MINARA RESOURCES

Company Insight
the intelligent market update

Minara Resources Limited

Highlights of interview....

- **Discusses March Quarterly Production**
- **Impact of Murrin Murrin East Ore**
- **Exploration, Cash Costs, Sulphur Prices**
- **Dividends, Offtake Contracts & Growth Potential**

Date of lodgement:
11 April 2011

Title:
"MD Johnston Discusses March Quarterly Report"

Record of interview:

companyinsight.net.au
Minara Resources Limited has announced production of 7,468 tonnes of packaged nickel from the Murrin Murrin operation for the quarter ended 31 March 2011. What were the major factors in this result?

Managing Director, Peter Johnston
We had a very strong start to the quarter with over 3,000 tonnes of nickel packaged in January. This was from an autoclave feed grade of 1.27% and provides some illustration of the production capacity now within the Murrin Murrin plant, following past investment in throughput debottlenecking and process improvement.

We commenced February strongly but were then hit by extreme weather events and flooding, following a period of ongoing heavy rains. Measurements taken at mining locations and nearby pastoral stations included recordings in excess of 150 mm of rain falling in a 24-hour period.

We recovered from lightning strikes to the plant and other storm damage relatively quickly, however vast volumes of water displaced sections of our process water pipeline which draws water from underground aquifers over 100 km to the north of the Murrin Murrin plant. This was despite the pipe being buried in sections and elsewhere being anchored by heavy concrete foundations. Recovery from the breach of the pipeline was delayed due to an inability to access the pipe due to flooding. Our people worked very hard in difficult conditions to re-establish water supply and by the 8th of March we were back up and running at full supply capacity.

Overall, we lost approximately 900 tonnes of production as a result of the flooding.

We took the opportunity to bring forward some scheduled maintenance activities during the period of down-time. The objective is to recover lost production in the remaining months of the year. Overall, our production guidance remains 33,000 to 37,000 tonnes of nickel packaged at Murrin Murrin. Minara's share is 60% of this production.

companyinsight.net.au
You have reported that the Murrin Murrin East haul road is now complete and ore is now being trucked from Murrin Murrin East to the run-of-mine stockpile. Could you explain the impact of the commencement of mining operations at Murrin Murrin East?

Peter Johnston
Murrin Murrin East is a higher-grade ore body 52 kms from the Murrin Murrin processing plant. The processing of Murrin Murrin East ore is expected to commence late in the second quarter of 2011 and the blending of this higher-grade ore with other run-of-mine material is expected to lift autoclave feed grade from around 1.27% nickel, as experienced in the first quarter of 2011, to above 1.3% nickel for the second half of the year. As a result, we are expecting a stronger production performance in the second half of the year.

The Murrin Murrin East haul road was itself damaged by the recent flooding and it is testament to the efforts of our mining team that this damage has been fixed and production commenced slightly ahead of our target.

Murrin Murrin East ore will continue to support our processed grade profile into the future.

companyinsight.net.au
Minara has continued with the near-mine exploration program commenced in the second half of 2010. What results have you seen from this drilling?

Peter Johnston
The near-mine exploration program commenced in the second half of 2010 represents the first exploration drilling in over ten years of Murrin Murrin operation. The objective is to delineate higher-grade zones of ore to be blended with other run of mine material to lift our overall production profile.

This exploration project is relatively efficient in terms of the costs expended to test individual targets. Murrin Murrin ore-bodies are typically shallow and ore zones are easily identified by sight. If the drilling teams hit bedrock they stop the hole and move on.

Results to date have been encouraging. We will continue this exploration effort with the objective of adding value to the capital previously invested in within the Murrin Murrin plant over the next few quarters.

companyinsight.net.au
$5M is to be spent on a study of the potential beneficiation of ore from the Marshall Pool deposit, for processing at the Murrin Murrin plant. Can you explain the basis and potential benefits of this project?

Peter Johnston
The Marshall Pool deposit, which was part of the Mount Margaret Project, is a satellite ore-body of Murrin Murrin and was previously the subject of extensive exploration and engineering work.

The Marshall Pool deposit is a large low-grade nickel laterite deposit, which is highly siliceous and, we believe, easily upgradable by simple beneficiation. Whilst the ore body is situated some 140 km from the Murrin Murrin plant by sealed road, our target of beneficiating or upgrading the grade of ore mined from the deposit to over 1.4% nickel would see financial returns from the project from the blending of higher-grade ore to the overall plant feed.

The feasibility study is scheduled to take 12 months to complete.

companyinsight.net.au
Cash costs for the quarter came in at US$6.97 per pound of nickel packaged. Can you comment on what contributed to this result and your expectation of cash costs over the balance of the year?

Peter Johnston
Reported C1 costs of US$6.97 per pound of nickel packaged were down US$1.68 per pound on the previous quarter and US$0.40 per pound on the previous half. They were, however, higher than expected. Two major factors influenced this result.

Firstly, the Australian dollar averaged parity with the US dollar for the quarter, thereby increasing the reported level of US dollar denominated costs. If a lower exchange rate, such as the 2010 average rate of US$0.9208 applied, this would have reduced the reported level of C1 costs by US$0.58 per pound.

Secondly, the production losses due to flooding resulted in an increased reported C1 cost per pound as the overall quarterly costs are spread over less pounds of nickel packaged. We have estimated that the loss of 900 tonnes of production during the quarter has added a further US$0.80 per pound to the reported C1 costs.

Overall, achievement of the company’s guidance of 33,000 to 37,000 tonnes of nickel production in 2011 should see C1 costs revert to lower levels, closer to the average achieved over the last three years of approximately US$5.45 to US$5.75 per pound of nickel produced. This is of course subject to adjustment for the prevailing exchange rate, which has sat at over US$1.04 in April 2011.

companyinsight.net.au
You have previously announced that Minara has put in place sulphur price protection measures. Could you comment on these and their impact in 2011?

Peter Johnston
Yes, we have negotiated sulphur price protection agreements with our long-term sulphur suppliers to insulate Murrin Murrin from sulphur price spikes, such as were seen during 2008. We were pleased to be able to de-risk our business in this way.

In 2011, over 80% of our expected sulphur consumption is protected in this way. With contract sulphur prices FOB ex-Vancouver currently sitting at around US$220 per tonne, these measures are currently delivering savings to our business.

companyinsight.net.au
Minara paid a $0.05 per share final dividend for 2010 on 22 March 2011. What is the company's dividend policy going forward?

Peter Johnston
The 2010 final $0.05 per share fully franked dividend totalled $58.5 million and follows a capital return of $111 million paid to shareholders in September 2010.

Whilst the company does not have a defined dividend policy, you can see from these successive payments that we are committed to paying cash returns to shareholders.

We remained with just under $200 million cash at bank at 31 March 2011 and the Board is always assessing the balance between retaining cash for business development and potential expansion versus providing ongoing cash returns to shareholders. With the high nickel prices experienced in 2011 to date, the business continues to generate good cash flows and so we can expect to see cash build into the future.

companyinsight.net.au
Minara's notice of AGM has been released which includes a resolution for shareholders to approve an extension of the company's current nickel and cobalt offtake arrangements with its major shareholder, Glencore. Can you explain the offtake agreements and why you are proposing they be extended?

Peter Johnston
Under the existing offtake arrangements, Glencore markets Minara's share of nickel and cobalt production from Murrin Murrin. The arrangements have operated for the past ten years and fall due for either renewal or replacement by 1 December this year. The resolution is being put at the AGM for the approval of those shareholders who are not associated with Glencore so that the company can have direction in dealing with the expiry of the current agreement prior to the expiry date.

In considering extension or replacement of the current marketing arrangements, a committee of the Independent Directors of Minara was formed and independent advice was taken on the alternatives available to the company. This included advice on potential alternative marketing arrangements and the current market for outsourcing such arrangements to organisations such as Glencore and its competitors.

In the end, an improvement to the terms in the current offtake agreement was negotiated with Glencore.

The proposal has been reviewed by independent experts, Ernst and Young, who have concluded that the proposed revised terms to be entered into with Glencore are fair and reasonable to the shareholders who are not associated with Glencore and that the proposed arrangements are on arms-length terms. Following receipt of that opinion, the Committee of Independent Directors concluded that the proposed new offtake arrangements should be put to the non-associated shareholders for their approval.

Shareholders should read the Notice of AGM and the associated Explanatory Memorandum, which includes the Independent Expert's Report of Ernst and Young, in full and take appropriate advice in order to consider how they wish to vote on the resolution. The AGM will be held on 13 May.

companyinsight.net.au
Finally, you have previously outlined that Minara continues to look for acquisition and growth opportunities. Are you still pursuing these?

Peter Johnston
We continue to search for acquisition opportunities that can add value to our business. We believe that Minara has some unique attributes which can make a difference with certain assets. However, with commodity prices remaining generally strong and equity markets recognising cash flows and asset values, it remains difficult to identify value-adding opportunities.

We continue with that effort.

companyinsight.net.au
Thank you Peter.