

# QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2003



## HIGHLIGHTS

- ✓ *Exciting new results from the Jeremy Dee Prospect – two new holes intersect ore grade mineralisation – establishing an “ore trend” at least 120 metres long.*
- ✓ *Mincor announces its decision to develop the Mariners Nickel Mine – the Company’s fourth nickel mine in the Kambalda District, with over 12,000 tonnes of nickel metal in reserves and outstanding exploration upside.*
- ✓ *Mincor’s Nickel Expansion Strategy has now added 45,600 tonnes of nickel metal to reserves – a success rate of 98%.*
- ✓ *Mincor’s safety record unblemished after 20 months free of Lost Time Incidents.*
- ✓ *Major reserve upgrade at Wannaway announced during the quarter – 4,700 tonnes of additional nickel metal added to reserves and future upgrades considered likely.*
- ✓ *Rapid development underway at Mincor’s new Redross Nickel Mine, with surface infrastructure established and decline advance of 340 metres achieved to date.*
- ✓ *Decline advance of 110 metres achieved in the twin declines required to access the new North Miitel ore body.*
- ✓ *Mincor’s low-priced project-finance nickel hedging ends at the end of January. At current prices, this means revenue will almost double for the approximately 60% of production that was previously hedged.*
- ✓ *Tethyan Copper Company Limited spun out of Mincor in one of the most successful resource floats of 2003 – with 48% of the new company distributed directly to Mincor’s shareholders – a “dividend” of nearly 13 cents per Mincor share.*

## 1. MINING OPERATIONS, KAMBALDA (Mincor 100%)

### 1.1 Production, Grade, Revenue and Costs

	<b>Miitel</b>	<b>Wannaway</b>	<b>Total</b>
Ore Tonnes Mined (DMT)	58,825 tonnes	30,518 tonnes	89,343 tonnes
Ore Tonnes Treated (DMT)	58,353 tonnes	30,212 tonnes	88,565 tonnes
Average Nickel Grade (%)	3.02	2.75	-
Nickel-in-Concentrate Sold	1,561.9 tonnes	746.6 tonnes	2,308.5 tonnes
Copper-in-Concentrate Sold	149.9 tonnes	80.7 tonnes	230.6 tonnes
Cobalt-in-Concentrate Sold	30.5 tonnes	15.6 tonnes	46.1 tonnes
<i>Sales Revenue* (A\$)</i>	<i>12,374,000</i>	<i>10,084,000</i>	<i>22,458,000</i>
<i>Direct Operating Costs** (A\$)</i>	<i>7,707,000</i>	<i>3,896,000</i>	<i>11,604,000</i>
<i>Indirect Costs*** (A\$)</i>	<i>979,000</i>	<i>472,000</i>	<i>1,451,000</i>
<i>Operating Surplus (A\$)****</i>	<i>3,687,000</i>	<i>5,715,000</i>	<i>9,402,000</i>

\* *Sales Revenue – estimate, awaits the fixing of the three-month nickel reference price – reported as net of hedging, all of which is assigned to Miitel.*

\*\* *Direct Operating Costs – mining, milling, trucking, administration.*

\*\*\* *Indirect Costs – royalties, interest charges.*

\*\*\*\* *Operating Surplus – project only – provisional and unaudited, excludes Mincor’s corporate overheads and other Mincor costs, excludes exploration costs, excludes depreciation, amortisation and tax.*

## **1.2 Mining Progress - Miitel**

Production continued satisfactorily from all stoping areas of the mine. Overall grades were lower, as disseminated ore zones from the 210, 235 and 260 Level stopes at the northern end of the ore body contributed to production.

Development of the new ore blocks on the 285 Level at the northern end of the mine, and on the 396 Level at the southern end of the mine, progressed according to plan.

Stoping proceeded normally on the 302, 326, 350, and 372 Levels. Selective airleg stoping was carried out on the 180 and 350 Levels.

Decline access into the N02 South ore body continued. Alimak-rising from the Main Decline commenced, in order to provide ventilation and emergency egress into this area.

## **1.3 Mining Progress - Wannaway**

Production continued in line with expectations, with most ore coming from stoping of the N02 ore body, and sublevel exploratory development of the 'Southern Lobe' in the upper part of the N02.

On the Southern Lobe, driving of the 362 South drive was completed, and the 378 Sublevel drive was extended to provide access for airleg mining. Airleg mining of high grade ore commenced from the 392 drive.

Development into new mining areas at the lower levels of the NO1 ore body commenced. This will provide access to portions of the upgraded Wannaway Extension Ore Reserve, details of which were announced during the Quarter. Access was re-established into the 835 Level and footwall decline development to access the 822 Level commenced.

Extraction of the 515 Crown Pillar in the NO2 ore body was completed, and the 542 Crown Pillar is at an advanced stage of extraction.

## **1.4 Health, Safety and the Environment**

Mincor completed the quarter free of Lost Time Incidents – the Company's LTI-free record now exceeds 20 months.

## **2. DEVELOPMENT PROJECTS, KAMBALDA (Mincor 100%)**

### **2.1 Redross Nickel Mine**

Development of the Redross Nickel Mine commenced during the quarter. Mining contractor Barmenco mobilised to site and the establishment of surface infrastructure is well-advanced, with mine offices now operational and workshop construction underway. The power line will be operational by the end of January. The old workings have been de-watered via the existing shaft and access works in and around the old open pit were completed.

The development of the decline portal at the base of the old open pit commenced in mid-November, and was fully established by the end of that month. As of the date of this report, the decline had advanced 340 metres. The project is on target to commence production in September 2004.

### **2.2 North Miitel Ore Body**

Development of the twin declines required to access and mine the North Miitel ore body commenced during the quarter. As of the date of this report, an advance of 110 metres had been achieved.

### 3. NICKEL EXPANSION STRATEGY, KAMBALDA (Mincor 100%)

Mincor's highly successful Nickel Expansion Strategy has now seen positive development decisions taken on the Redross, North Miitel and Mariners nickel projects, and a major reserve upgrade at Wannaway. The remaining project still at feasibility study level is the small resource at North Dordie – this is being re-examined in the light of current nickel prices.

#### 3.1 Mariners Nickel Project

Mincor completed its feasibility study on the re-opening of the Mariners Nickel Mine, including extensive pumping testwork. The Company formally approved the development of the Project.

The Mariners underground nickel mine is located just 5 kilometres south of Mincor's highly profitable Miitel Nickel Mine. The Mine was operated by WMC Resources Ltd between 1991 and 1999 by mechanised stoping methods.

In 1999 the mine was abandoned due to water ingress that, although manageable on its own, was coupled with environmental difficulties in disposing of the water, geotechnical problems associated with the N07 Ore Body, and a period of low nickel prices. At closure a portion of the main decline and several surface rises were backfilled and most underground and surface infrastructure removed. The mine is currently flooded to the portal.

There are two known remaining ore bodies at Mariners. The N07 Ore Body is 450 metres deep and has been fully strike developed. The N08 Ore Body lies 700 metres below surface and is undeveloped.

Mincor has estimated the Mineral Resource at Mariners as follows:

N07 Ore Body: **215,250 tonnes @ 3.73% nickel for 8,029 tonnes nickel metal**

N08 Ore Body: **186,950 tonnes @ 4.45% nickel for 8,319 tonnes nickel metal**

*(From Table 3, Mincor Annual Report 2002/03; NO7 Resource updated following more recent work)*

From this Resource, Mincor has derived a fully-diluted mining reserve, incorporating all mining parameters, as follows:

NO7 Ore Body Probable Reserve: **204,340 tonnes @ 2.67% Nickel**

NO8 Ore Body Probably Reserve: **218,330 tonnes @ 3.07% Nickel**

Total Probable Reserve: **422,670 tonnes @ 2.88% Nickel** containing 12,171 tonnes Nickel metal.

The re-opening of the Mariners Mine will require an initial pre-production capital expenditure of \$7 million. A de-watering pipe-line from Mariners to Lake Lefroy will be installed, and is expected to be in place within 14 weeks. This will be followed by a four month period of dewatering via this pipeline. Once dewatering is complete, the existing decline will be made safe and re-equipped with all necessary mine services. This will provide access to the NO7 Ore body, which is already strike driven and ready for immediate production.

Once production commences from the NO7 Ore Body, work will start on extending the decline in order to gain access to the NO8 Ore Body. A total capital investment of \$8.5 million has been allowed for this stage of the project.

Life of mine cash operating costs are estimated at A\$3.38 per pound nickel. Mincor's existing Ore Tolling and Concentrate Purchase Agreement with WMC Resources Ltd will apply to Mariners – providing Mincor with a guaranteed long-term offtake for Mariner's production.

Timing to first ore production is dependent on the rapidity of the dewatering process, but could be as early as October 2004. Thereafter mining will proceed at a rate of approximately 150,000 tonnes per annum, for around 3,500 tonnes of nickel metal in concentrate, over a mine life of 3 years.

Mincor believes that the NO8 Ore Body has considerable exploration potential, being open in several directions. In addition, the overall mineralised trend at Mariners remains entirely open at depth. The exploration and realisation of this very substantial additional ore potential will be an early priority for Mincor.

At full production, Mariners will provide employment for 60 people and generate over A\$100 million in gross revenues. Strong synergies with the Mincor's nearby Miitel Mine will be exploited.

### **3.2 Wannaway 'Southern Lobe'**

The Wannaway 'Southern Lobe' expansion project has now been successfully concluded. As announced during the quarter, a substantial upgrade in reserves and mine life has been achieved.

The new Wannaway reserve, as of 1 January 2004, is:

Probable Reserve: **214,400 tonnes @ 2.2% Nickel**, for 4,700 tonnes contained metal.

The new Ore Reserve extension is additional to the original pre-mining Probable Ore Reserve of 290,000 tonnes at 3.58% nickel, which has underpinned profitable production from the mine since October 2001.

The mine was originally scheduled to close in April 2003, however incremental extensions to the original ore reserve enabled production to continue beyond that point and Mincor's June 2003 Ore Reserve statement nominated December 2003 as the final month of production. This has now been extended to June 2005.

Mining of the new Ore Reserve will benefit from existing underground development and infrastructure, with little new capital expenditure required and the mine expected to be fully amortised by early 2004. Cash costs for the Wannaway Extension Mine, including by-product credits, royalties and smelter costs, are expected to be A\$5.00/lb.

### **3.3 North Dordie**

The North Dordie open pit opportunity is the only one of the original five projects covered by Mincor's Nickel Expansion Strategy for which a development decision has not yet been made. The feasibility study that was completed in early 2003 is being re-evaluated in the light of current nickel prices.

## **4. EXPLORATION – KAMBALDA NICKEL DISTRICT (Mincor 100%)**

### **4.1 Jeremy Dee Prospect**

The latest drill results from Mincor's Jeremy Dee Prospect confirm its very high potential. Two new holes have both intersected ore grade nickel sulphide mineralisation. The holes, MDD32 and MDD34, lie 60 and 120 metres respectively south of the discovery hole, MDD28. The mineralisation and structural setting of the new intersections are similar in style to that intersected

in MDD28. Not only does this indicate the possibility of continuous mineralisation over the 120 metres of strike defined so far, but the holes also define the orientation of the mineralised trend, which appears to be parallel to the Redross Ore Body only 400 metres to the south (Figure 1).

MDD32 intersected two basal contact positions within 25 metres of each other, commencing from 345.32 metres down hole. This “re-entrant” feature is common in the immediate environs of a mineralised trend. Typical weakly developed mineralisation was encountered at the upper “flanking” contact followed by strongly developed mineralisation on the re-entrant contact. This pattern was repeated in MDD34, but with a more strongly mineralised flanking contact. The intersections are as follows:

- MDD32**            **6.08 metres at 1.06% nickel from 365 metres down hole**  
and  
**1.09 metres at 5.42% nickel from 371.71 metres down hole**  
*(intersection calculated using a 1% nickel cut-off, true widths estimated at 5.5 metres and 1 metre respectively)*
- MDD34**            **1.68 metres at 3.14% nickel from 354.99 metres down hole**  
(flank position) and  
**1.56 metres at 4.85% nickel from 377.77 metres down hole**  
(re-entrant position).  
*(intersection calculated using a 1% nickel cut-off, true width estimated at 1.6 and 1.5 metres respectively)*

For the MDD32 intersection, the >5% nickel mineralisation at the Basal Contact is overlain by a >6 metre (down hole) zone of >1% disseminated nickel mineralisation, the two zones being separated by 0.63 metres of un-mineralised ultramafic rock. Incorporating this narrow un-mineralised zone as internal waste and using a 1% boundary cut allows a broad mineralised zone averaging **7.8 metres at 2.04% nickel** to be calculated (true width estimated at 7 metres).

The style of mineralisation, which appears to occur within a structurally enhanced re-entrant zone, shows many characteristics similar to the nearby Redross ore body. The Jeremy Dee Prospect is still at an early stage, and little is yet known regarding the size and shape of the potential new ore body. Its proximity to the new Redross Decline, currently under development, would allow rapid and low cost access for mining. Drilling is continuing as a matter of the highest priority.

#### 4.3 South Miitel

Exploration drilling is continuing from the 370S drill drive at Miitel. A number of targets have been tested with some success. The mineralisation in this area appears to occur in a number of ore pods of variable size. While this style of ore body generally leads to increased development costs, the structural complexity can create opportunities for rich zones of massive sulphide ore, structurally emplaced and enhanced. Results to date indicate a moderate extension to reserves from this area is probable. Mincor is currently preparing a major surface drilling programme designed to pursue the high-grade Miitel mineralised trend further south, well beyond the reach of the current underground access.

#### 4.4 Wannaway Lucky Strike Targets

This programme of wide spaced drilling north and south of the Wannaway mine continued during the quarter with two more holes completed (one approximately 700 metres south of the mine and another approximately 1.3 kilometres to the north). Neither intersected significant nickel mineralisation. One more hole is planned approximately 1.1 kilometres to the north of Wannaway, immediately

south of drill hole WDD10 which intersected pyrrhotite with visible pentlandite (nickel sulphide) and chalcopyrite (copper sulphide) at the basal contact.

#### 4.5 Targets along the Northward Strike of Miitel

Overlying the North Miitel ore body is a zone of low grade mineralisation along the Basal Contact, intersected in holes drilled by a previous explorer. There is a possibility that this zone represents an ore trend parallel to the rich Miitel trend, extending onto Mincor's recently acquired East Widgie tenements.

During the quarter the first of three planned exploration holes were drilled. Sediments were intersected on the Basal Contact, with no significant mineralisation. The other planned holes will be drilled during the present quarter.

#### 4.6 Tramways

Mincor's initial drilling programme was completed at the Tramways licence. This Licence is situated 40 kilometres northeast of Norseman and covers the potential strike extension of the Boulder-Lefroy fault. Nine reverse circulation drill holes for 603 metres were completed to test aeromagnetic targets and confirm underlying lithologies. No significant mineralisation was encountered. The programme has yielded valuable geological and structural information, which will be used to define a second round of drilling later in the year, following the extension of aeromagnetic coverage to the west.

Details of holes drilled during the quarter are shown below:

Hole Number	MGA Easting	MGA Northing	Azimuth (degrees)	Dip (degrees)	Total Depth (metres)
WDD012	359537	6501618	065	-65	516
WDD014	358756	6503618	065	-66	390
MDD029	372510	6494169	288	-60	419.5
MDD030	372523	6494230	288	-60	395.5
MDD031	372486	649115	284	-50	399.3
MDD032	372490	6494114	284	-60	516
MDD033	371496	6506742	250	-60	240
MDD034	372470	6494058	285	-62	420

## 5. BUSINESS DEVELOPMENT ACTIVITIES

### 5.1 Miitel Joint Venture Acquisition

In early January Mincor successfully completed the acquisition of the 24% of the Miitel Joint Venture that it did not already own.

### 5.2 Tethyan Copper Company Limited (TCC)

Mincor's strategy for the development of its interests in TCC reached a resoundingly successful conclusion during the quarter. Following the largest exploration fund raising in Australia for several years TCC was spun out of Mincor and became one of the best performing resource floats of 2003. Mincor distributed its entire shareholding in TCC to its own shareholders - with each shareholder receiving one TCC share for every 3.37 Mincor shares they held - resulting in an effective "dividend" to shareholders of nearly 13 cents per share (calculated at the opening price on listing). TCC is currently trading at a premium of over 100% to its listing price.

Mincor retains 12.5 million options in the share capital of TCC. These are exercisable at 15 cents before 30 April 2008. Of these, 3.4 million are held in escrow until 30 October 2005.

Yours sincerely

**MINCOR RESOURCES NL**



**DAVID MOORE**  
**Managing Director**

*The information in this report, insofar as it relates to resource estimation and exploration activities, is based on information compiled or supervised by Richard Hatfield, Robert Hartley, Jim Reeve or Dean Will, persons who are Members of the Australasian Institute of Mining and Metallurgy and who have more than five years experience in the field of the activity being reported on. This report accurately reflects the information compiled by those members.*

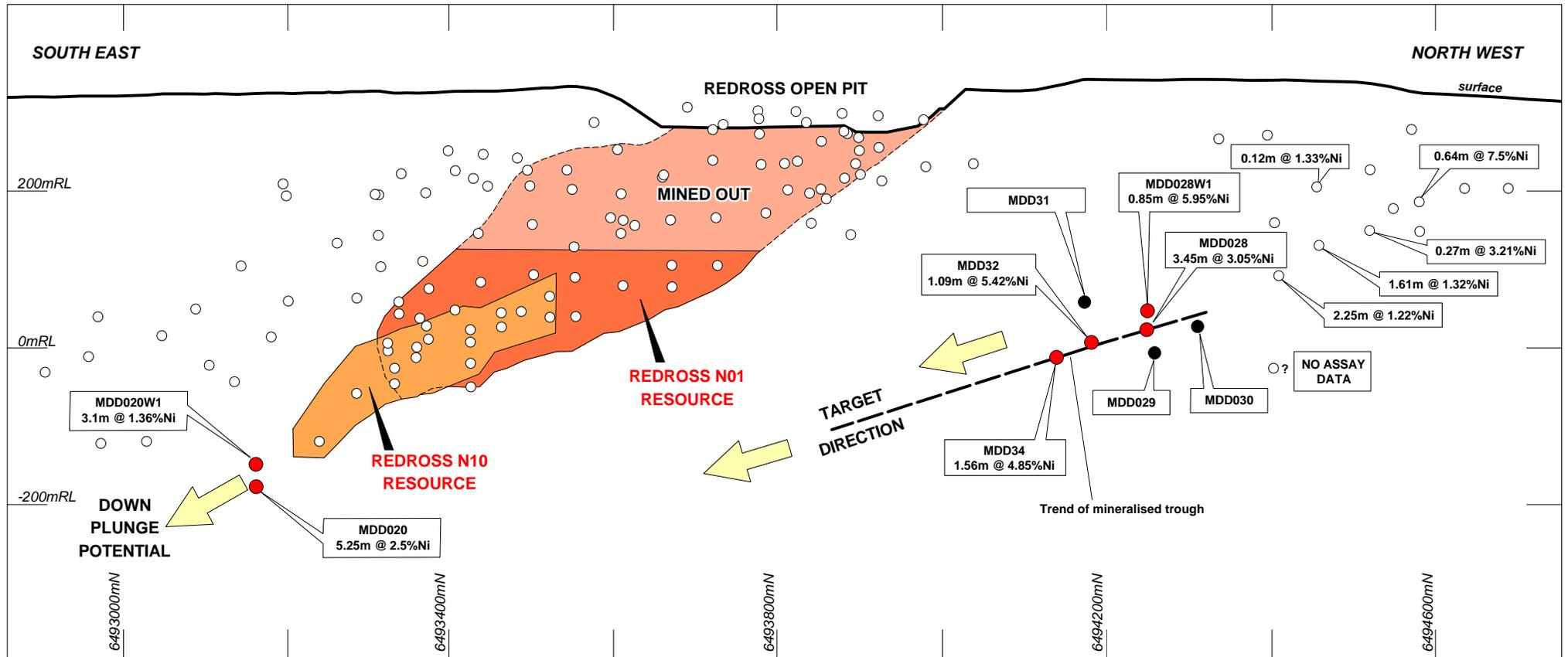


PO Box 1810, West Perth, WA 6872 AUSTRALIA  
Level 1, 1 Havelock Street, West Perth, WA 6005 AUSTRALIA

Website: [www.mincor.com.au](http://www.mincor.com.au)

Tel: (+618) 9321 7125 Fax: (+618) 9321 8994

# LONG SECTION SHOWING REDROSS MINE AND JEREMY DEE PROSPECT



- Recent Mincor drillhole
- Mineralised drillhole
- Pre-Mincor drilling



Figure 1