



**M I N C O R**

R E S O U R C E S N L

**MINCOR RESOURCES NL**

(ACN 072 745 692)

**HALF YEAR FINANCIAL REPORT**

**31 December 2003**

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## DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of Mincor Resources NL and the entities it controlled at the end of, or during, the half year ended 31 December 2003.

### DIRECTORS

The following persons were directors of Mincor Resources NL ("the Company") during the whole of the half year and up to the date of this report:

<u>Name</u>	<u>Particulars</u>
DJ Humann	Non-Executive Director and Chairman
DCA Moore	Managing Director
JW Gardner	Non-Executive Director
IF Burston	Non-Executive Director

Mr RG Wadley was a director from the beginning of the half year until his resignation on 27 August 2003.

Mr WJ du Plessis was an alternate director for Mr RG Wadley from the beginning of the financial year until his resignation on 27 August 2003.

### REVIEW OF OPERATIONS

#### Mining Operations

During the period, the Company's Miitel Nickel Mine produced 118,115 dry metric tonnes at an average nickel grade of 3.23%, to produce 3,393 tonnes of nickel-in-concentrate (2,953 tonnes attributable to the Company).

The Company's Wannaway Nickel Sulphide Mine produced 58,174 dry metric tonnes of ore at an average grade of 2.70% for 1,364 tonnes of nickel-in-concentrate (1,215 tonnes attributable to the Company). During the period the Company announced an upgrade in reserves at Wannaway. The Wannaway reserve at 1 January 2004 is 214,400 tonnes grading 2.2% nickel.

As at the end of the reporting period the Company had achieved 20 months of operation without a Lost-Time Injury ("LTI").

#### Exploration and Development Projects

On 15 October 2003 the Company approved the development of the Redross Nickel Mine. The Redross Nickel Mine has a probable ore reserve of 526,000 tonnes with a nickel grade of 2.95%.

In January 2004 the Company approved the development of the Mariners Nickel Mine. The Mariners Nickel Mine has an ore reserve of 422,670 tonnes grading 2.88% nickel.

Exploration drilling continued throughout the period, with considerable success. On 28 October 2003 the Company announced its decision to develop and mine the North Miitel ore body. North Miitel has an ore reserve of 466,000 tonnes grading 2.65% nickel.

#### Tethyan Copper Company Limited

In October 2003 the Company completed an in specie distribution to all shareholders of its shares in Tethyan Copper Company Limited ("TCC") on the basis of 1 TCC share for every 3.37 shares held in the Company. In conjunction with the in specie distribution, TCC undertook a \$15 million capital raising and was listed on the Australian Stock Exchange on 30 October 2003.

Mincor Resources NL retains 12.5 million options in TCC, which are exercisable on or before 30 April 2008 at an exercise price of 15 cents.

### **Business Acquisitions**

Effective 30 September 2003, the Company acquired the remaining 24% interest in the Miitel Joint Venture held by Clough Mining Pty Ltd and Donegal Resources Pty Ltd for consideration comprising \$11.4 million of cash and 9,000,000 fully paid ordinary shares. Of the cash component, \$5.4 million was paid at settlement in January 2004 with the remaining \$6.0 million payable in two tranches over the next two years.

On 27 October 2003 the Company acquired the valuable nickel rights on the East Widgiemooltha Tenements for \$1.5 million. These nickel rights cover approximately 10 kilometres of the highly prolific basalt contact zones that host the Miitel, Mariners and Redross ore bodies. The tenements also host any possible continuation of the North Miitel ore body which is open to the north.

### **Corporate Matters**

During the period the Company issued 6,000,000 fully paid ordinary shares in exchange for 6,000,000 fully paid ordinary shares and 12,000,000 options in Tethyan Copper Company Limited, pursuant to Put and Call Option Agreements with seed investors of TCC. The shares acquired were distributed to shareholders of Mincor Resources NL as part of the in specie distribution of TCC Shares.

During the period the Company raised \$1.2 million following the exercise of 5,688,000 options over fully paid ordinary shares.

On 1 September 2003 the Company announced a fully franked maiden dividend of 1.5 cents per share for a total payment of \$2.68 million.

During the period the Company repaid the remaining \$0.7 million debt owed to Kumba International BV and is debt free at the date of this report, except for finance lease commitments.

### **ROUNDING OF AMOUNTS**

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.



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**DCA Moore**  
**Director**

PERTH

19 February 2004

**CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE**  
**For the Half Year Ended 31 December 2003**

	<b>CONSOLIDATED</b>	
	31 December 2003 A\$'000	31 December 2002 A\$'000
Note		
<b>Revenue from Ordinary Activities</b>	38,796	38,185
Mining contractor costs	(13,505)	(11,991)
Ore tolling costs	(4,943)	(4,497)
Royalty expense	(2,662)	(2,128)
Employee benefit expense	(1,578)	(1,260)
Borrowing cost expense	(180)	(973)
Exploration costs provided for or expensed	(888)	(805)
Depreciation and amortisation expense	(5,576)	(6,490)
Other expenses from ordinary activities	(2,949)	(2,352)
Profit from ordinary activities before income tax expense	6,515	7,689
Income tax expense	(2,344)	(2,845)
Net profit	4,171	4,844
Net loss attributable to outside equity interest	-	10
Net profit attributable to the members of Mincor Resources NL	4,171	4,854
Net increase in asset revaluation reserve	5,728	-
Total changes in equity other than those resulting from transactions with owners as owners	3 9,899	4,854
	<b>Cents</b>	<b>Cents</b>
Earnings per share	2.2¢	2.9¢
Diluted earnings per share	2.2¢	2.6¢

*The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As at 31 December 2003

	Note	CONSOLIDATED	
		31 December 2003 A\$'000	30 June 2003 A\$'000
<b>Current Assets</b>			
Cash assets		20,277	19,085
Receivables		10,937	11,563
Inventory		160	138
Prepayments		77	145
Other	6	994	3,498
<b>Total Current Assets</b>		32,445	34,429
<b>Non-Current Assets</b>			
Receivables		-	229
Investments		2,801	556
Property, plant and equipment		28,152	17,695
Exploration, evaluation and development expenditure		18,216	25,823
Other non-current assets		67	36
<b>Total Non-Current Assets</b>		49,236	44,339
<b>TOTAL ASSETS</b>		81,681	78,768
<b>Current Liabilities</b>			
Payables		27,318	14,044
Interest bearing liabilities		121	1,117
Tax liabilities		2,085	7,628
Provisions		213	330
Other	6	994	3,498
<b>Total Current Liabilities</b>		30,731	26,617
<b>Non-Current Liabilities</b>			
Payables		3,000	-
Interest bearing liabilities		79	64
Deferred tax liabilities		3,433	2,917
Provisions		790	578
<b>Total Non-Current Liabilities</b>		7,302	3,559
<b>TOTAL LIABILITIES</b>		38,033	30,176
<b>NET ASSETS</b>		43,648	48,592
<b>Equity</b>			
Contributed equity	5	27,227	19,426
Reserves		545	11,734
Retained profits		15,876	14,385
Total parent equity interest		43,648	45,545
Outside equity interest in controlled entities		-	3,047
<b>TOTAL EQUITY</b>	4	43,648	48,592

*The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the Half Year Ended 31 December 2003**

	Note	CONSOLIDATED	
		31 December 2003 A\$'000	31 December 2002 A\$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers (inclusive of GST)		44,947	47,526
Payments to suppliers and employees (inclusive of GST)		(31,262)	(26,841)
		<hr/>	<hr/>
		13,685	20,685
Interest received		346	264
Other revenue		-	42
Interest paid		(25)	(1,297)
Income tax paid		(7,514)	(4)
		<hr/>	<hr/>
<b>Net Cash Inflow from Operating Activities</b>		6,492	19,690
		<hr/>	<hr/>
<b>Cash Flows from Investing Activities</b>			
Payments for acquisition of mine properties		(1,500)	-
Payments for property, plant and equipment		(2,522)	(4,103)
Payments for exploration, evaluation and development expenditure		(1,919)	(910)
Cash received on acquisition of interest in joint venture		2,796	-
Repayment of loan by former controlled entity		304	-
Payments for investments		(171)	-
Proceeds from sale of investments		267	-
Cash disposed following in specie distribution of investment in controlled entity		(362)	-
		<hr/>	<hr/>
<b>Net Cash (Outflow) from Investing Activities</b>		(3,107)	(5,013)
		<hr/>	<hr/>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of shares		1,200	146
Repayment of borrowings		(713)	(15,388)
Dividends paid		(2,680)	-
Payments for borrowing costs		-	(50)
		<hr/>	<hr/>
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		(2,193)	(15,292)
		<hr/>	<hr/>
<b>Net Increase (Decrease) in Cash Held</b>		1,192	(615)
Cash at the Beginning of the Reporting Period		19,085	13,869
		<hr/>	<hr/>
<b>Cash at the End of the Reporting Period</b>		20,277	13,254
		<hr/>	<hr/>
<b>Non Cash Financing and Investing Activities</b>	8		

*The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **For the Half Year Ended 31 December 2003**

#### **NOTE 1**

##### **Basis of Preparation of Half Year Financial Report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other mandatory professional requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Mincor Resources NL during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

#### **NOTE 2**

##### **Segment Information**

The consolidated entity operates predominantly in the mining industry and principally within the geographical areas of Australia, Africa, and the South West Pacific. During the period the Company de-consolidated Tethyan Copper Company Limited ("TCC") following an in specie distribution of its shares in TCC to shareholders of Mincor Resources NL. TCC operates within the geographical area of Pakistan.

Geographic segment information is as follows:

	Australia \$'000	Africa \$0'000	South West Pacific \$'000	Pakistan \$'000	Consolidation \$'000
<b>i) Half Year - 2003</b>					
Revenue from operating activities	38,355	-	-	-	38,355
Interest revenue	346	-	-	-	346
Other revenue	95	-	-	-	95
Total revenue	<u>38,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,796</u>
Consolidated entity operating profit/(loss) after income tax	<u>4,185</u>	<u>(12)</u>	<u>(2)</u>	<u>-</u>	<u>4,171</u>
<b>ii) Half Year - 2002</b>					
Revenue from operating activities	37,543	-	-	-	37,543
Interest revenue	264	-	-	-	264
Other revenue	352	26	-	-	378
Total revenue	<u>38,159</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>38,185</u>
Consolidated entity operating profit/(loss) after income tax	<u>4,829</u>	<u>21</u>	<u>(6)</u>	<u>-</u>	<u>4,844</u>



**NOTE 3**

**Investments in Controlled Entities**

*Tethyan Copper Company Limited*

At the start of the reporting period the Company held 44,666,667 fully paid ordinary shares and 6,000,000 options in Tethyan Copper Company Limited (“TCC”).

Between 1 July 2003 and 30 October 2003 the Company acquired a further 6,000,000 shares and 12,000,000 options in Tethyan Copper Company Limited in exchange for 6,000,000 fully paid ordinary shares in the Company pursuant to Put and Call Option Agreements with Tethyan Copper Company Limited seed investors.

Between 1 July 2003 and 30 October 2003 the Company exercised 4,300,000 options in Tethyan Copper Company Limited at an exercise price of 15 cents in exchange for 4,300,000 fully paid ordinary shares in Tethyan Copper Company Limited.

Effective 23 October 2003 the Company completed an in specie distribution to its shareholders of 54,944,390 of its shares in Tethyan Copper Company Limited on the basis of one TCC share for every 3.37 shares held in Mincor Resources NL, resulting in a \$5,428,000 return of capital. On 30 October 2003, Tethyan Copper Company Limited was listed on the Australian Stock Exchange following a successful \$15 million capital raising by way of prospectus.

As at 31 December 2003 the Company holds 22,277 fully paid ordinary shares in Tethyan Copper Company Limited and 12,557,566 options over fully paid ordinary shares with an exercise price of 15 cents per share.

The in specie distribution of the Company’s shares in Tethyan Copper Company Limited resulted in the deconsolidation of the following balances relating to TCC.

	<b>\$000</b>
Cash	362
Receivables	37
Other current assets	55
Property, plant and equipment	4
Exploration, evaluation and development expenditure	28,731
Other non current assets	116
Payables	(673)
Capital reserve	(344)
Asset revaluation reserve	(16,573)
Minority interest	(4,043)
	7,672
Less: Value of investment in former controlled entity not distributed	(2,244)
	5,428
Return of Capital	

**NOTE 4**  
**Equity**

	<b>CONSOLIDATED</b>	
	<b>31 December 2003 A\$'000</b>	<b>31 December 2002 A\$'000</b>
Total equity at the beginning of the financial year	48,592	24,791
Total changes in equity recognised in the statement of financial performance	9,899	4,854
Issue of additional ordinary shares during the year (refer Note 5)	13,229	60
Changes in outside equity interest	996	76
Dividends paid	(2,680)	-
Return of capital pursuant to in specie distribution of shares in Tethyan Copper Company Limited		
- Reduction in share capital	(5,428)	-
- Reduction in asset revaluation reserve	(16,573)	-
- Reduction in capital reserve	(344)	-
- Reduction in outside equity interest	(4,043)	-
<b>Total equity at the end of the financial year</b>	<b>43,648</b>	<b>29,781</b>

**NOTE 5**  
**Contributed Equity**

**Movements in Ordinary Share Capital  
2003**

	<b>No of Shares</b>	<b>Issue Price</b>	<b>A\$'000</b>
Opening balance – 30 June 2003	173,475,005		19,426
Share issue pursuant to the exercise of options over fully paid shares	4,850,000	\$0.20	970
Share issue pursuant to the exercise of options over fully paid shares	338,000	\$0.25	84
Share issue pursuant to the exercise of options over fully paid shares	500,000	\$0.29	145
Share issue following the exercise of Put and Call Option Agreements by the seed investors of Tethyan Copper Company Limited	6,000,000	\$0.87	5,190
Share issue pursuant to acquisition of 24% interest in Miitel Joint Venture (refer Note 8)	9,000,000	\$0.76	6,840
Return of capital via in specie distribution			(5,428)
<b>Closing balance – 31 December 2003</b>	<b>194,163,005</b>		<b>27,227</b>

**NOTE 6**  
**Foreign Exchange and Commodity Contracts**

The net fair value of foreign exchange and commodity contracts held as at the reporting date were:

	<b>31 December 2003 \$'000</b>	<b>30 June 2003 \$'000</b>
Forward foreign exchange contracts	994	3,498
Futures commodity contracts	(4,545)	(5,896)
	<b>(3,551)</b>	<b>(2,398)</b>

The net fair value of forward foreign exchange contracts of \$994,000 is recognised in the Consolidated Statement of Financial Position at 31 December 2003. The net fair value on commodity contracts at 31 December 2003 has not been recognised in the Consolidated

Statement of Financial Position, except for \$467,000 of outstanding commodity contracts acquired from Clough Mining Pty Ltd and Donegal Resources Pty Ltd during the period.

## NOTE 7

### Acquisition of Assets

Effective 30 September 2003 the Company acquired the remaining 24% interest in the Miitel Joint Venture held by Clough Mining Pty Ltd and Donegal Resources Pty Ltd for consideration comprising \$11.4 million of cash and 9,000,000 fully paid ordinary shares. Settlement of the acquisition occurred on 16 January 2004. Details of the acquisition are shown below.

Fair value of identifiable net assets acquired:

	<b>A\$'000</b>
Cash	2,796
Receivables	2,512
Inventory	50
Other current assets	19
Property, plant and equipment	13,155
Exploration, evaluation and development expenditure	6,320
Payables	(4,371)
Interest bearing liabilities	(51)
Non-current provisions	(187)
Liabilities associated with financial instruments	(1,244)
Net assets acquired	18,999

The Consideration paid is represented by:

Cash payable at settlement	5,400
Cash payable in the future	6,000
Issue of 9,000,000 fully paid ordinary shares	6,840
Stamp duty and other acquisition costs	1,259
	19,499
Less: Costs attributable to the termination of mine contract	(500)
	18,999

## NOTE 8

### Non-Cash Financing and Investing Activities

	<b>CONSOLIDATED</b>	
	<b>31 December 2003 A\$'000</b>	<b>31 December 2002 A\$'000</b>
Issue of 9,000,000 ordinary shares at fair value as part consideration for the acquisition of 24% interest in joint venture (refer Note 7)	6,840	-
Acquisition of 6,000,000 shares and 12,000,000 options in Tethyan Copper Company Limited via the issue of 6,000,000 ordinary shares at fair value (refer Note 5)	5,190	-
Return of capital via in specie distribution of shares in controlled entity (refer Note 4)	5,428	-

**NOTE 9**  
**Contingent Liabilities**

There has been no change in contingent liabilities since the last annual reporting date.

**NOTE 10**  
**Events Subsequent to Reporting Date**

Since the end of the reporting date there has not been any matter or circumstance that has arisen, other than that referred to in the half year financial report or notes thereto, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

## **DIRECTORS' DECLARATION**

The Directors of Mincor Resources NL declare that the financial statements and notes set out on pages 3 to 10:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001, and
- (b) there are reasonable grounds to believe that Mincor Resources NL will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



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**DCA Moore**  
**Director**

PERTH

19 February 2004

## Independent review report to the members of Mincor Resources NL

### Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Mincor Resources NL (the Company) for the half-year ended 31 December 2003 included on Mincor Resources NL's web site. The Company's directors are responsible for the integrity of the Mincor Resources NL web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide any assurance on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

### Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Mincor Resources NL:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Mincor Resources NL Group (defined below) as at 31 December 2003 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Mincor Resources NL Group (the consolidated entity), for the half-year ended 31 December 2003. The consolidated entity comprises both Mincor Resources NL (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

## Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Nicholas Henry*

Nicholas Henry  
Partner

Perth  
19 February 2004