production and reducing costs in the second half of the year.

A handwritten signature in black ink that reads "P. B. Johnston .".

Peter Johnston

Managing Director and CEO

13 July 2011

The information in this report that relates to Metallurgical Results is based on information compiled by Mr Bradley Adamson. The information in this report relating to Exploration Results is based on information compiled by Mr David Selfe. Both Mr Adamson and Mr Selfe are Members of the Australasian Institute of Mining and Metallurgy. Mr Adamson and Mr Selfe are full time employees of Minara Resources Limited. Mr Adamson and Mr Selfe have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which each 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 Adamson and Mr Selfe consent to the inclusion in the report of the matters based on the information each has provided in the form and context in which it appears.