

# MINARA RESOURCES LIMITED

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## 18th ANNUAL GENERAL MEETING 13 May 2011 Malcolm Macpherson, Acting Chairman

### *Introduction*

Good morning ladies and gentlemen and welcome to Minara Resources' 18th Annual General Meeting.

My name is Malcolm Macpherson and I am Acting Chairman following the recent resignation of Peter Coates from Minara's Board and the role of Chairman.

In my report to you today I will provide a brief overview of Minara's activities over the past year.

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.

I draw to your attention that with the resignation of Peter Coates from the Board of Directors occurring after the printing of the Notice of Annual General Meeting, Resolution 3 stated in the Notice of Meeting for the re-election of Mr Coates is withdrawn.

## *Operating Philosophy / Operational Results*

Minara entered 2010 safe in the knowledge that we had successfully weathered the financial storms of 2008 and 2009, and – with a steady operating platform and a strong balance sheet – we were confident that we had established the foundations for a promising year.

On the upside, we have remained debt-free, with strong cash reserves, and our continuing conservative philosophy has delivered ongoing cost controls.

However, despite solid overall achievements, there were a number of factors which impacted our results in 2010, particularly in the area of production.

Our total production for 2010 was 28,378 tonnes of nickel and 1,976 tonnes of cobalt.

Production in 2010 was impacted by:

- a pipeline failure in the autoclave circuit during May, which took several weeks to rectify;
- the failure of a steam turbine in September; and
- the planned major triennial shutdown in October.

Pleasingly, the triennial shutdown was successful, finishing on time and on budget, followed by a safe and successful restart to production.

Minara's capital program during 2010 focused on progressing toward the completion of de-bottlenecking projects. These include the high density slurry project and adding the sixth autoclave and the second flash vessel in the nickel reduction area of the plant. The investment in these projects is designed to continue to build-in redundancy and flexibility for the plant.

The development of the Murrin Murrin East ore-body commenced in 2010. The ore feedstock is expected to improve the delivered grade of nickel to the plant over coming years.

### *Sustainable Operations*

Minara is committed to ensuring that we meet the highest levels of health and safety performance, minimise our impact on the environment and respect and support our local communities.

Despite striving for industry best practice, our safety performance – which showed strong improvements in 2009 – did not continue at quite the same level during 2010 and we experienced a slight decline in results. My colleagues and I take this very seriously and look forward to the company improving the trend during 2011.

We are committed to ensuring that our overall safety objectives are aligned with policies, standards and practices, but are also practical, effective, accessible and enabling.

Our dedication to social responsibility saw a further annual commitment in 2010 of \$250,000 to the Minara Community Foundation, to benefit a number of organisations and projects in the northern goldfields.

Pleasingly, we achieved our objective of zero reportable environmental incidents in 2010.

### *Financial Results*

I will now turn to the financial results for the 12 months to 31 December 2010. During the period, Minara recorded a profit after tax attributable to members of \$58.9 million, representing a 21% increase over 2009. This is a commendable performance.

Reflecting the impact of increased maintenance costs and interrupted production associated with the autoclave pipeline failure in May and the triennial shutdown at Murrin Murrin in late 2010, direct C1 cash costs in 2010 increased over 2009.

The Board's continued commitment to shareholder returns is illustrated by the \$111 million return of capital to shareholders in September 2010 and the fully franked final dividend of 5 cents per share at 31 December 2010, which was paid on 22 March 2011.

Notwithstanding the return of capital and the dividend payment, Minara's cash reserves on 31 March 2011 stood at \$199 million.

### *Nickel Markets*

While still exhibiting some volatility, the nickel market recovered through the first half of 2010, with demand growing as a result of a significant rebound in stainless steel production. This market strengthening was also reflected in LME stocks which declined over the course of 2010. Minara expects the nickel market to remain sound over the medium term.

### *People*

As one of the largest single site employers in Western Australia, Minara continues to undertake initiatives to consolidate its position as an employer of choice in the mining and mineral processing industry.

Following a considerable reduction in staff turnover in 2009, the resurgence in growth of the resources sector and increased demand for skilled operators, Minara experienced a slight increase in its employee turnover rate in 2010. Initiatives undertaken by Minara to address this trend include:

- increases to remuneration and benefits such as medical and site allowances,
- offering employees a broad range of health and lifestyle programs; and
- increasing the number of graduates and apprentices.

### *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.

### *Future Developments*

In summary, I am encouraged by the outlook for Minara for 2011 and beyond. We are maintaining solid cash reserves, are debt free and have a strong balance sheet.

These factors, coupled with an improvement in delivered nickel grade from the Murrin Murrin East ore-body, sees Murrin Murrin well placed for 2011 and beyond.

At a corporate level we continue to monitor the potential impact of changes to Commonwealth government policies on Minara and Murrin Murrin operations.

The government's position is that nickel producers are to be excluded from the proposed Minerals Resource Rent Tax.

Details of the proposed carbon tax regime are still yet to be finalised so the potential impact on Minara remains unknown at this stage. Minara will continue to monitor the ongoing debate over details and will inform shareholders of any additional costs the tax will impose on our operations when they are known.

### *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 and to recognise the contribution that Peter Coates made to Minara as Chairman from 2008.

Finally I would like to thank CEO Peter Johnston, his management team and all employees for their hard work, commitment and professionalism in ensuring that Minara continues to meet the challenges we face to deliver value for our shareholders.

Thank you

#### **Contact**

Andrew Bantock, Chief Financial Officer  
Minara Resources Limited  
+ 61 8 9212 8400  
[www.minara.com.au](http://www.minara.com.au)

David Griffiths, Gryphon Management Australia  
+61 8 9382 8300

#### **Minara Resources Limited**

Level 4, 30 The Esplanade PERTH WA 6000  
PO Box Z5523, St Georges Terrace  
PERTH WA 6831 AUSTRALIA  
[www.minara.com.au](http://www.minara.com.au)