

# Annual Report 2011





MAGNETIC MEASURING AT KAMBALDA WEST, MARCH 2011 (PHOTO BY TANH DOAN)

# Contents

<b>Highlights of the Year</b>	<b>2</b>	<b>Australia-Wide Mineral Exploration</b>	<b>24</b>
<b>Chairman's Report</b>	<b>5</b>	Tottenham Copper-Gold Project	25
<b>Managing Director's Report</b>	<b>6</b>	Bonaparte Copper and Zinc Project	26
<b>Mincor's Kambalda Nickel Business</b>		Georgina Zinc Project	27
Overview and Outlook	7	Bohemia Zinc Project	27
Safety	7	Gascoyne Uranium Project	28
Ownership and Operation	8	Lake Cowan Gold Prospect	28
Sales	8	<b>Acronyms and Definitions</b>	<b>29</b>
Metal Prices and Hedging	8		
Operational Results	9	<b>Statement of Health, Safety and Environmental Policies</b>	<b>31</b>
Production by Mine Site	9	<b>Corporate Governance Statement</b>	<b>33</b>
Mining Operations	10	<b>Directors' Report</b>	<b>43</b>
Ore Reserves and Mineral Resources	11	<b>Auditor's Independence Declaration</b>	<b>56</b>
Kambalda Nickel Exploration	13	<b>Consolidated Income Statement</b>	<b>57</b>
Near-Mine Exploration	14	<b>Consolidated Statement of Comprehensive Income</b>	<b>58</b>
Exploration for Ultra-Sized Nickel Ore Bodies	17	<b>Consolidated Statement of Financial Position</b>	<b>59</b>
Regional Kambalda Nickel Exploration	17	<b>Consolidated Statement of Changes in Equity</b>	<b>60</b>
<b>Emerging Growth in Papua New Guinea</b>		<b>Consolidated Statement of Cash Flows</b>	<b>61</b>
Papua New Guinea – a World-Class Mining Region	20	<b>Notes to the Financial Statements</b>	<b>62</b>
Mincor's Joint Venture Agreements with Niuminco	20	<b>Directors' Declaration</b>	<b>104</b>
The Edie Creek Project	21	<b>Independent Auditor's Report</b>	<b>105</b>
The May River Project	22	<b>Additional Shareholder Information</b>	<b>107</b>
The Bolobip Project	23	<b>Corporate Directory</b>	<b>inside back cover</b>
The Kubuna Project	23		





Mincor is an established Australian mining company that has now entered its second decade as a leading Kambalda nickel producer. The Company played a pioneering role in revitalising Kambalda and establishing it as one of the premier destinations for junior mining investment in Australia.

Mincor is also an emerging growth powerhouse in copper and gold, at the cutting edge of exploration for world-class ore deposits in the remarkable mineral endowment of Australia's near neighbour, Papua New Guinea.

Mincor has played this role before, in its successful exploration in Pakistan where its spin-off entity, Tethyan Copper Company Limited defined one of the largest copper-gold deposits ever discovered. Tethyan was ultimately taken over at a premium by two of the world's largest mining companies.

Mincor is fully funded for its growth aspirations, with strong ongoing cash flows from its nickel mining business and a healthy cash balance of nearly \$90 million.

The Company's track record in the creation of shareholder wealth speaks for itself. From a single capital raising of \$5 million in 2001 Mincor has generated \$235 million in net profits after tax, paid out \$102.6 million in dividends, invested (so far) \$2 million in a share buy-back, invested hundreds of millions back into its nickel mining business, paid out over \$180 million in taxes and state royalties, created and spun off Tethyan Copper Company Limited, and has \$87 million in the bank and no debt.

Mincor's strength derives ultimately from its fundamental principles, among the most important of which is a deep respect for its employees and its shareholders, and for the local communities in the areas in which it operates; and a commitment to transparency and fair dealing with all.



# Highlights of the Year



SINGLE-BOOM JUMBO IN A DECLINE DRIVE (PHOTO BY MARK MULLER)

A series of **operational setbacks** flow through to the bottom line – generating only the **second full-year loss in Mincor's history** as a mining company.

Amidst the gloom a **strong core of outstandingly positive developments** is largely overlooked:

- The discovery of the **extremely high-value Terrace shoot** at Mariners, which is now in production;
- The addition of **11,000 nickel tonnes** in resource at South Miitel – creating the potential to claw-back this year's write downs;
- The investment of \$30 million in Kambalda development – which will this year bring into production the **MNO3 ore body at McMahon** and the **high-grade N10 ore body at Mariners**;
- The development of a suite of **promising early-stage exploration prospects** throughout Kambalda – creating strong potential for a discovery over the next 12-18 months;
- The strong **upscale in value** of the Tottenham copper-gold project in NSW – with district-scale mineralisation discovered;
- The joint venture acquisition of a suite of high-quality exploration assets in PNG, with **potential for the discovery of world-class copper-gold mineral deposits**;
- Mincor ends the year with a strong cash balance, having maintained its now **nine-year record of unbroken dividend payments**;
- With its nickel operations restructured to deliver robust results and an enviable suite of growth assets, Mincor starts the new financial year with **zest and confidence**.



DRILLING AT SOUTH MIITEL (PHOTO BY TANH DOAN)





DRILLING AT BLUEBUSH LINE, MAY 2011 (PHOTO BY TANH DOAN)

## A leading Kambalda **nickel miner**...

Mincor currently operates four mines in the Kambalda Nickel District and is targeting production for the 2011/12 financial year of 10,000 tonnes of nickel-in-ore at cash costs before royalties of A\$6.10 per pound of payable nickel.

Mincor employs 220 people, 157 of whom are locally based in the Kalgoorlie/Kambalda region.

Since March 2001 Mincor has mined and delivered just over 133,000 tonnes of nickel-in-ore.

Mincor has discovered approximately 135,000 tonnes of nickel metal in resource, at a discovery cost estimated at 27 cents per pound.

From its Kambalda nickel business Mincor has generated gross revenues of more than \$1.7 billion, profits of \$235 million, and paid dividends of \$102.6 million.

In 2001 Mincor's starting ore reserves were sufficient for four years of production – 10 years later Mincor is still mining, and has ore reserves sufficient for a further four years of production – and resources potentially for many more.



EDIE CREEK – CAMP SITE AND AREAS OF PAST MINING ACTIVITIES (PHOTO BY RICHARD HATFIELD)

## ...and a fully-funded resources **growth story...**

Late in the financial year Mincor opened a powerful new growth front with a series of joint ventures in Papua New Guinea. Papua New Guinea – a country with close ties to Australia – has re-emerged as one of the most prospective regions in the world for world-class copper-gold deposits – every major resource company is active there.

Mincor has outstanding assets in PNG with proven and verifiable historical exploration results and clear potential for world-class discoveries:

**[ May River South:** has the same geology as the adjacent Freida River deposit – Xstrata's giant copper-gold project. Previous drill results on Mincor's licence include: 109 metres from surface at 1.53g/t gold, with the hole ending in strong mineralisation, and 54 metres @ 1.83g/t gold, from 106 metres depth.

**[ May River North:** previous work discovered up to five discrete massive sulphide bodies – interpreted to be volcanogenic massive sulphides (VMS) with drill intersections including: 19 metres @ 11.47% copper and 2.17g/t gold, and 11 metres @ 10.6% copper and 1.98g/t gold.

**[ Bolobip:** located 60 kilometres south of the giant Ok Tedi copper-gold deposit, Bolobip was identified as a multi-phase porphyry intrusion by CRA in the late 1980s, with trench results including: 95 metres @ 1.5g/t gold and 35 metres @ 1.25g/t gold.

**[ Edie Creek:** centred in the historic and high-grade Morobe Gold Fields, only 5 kilometres from the new Hidden Valley gold mine, Edie Creek has been producing alluvial and hard-rock gold for 80 years. The previously fragmented nature of the lease-holdings has meant that it has never undergone systematic, modern exploration.

With its ongoing nickel cash flows and strong cash balance Mincor is fully funded to pursue the exploration of these high-value projects, and is already moving rapidly towards drilling in the second half of the financial year.

## ...supporting Australia's **regional communities**

Mincor is a long-term and consistent supporter of local communities in the Eastern Goldfields of Western Australia and other parts of rural Australia.

During the financial year just ended, Mincor contributed over \$75,000 to the following charities and regional and rural organisations, including a \$50,000 donation to the Salvation Army specifically to assist them with flood relief in Queensland:

- The Boulder Rotary Radio Auction
- Kambalda Individual Disability Support and Carers Respite House Inc
- Constable Care
- Kambalda West District High School
- Princess Margaret Hospital
- Kambalda Football Club
- Salvation Army Queensland Flood Relief
- ASX Share Portfolio for Charity
- Nickeltown Car, Ute and Bike Show (Kambalda)
- Kambalda Cricket Club
- Kambalda Community Christmas Tree



MINCOR FIELD TECHNICIAN BRAD ERMEL TRAINING TRADITIONAL OWNERS MICHAEL BIRCH AND ARTHUR HESTER IN GEOCHEMICAL METHODS AT THE BONAPARTE PROJECT (PHOTO BY JOHN THEVISSSEN)



# Chairman's Report



## To our shareholders

Our progress on confirming additional nickel resources, which provide us with the foundation for a sustainable mining operation in Kambalda, combined with significant new ventures, new nickel discoveries and successful exploration programs, is encouraging.

In expanding our horizons, we have identified district-scale copper-gold prospects at Tottenham in NSW. We have entered a joint venture in Papua New Guinea, which has the potential to emerge as a world-class copper-gold operation.

The PNG venture is in the tradition of our earlier and successful investment in copper-gold assets in Pakistan.

Our nickel production in Kambalda was adversely affected in the 2011 year by several seismic events which led to lower ore tonnes. We also encountered lower than normal nickel grades, largely because of difficult mining operations. We have returned to a wholly owner-mining policy as well as consolidated our experienced management team, who will be able to return the mines to robust nickel tonnes and grade.

The economics of the Kambalda mines will depend to a significant degree on a stable (and hopefully improving) nickel price, and on our proven ability to optimise the effects on us of the AUD/USD exchange rate movements.

Strong mine development and exploration budgets have been approved for 2011/12 and these funds will be spent to further enhance the value of our existing mines, and add measurable mineral resources and reserves to all our projects.

In the last two years (2010 and 2011) we have spent and invested \$406 million, in cash, in our regions of operations:

- \$281 million: Employee wages, community facilities, orders to suppliers for goods and services, taxes and royalties
- \$95 million: New mine plant and equipment, on mine development work and on exploration for new mineral resources
- \$30 million: Dividends to shareholders

Another year has passed and we still face uncertainty arising from a lack of sound leadership and economic management from Canberra.

We face high cost inflation and a shortage of skilled staff.

Why, in an age of fast air services and excellent on site working conditions, is there such immobility. Why is there an apparent lack of excitement for an opportunity for advancement for the under-employed and unemployed to acquire valuable skills by participating in the resources industry.

By some strange twist of logic, some current commentators can find and publish an argument to the effect that, the current success of the resources sector adversely affects the incomes and lives of those not directly involved. Accordingly, they reason, we should damage the sector by imposing punitive taxes and extraordinary regulatory interference.

Our resources, as illustrated above, are substantially returned to the communities in which we work and to our shareholders. They in turn support the communities in which they work and live.

Mincor stakeholders do not agree with the 'two-speed economy' excuses.

There are ample intellectual and financial resources in the country to increase the productivity and global competitiveness of all industries (financial services, agriculture, high technology and education, to name a few) without negative and protectionist policies being directed towards the mining industry.

Asian economies are flexible and innovative and growing fast. They are rewarding their people and their entrepreneurial endeavours, with certainty, prosperity and security.

Not deterred, our people look forward to the new financial year and beyond, with confidence.

David Moore and his team have applied themselves with vigour to overcoming the difficulties we faced in the 2010/11 year and have reset the Company and its people on a path which has an excellent foundation and an expanded range of objectives which will lead to continuing success.

DAVID HUMANN

# Managing Director's Report



It was a tough and bumpy year for Mincor. We experienced three operational setbacks that ultimately flowed through to the bottom line, so that this year we report only the second loss in our ten-year mining history. The stock market reaction has been extremely negative, perhaps because these events coincided with a general market pull-back of nearly 20%. But the result is that Mincor has been sold down to levels that I believe are below its intrinsic value. This is why your directors decided to implement an on-market share buy-back, which is underway now.

Amidst the gloom of these setbacks it was easy to miss a strong underlying core of positive developments. And to miss the fact that Mincor remains a remarkably healthy company with a growing suite of assets and a board and management demonstrably capable of multiplying shareholder wealth.

Thus while Mariners had a poor year due to low grades, an extremely high-value pod of ore was discovered that is now in production, and the decline advanced towards the high-grade N10 ore body, which will enter production within six months. Mariners is now established as Mincor's flagship operation in the Kambalda District.

Thus further, while Miitel experienced a dreadful year, with severe operational and resource underperformance, drilling throughout the year at South Miitel recorded success, so that some 11,000 tonnes of nickel was added to the resource by year end. This means that under Miitel's new operational structure it is possible that much of the reserve write-down will be clawed back and that Miitel could still have many years as a smaller but profitable mining operation.

And thus again, while the seismic event at Otter Juan was undoubtedly extremely negative, bringing forward the closure of one of Mincor's best mines, the adjacent McMahon ore body is now entering production, after having been in the costly development phase all year.

Finally on the operational front, the substantial restructuring that Mincor undertook at the end of the financial year has created what I believe to be an extremely robust operational structure, built around Mincor's outstanding locally-based workforce that comprise some of the most skilled and dedicated underground miners in Australia.

So I believe that we have re-established a profitable and long-term mining enterprise at Kambalda, albeit one that, on current reserves, will operate at a lower production rate than in the past. However, even here one sees further upside, in the many regional exploration targets generated by our exploration team over the past year, all of which will be tested over the next 12-18 months.

Looking further afield there were exciting developments in the areas of exploration and business development, which have been all but ignored by investors in the reaction to the operational problems.

At Tottenham in NSW our drilling in the second half of the year substantially lifted the potential of this emerging copper-gold project. We have outlined district-scale mineralisation along a major stratigraphic marker horizon, demonstrating the high endowment of the area and setting us up for a second round of drilling that will, we hope, make the high-grade copper-gold discovery we believe is possible there.

And finally, on the business development front, we concluded a deal with Niuminco Ltd that has, I believe, the clear potential to lift Mincor to the multi-billion dollar market cap level. We have earn-in rights to a number of Exploration Licences where the mineral potential is demonstrated by actual, verifiable exploration results from previous explorers, including production statistics (at Edie Creek), exciting drill results (at May River) and trench sampling results (at Bolobip).

I believe these licences show the same potential that Mincor saw at Reko Diq in Pakistan, the asset that was subsequently spun-off in Tethyan Copper Company Limited. We are advancing rapidly on the exploration of these properties and over the next few years we hope to report on the discovery of more than one world-class ore deposit.

Thus as Mincor enters its second decade as a mining company we see ongoing profitable production from our Kambalda nickel mines, tremendous exploration upside in the Kambalda nickel district, and uncapped growth potential in our Australian and PNG exploration assets. We are financially strong and confident of the future.

I thank our shareholders for their patience and support. I thank our suppliers, contractors and business partners for their efforts through the year. Deepest thanks also to the good folk of Kambalda for their continued support of our company, and indeed to the residents of all the areas in which Mincor operates and explores. I wish to thank my board for their unfailing support and advice. Finally, my deepest thanks to all the employees of Mincor for their hard work and dedication, and the calm but determined "can-do" attitude they displayed throughout the year.

DAVID MOORE



# Mincor's Kambalda Nickel Business

## Overview and Outlook

Mincor's Kambalda nickel operations suffered a number of setbacks during the year, and these impacted both the level and the cost of production. A costly seismic event occurred at Mariners in July 2010, and ground stability problems led to the closure of the lower levels of the Otter Juan mine in March 2011 – bringing forward the ultimate closure of that mine. Finally, Miitel experienced operational constraints and resource underperformance throughout the year.

These events have reduced the production rate that is possible from Mincor's operations, at least until the Company is able to discover additional sources of ore. However they are not expected to have a lasting impact on Mincor's cost of production and hence its profit margin.

Based on this observation as well as the following factors, Mincor foresees an immediate return to a sound financial footing for its Kambalda operations:

- A substantial investment in new production capacity was underway throughout the past financial year, and this will come to fruition during 2011/12 – most notably first production from the new high-grade ore bodies at Mariners, and first production from McMahon.
- A restructuring of Mincor's operations was completed in the last month of the past financial year, and that will bring about a substantial reduction in costs and increase in quality from early in the new financial year.

Based upon its new operational structure and its existing reserve base, Mincor's operations have a mine life of four years – in line with the Company's historical average. However there are a number of very substantial opportunities to extend reserves, and Mincor will pursue these vigorously, as it has done with great success throughout its history in Kambalda.

## Safety

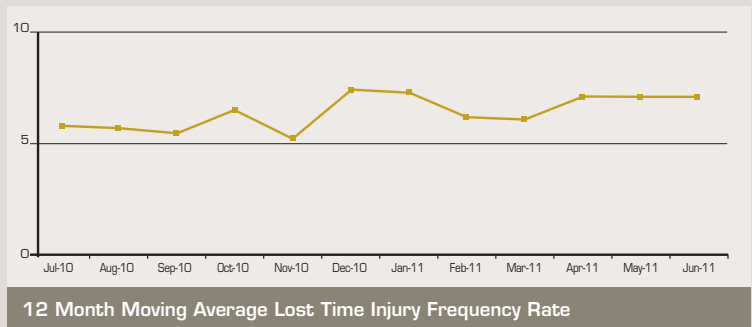
Mincor maintains an intensive focus on the health and safety of its employees and contractors and puts this imperative above all others. Numerous additional safety and training initiatives were rolled out during the year and, pleasingly, Mincor's operations saw a substantial decrease in the Alternative Duty Injury Frequency Rate in the last quarter of the year.

However the Lost Time Injury Frequency Rate, at 7.1 across all the operations, remains too high, emphasising the continual effort required in this area.

Mincor continues to focus on the development and implementation of evolving safety standards and procedures, and at least once every two years carries out a complete and very thorough independent audit of its safety systems. A great deal of emphasis is placed on training and the continual upgrading of safety awareness among all employees.

With the recent move to owner-mining at Miitel and the coming changeover at Mariners, the Company is focusing attention on the seamless roll-out of its existing safety management systems and operational procedures to these mines. The changeover at Miitel was affected with care and diligence, with production de-emphasised for the first two weeks to allow time for personnel to become accustomed to the mine.

Safety at underground mining operations requires an unremitting focus and Mincor will continue to apply this focus, as it always has done in the past. After more than a decade of mining at Kambalda, the Company has a strong safety record and a strong safety culture, and these will be built on and enhanced over the coming year.





## Ownership and Operation

Mincor's mines and tenements in the Kambalda region are wholly owned by Mincor apart from the Carnilya Hill tenements, which are held in a joint venture with View Resources Ltd. Mincor has a 70% interest in this joint venture and is the operator.

Through most of 2010/11, the Company split the site management of its mines between northern and southern operations, each with a General Manager reporting to a chief operating officer. As part of its restructuring at the end of the financial year, Mincor eliminated the position of chief operating officer and united all the operations under a single General Manager, reporting to the Managing Director.

Mincor's northern operations, comprising Carnilya Hill, Otter Juan and McMahon/Coronet, have traditionally been owner-operated. By contrast, the southern mines, currently Miitel and Mariners, have traditionally been contractor-operated under close supervision from site-based Mincor employees.

As part of its broader restructuring the southern mines are being changed to owner-operator. This change came into effect for Miitel from 1 July 2011, and will be implemented at Mariners later in the year. Thus by Christmas 2011 all of Mincor's mining operations in Kambalda will be owner-operated, on a mostly residential basis.

## Sales

Mincor's off-take agreements with BHP Billiton (Nickel West) continued to operate satisfactorily through the year. Mincor has six separate Ore Tolling and Concentrate Purchase Agreements with Nickel West, covering all of the Company's Kambalda production. These agreements expire between 2016 and 2019.

Under the off-take agreements Mincor delivers ore to the central Nickel West-owned mill at Kambalda, pays Nickel West a tolling charge to turn the ore into concentrate, and then sells the concentrate to Nickel West. Payment is made to Mincor in US Dollars based on the average spot LME nickel price during the third month after the month of delivery.

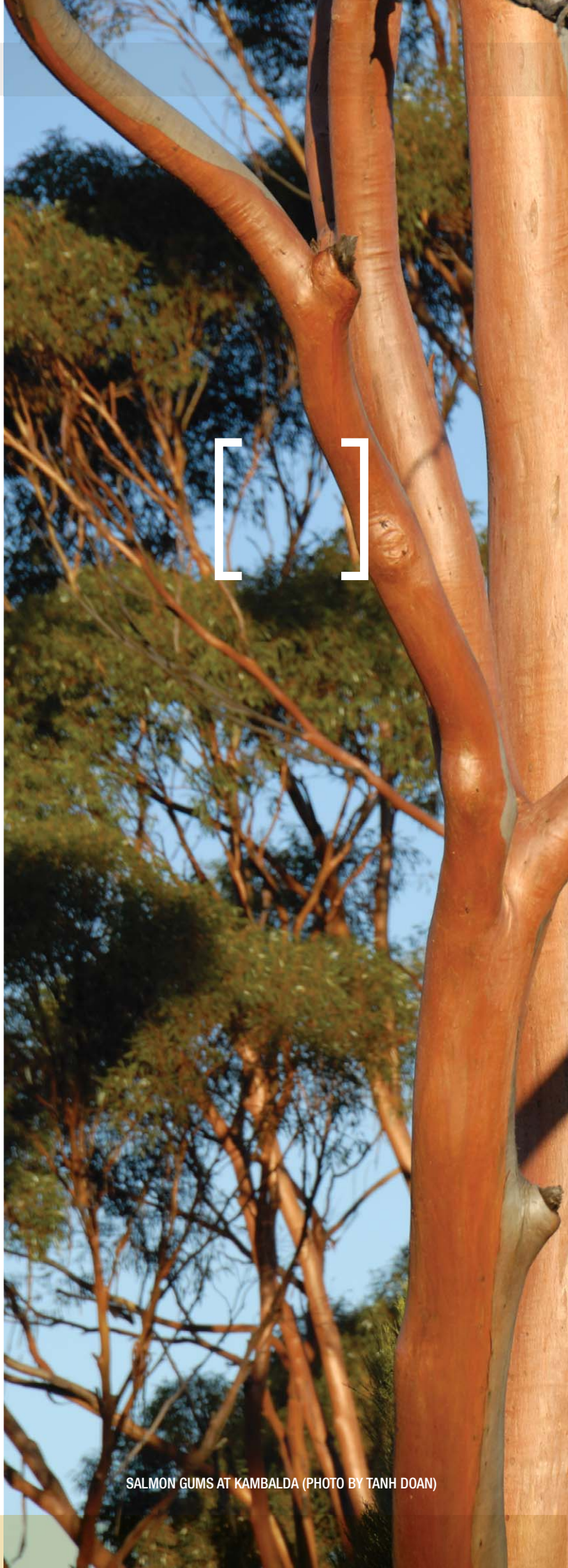
## Metal Prices and Hedging

The LME spot nickel price for the financial year averaged US\$23,937 per tonne. In Australian Dollar terms this was A\$23,451 per tonne. The average price, net of hedging, realised by Mincor for the year was A\$24,140 per tonne. The Australian Dollar nickel price peaked at about A\$29,004 in February 2011 and thereafter declined steadily to a low of around \$20,231 in June 2011.

Mincor derived approximately 2.8% of its revenue from by-product credits for copper and cobalt.

Royalty costs for the year totalled \$5.4 million, or A\$0.44 per pound of payable nickel.

Mincor's hedging policy is to maintain a certain minimum level of protection against adverse price movements through a discretionary program of rolling two-year forward sales. These rarely exceed 20% of forecast production. As at the date of this report Mincor's forward sales totalled 1,890 tonnes of payable nickel metal at an average price of A\$27,362 per tonne, extending to December 2012.



SALMON GUMS AT KAMBALDA (PHOTO BY TANH DOAN)



## Operational Results

TABLE 1: Operational Results

	SOUTH KAMBALDA OPERATIONS <sup>(1)</sup>	NORTH KAMBALDA OPERATIONS <sup>(2)</sup>	TOTAL FOR FINANCIAL YEAR 2010/11	PRECEDING FINANCIAL YEAR (2009/10) TOTAL
Ore Tonnes Treated (DMT)	251,068	144,911	395,979	371,159
Average Nickel Grade (%)	2.17	3.36	2.61	3.18
Nickel-in-Concentrate Sold (tonnes)	4,572.4	4,484.0	9,056.4	10,672.6
Copper-in-Concentrate Sold (tonnes)	434.5	267.9	702.4	808.0
Cobalt-in-Concentrate Sold (tonnes)	82.7	53.8	136.5	150.4
Sales Revenue* (A\$)	75.89m	70.02m	145.91m	173.38m
Direct Operating Costs** (A\$)	61.08m	41.89m	102.97m	84.79m
Royalty Costs (A\$)	3.58m	2.13m	5.71m	5.49m
<b>Operating Surplus*** (A\$)</b>	<b>11.23m</b>	<b>26.00m</b>	<b>37.23m</b>	<b>83.10m</b>
Capital Costs**** (A\$)	24.82m	12.81m	37.63m	27.95m
Payable Nickel Produced (lbs)	6,552,216	6,243,922	12,796,138	15,186,423
Mining Costs (A\$/lb)	5.84	4.01	4.95	3.48
Milling Costs (A\$/lb)	1.54	0.85	1.20	0.96
Ore Haulage Costs (A\$/lb)	0.40	0.09	0.25	0.16
Other Mining/Administration (A\$/lb)	1.40	1.46	1.43	1.00
Royalty Cost (A\$/lb)	0.55	0.33	0.44	0.36
By-product Credits (A\$/lb)	(0.39)	(0.25)	(0.32)	(0.30)
Cash Costs (A\$/lb nickel) – Full Year	9.34	6.49	7.95	5.66

(1) Production from Mariners and Miitel.

(2) Production from Otter Juan, Coronet and McMahon and Mincor's 70% interest in the Carnilya Hill mine.

\* Sales Revenue – estimate, awaits the fixing of the three-month nickel reference price – see 'Note on Provisional Pricing and Sales Revenue Adjustments' below.

\*\* Direct Operating Costs – mining, milling, ore haulage, administration.

\*\*\* Operating Surplus – provisional and unaudited, excludes corporate overheads and other corporate costs, excludes regional exploration costs, excludes depreciation, amortisation and tax.

\*\*\*\* Capital Costs – includes mine capital and development costs and extensional exploration costs. Excludes regional exploration costs.

### Operating Surplus – Note on Provisional Pricing and Sales Revenue Adjustments

The nickel price received by Mincor for any month of production is the average LME spot price during the third month following the month of delivery. For period-end reporting the Company determines provisional prices based on the three month forward nickel price at the end of each month of delivery. This estimate is subject to an adjustment (up or down) when the final nickel price is known.

TABLE 2: Production by Mine Site, 2010/11

MINE	TONNES	GRADE	NICKEL-IN-ORE	NICKEL-IN-CONCENTRATE
Miitel	138,716	2.17%	3,004	2,529
Mariners	112,352	2.18%	2,450	2,043
Otter Juan	84,523	3.69%	3,117	2,882
Coronet	6,926	1.63%	113	104
Carnilya Hill: Mincor's 70%	53,462	3.08%	1,646	1,498
<b>Totals</b>	<b>395,979</b>	<b>2.61%</b>	<b>10,330</b>	<b>9,056</b>





PANORAMA VIEW OF THE WANNAWAY MINE, 2010 (PHOTO BY TANH DOAN)

## Mining Operations

During the financial year just ended Mincor produced 395,979 tonnes of ore at an average grade of 2.61% nickel, for 10,330 tonnes of nickel-in-ore. This produced 9,056 tonnes of nickel-in-concentrate, as well as 702 tonnes of copper and 136 tonnes of cobalt.

Cash costs averaged just under A\$7.51 per pound of payable nickel before royalty costs, a very poor outcome and largely the result of the operational challenges experienced during the year.

For the coming 2011/12 financial year, Mincor is targeting production of 10,000 tonnes of nickel-in-ore from 345,000 tonnes of ore at an average grade of around 2.9% nickel. Cash costs are targeted at A\$6.10 per pound of payable nickel, before royalty costs.

Production from **Mariners Mine** is forecast at 110,000 tonnes of ore at an average grade of 3.5% nickel. Ore will be sourced from the new high-grade Terrace position from early in the financial year, and will be supplemented by first production from the new high-grade N10 ore body from about December. The main decline will be advanced throughout the year in order to open as many production levels as possible in the N10 ore body.

Mincor plans to transition Mariners to owner-operations during the year, and this change is expected to be complete by Christmas 2011.

**Miitel** is forecast to produce around 80,000 tonnes of ore at an average grade of 2.6% nickel. This ore will be sourced from the main N18 ore body, which is now all but fully developed, and from smaller high-grade stopes at North Miitel.

Miitel was converted to owner-operations on 1 July 2011 and this is expected to substantially reduce costs and dilution, improving both grade and margin.

Following the write-down of reserves at Miitel at the end of the financial year, considerable effort will be applied to the conversion of its large resource base into reserves. This will focus initially on the 13,000 tonnes of nickel in resource at South Miitel.

The **McMahon** ore body is scheduled to enter production in the September quarter of 2011. The mine has been under development since July 2010. Production from McMahon is forecast at 85,000 tonnes @ 2.3% nickel.

**Otter Juan** is scheduled to continue production until the second half of the 2011/12 financial year, when it is likely to close. Production of 40,000 tonnes of ore grading 3.5% nickel is forecast.

**Carnilya Hill** is forecast to produce 30,000 tonnes of nickel grading 3.1% before closing in early 2012 upon depletion of its reserves.

## Mincor and the Carbon Tax

Mincor will be exposed to the effects of the proposed new tax on carbon. No comprehensive modelling of these effects has yet been carried out. However Mincor receives the international price of nickel for its product and hence does not expect to be able to pass on the increased costs associated with the carbon tax to its customer.

According to Mincor's most recent reporting under the National Greenhouse and Energy Reporting Act the Company generated Scope 1 emissions of 7,757 tonnes of CO<sub>2</sub>-e, and Scope 2 emissions of 24,163 tonnes of CO<sub>2</sub>-e for the period July 2009 to June 2010. Mincor understands that companies that generate less than 25,000 tonnes of CO<sub>2</sub>-e at the Scope 1 level will not be required to buy permits. However Mincor expects that the costs incurred by the generators of the electricity that Mincor buys will be passed on to Mincor, and that Mincor will also incur additional costs due to the reduction in the diesel fuel rebate. Mincor's provisional and approximate estimate is that the cost impact of the carbon tax will be between \$500,000 and \$1 million per annum at the announced carbon tax level of \$23 per tonne.





MINCOR'S EXPLORATION MANAGER (AUST) PETER MUCCILLI, TRAINING STUDENT GEOLOGISTS, APRIL 2011 (PHOTO BY TANH DOAN)

## Ore Reserves and Mineral Resources

Mincor's updated Mineral Resources and Ore Reserves are tabulated on the following page. Total ore reserves are estimated to contain some 30,500 tonnes of nickel metal, down from 50,200 tonnes at the start of the previous financial year. This reflects depletion by production during the year and the loss of ore reserves at Miitel and at Otter Juan.

On the basis of these ore reserves Mincor's Kambalda nickel operations have a life of approximately four years, a figure that is in line with Mincor's historical average.

Immediate targets for Ore Reserve additions are the Mineral Resources below the N10 ore body at Mariners, the large new Inferred Mineral Resource outlined at South Miitel during the year (containing some 13,000 tonnes of nickel metal) and the Ken ore trend that will become drillable from the McMahon decline over the next few months.

Mincor also has numerous other exploration targets that will be explored and drill-tested during the year. Kambalda remains one of the most well-mineralised nickel districts in the world and the Company owns some 120 kilometres of the strike of the prospective basal contact.

TABLE 3: Mineral Resources as at 30 June 2011

RESOURCE		MEASURED		INDICATED		INFERRED		TOTAL		
		Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Ni Tonnes
Mariners	2011	125,000	3.6	417,000	4.8	65,000	3.5	608,000	4.4	26,900
	2010	100,000	3.5	542,000	4.2	62,000	3.3	704,000	4.0	28,500
Redross	2011	31,000	5.1	138,000	2.9	67,000	2.9	236,000	3.2	7,500
	2010	31,000	5.1	138,000	2.9	67,000	2.9	236,000	3.2	7,500
Burnett	2011	-	-	121,000	4.8	-	-	121,000	4.8	5,700
	2010	-	-	-	-	250,000	3.7	250,000	3.7	9,400
Miitel	2011	175,000	4.2	263,000	3.1	545,000	3.0	983,000	3.2	31,700
	2010	51,000	4.0	550,000	3.9	98,000	3.6	699,000	3.8	26,800
Wannaway	2011	-	-	123,000	2.6	16,000	6.6	139,000	3.0	4,200
	2010	-	-	123,000	2.6	16,000	6.6	139,000	3.0	4,200
Carnilya Hill*	2011	63,000	4.1	41,000	2.3	-	-	104,000	3.4	3,500
	2010	48,000	5.0	99,000	3.5	-	-	147,000	4.0	5,900
Otter Juan**	2011	45,000	3.3	114,000	4.7	79,000	2.3	238,000	3.7	8,700
	2010	113,000	4.3	289,000	3.0	83,000	2.4	485,000	3.2	15,500
McMahon/Ken	2011	-	-	264,000	2.9	79,000	6.2	343,000	3.7	12,600
	2010	-	-	249,000	2.9	79,000	6.2	328,000	3.7	12,000
Durkin	2011	-	-	251,000	5.2	127,000	5.0	378,000	5.1	19,300
	2010	-	-	251,000	5.2	127,000	5.0	378,000	5.1	19,400
Gellatly	2011	-	-	29,000	3.4	-	-	29,000	3.4	1,000
	2010	-	-	29,000	3.4	-	-	29,000	3.4	1,000
Cameron	2011	-	-	96,000	3.3	-	-	96,000	3.3	3,200
	2010	-	-	96,000	3.3	-	-	96,000	3.3	3,200
Stockwell	2011	-	-	557,000	3.1	-	-	557,000	3.1	17,100
	2010	-	-	557,000	3.1	-	-	557,000	3.1	17,100
Grand total	2011	439,000	4.0	2,414,000	3.7	978,000	3.5	3,832,000	3.7	141,400
	2010	343,000	4.2	2,923,000	3.6	782,000	4.0	4,048,000	3.7	150,700

• Figures have been rounded and hence may not add up exactly to the given totals.

• Note that Resources are inclusive of Reserves.

\* Resources shown for Carnilya Hill are those attributable to Mincor – that is, 70% of the total Carnilya Hill Resource.

\*\* Otter Juan includes Coronet and McCloy.

Resources are estimated to a 1% nickel cut-off. No minimum mining width criteria are used. The Resource estimation is done using inverse distance or kriging methods, depending on the data density. Volume models are constructed using all available data including underground drive and stope mapping. Grade interpolation using assay results from diamond drill core and, in places, underground face samples.

The information in this Public Report that relates to Mineral Resources is based on information compiled by Mr Robert Hartley, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Hartley is a permanent employee of Mincor Resources NL. Mr Hartley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he 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 Hartley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

TABLE 4: Ore Reserves as at 30 June 2011

RESERVE		PROVED		PROBABLE		TOTAL		
		Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Ni Tonnes
Mariners	2011	49,000	2.9	329,000	3.8	378,000	3.7	13,900
	2010	77,000	2.4	447,000	3.2	524,000	3.1	16,300
Redross	2011	33,000	3.5	-	-	33,000	3.5	1,200
	2010	33,000	3.5	-	-	33,000	3.5	1,200
Miitel	2011	108,000	2.6	114,000	2.5	222,000	2.5	5,600
	2010	28,000	2.6	585,000	2.7	613,000	2.7	16,400
Wannaway	2011	-	-	39,000	2.9	39,000	2.9	1,100
	2010	-	-	39,000	2.9	39,000	2.9	1,100
Carnilya Hill*	2011	33,000	3.3	-	-	33,000	3.3	1,100
	2010	52,000	3.5	30,000	3.1	83,000	3.3	2,800
Otter Juan**	2011	40,000	3.6	14,000	3.8	54,000	3.6	2,000
	2010	109,000	3.6	104,000	2.9	212,000	3.2	6,900
McMahon	2011	-	-	242,000	2.4	242,000	2.4	5,600
	2010	-	-	242,000	2.3	242,000	2.3	5,600
Grand total	2011	263,000	3.0	738,000	3.1	1,001,000	3.0	30,500
	2010	299,000	3.2	1,447,000	2.8	1,746,000	2.9	50,200

• Figures have been rounded and hence may not add up exactly to the given totals.

\* Reserves for Carnilya Hill are those attributable to Mincor – that is, 70% of the total Carnilya Hill Reserve.

\*\* Otter Juan includes Coronet and McCloy.

Appropriate dilution for the various mining methods was applied to the Indicated and Measured Resources. Using a 1.5% nickel cut-off and minimum mining width criteria, areas were selected as being mineable. Additional modifying factors to account for ore loss, recovery, further dilution, etc were then applied to achieve an estimated Reserve.

The information in this Public Report that relates to Ore Reserves is based on information compiled by Mr Peter Teasdale, who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Teasdale is a permanent employee of Mincor Resources NL. Mr Teasdale has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he 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 Teasdale consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.





DRILLING AT NORTH DURKIN, MARCH 2011 (PHOTO BY TANH DOAN)

## Kambalda Nickel Exploration

Mincor was active in Kambalda nickel exploration throughout the 2010/11 financial year. Some of the exploration highlights include:

- The discovery of the high-grade Terrace ore shoot at Mariners (Resource of 76,000 tonnes @ 6.4% nickel for 4,800 tonnes contained nickel).
- The discovery and delineation of a substantial new Mineral Resource at South Miitel (approximately 11,000 tonnes of contained nickel).
- The discovery of the location of the Otter Juan ore system north of the 50 Level Fault.
- The successful completion of the first phase of Mincor's ambitious Ultra-Sized Nickel Ore Body program.
- The generation of a range of high-quality early-stage exploration targets for drill testing in the new financial year.

Mincor's exploration goals in nickel may be summarised as follows:

- Continually identify future reserves and resources through sustained extensional exploration.
- The discovery of new ore deposits in the Kambalda Nickel District.
- The development and testing of "game changing" exploration plays such as the Ultra-Sized Nickel Ore Body (US-NOB) target at North Kambalda.

Some of the core areas that Mincor's exploration will focus on over the coming year are the following:

- Conversion of the extensive Inferred Mineral Resource that was outlined by surface drilling at South Miitel over the past year into Ore Reserve status, and the discovery of further extensions to the Resource.
- Infilling and extending nickel resources between North Miitel and the Burnett N02 Resource in order to bolster the economics of that Resource before feasibility studies commence.

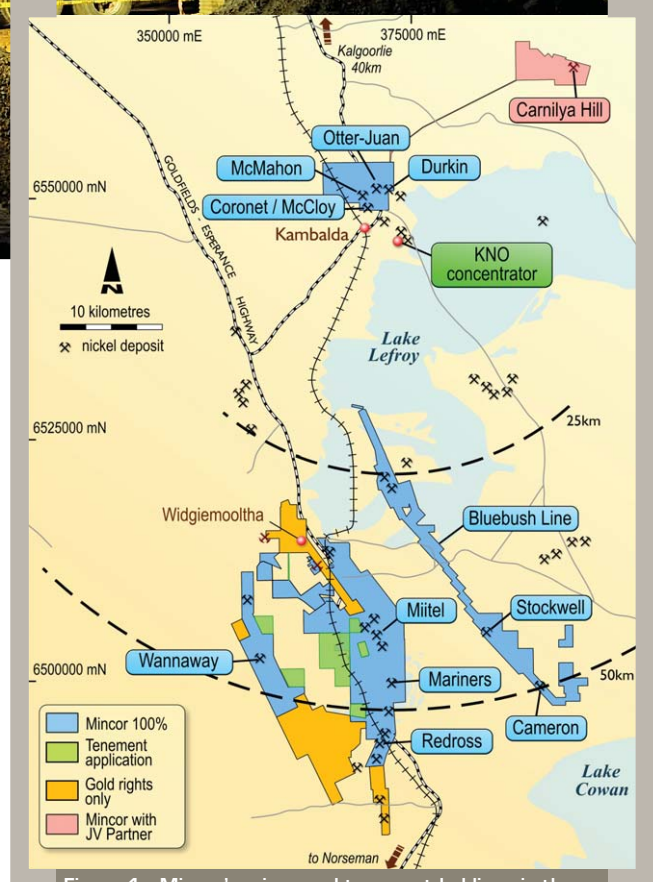


Figure 1: Mincor's mines and tenement holdings in the Kambalda District

- Commencing the full-scale drill testing of the incipient N11 ore zone at Mariners, where there are indications that another large high-grade ore body similar to the N10 may be present.
- Continued testing of US-NOB targets located along the eastern corridor of the Kambalda Dome.
- Pursuing what may be a substantial structural offshoot of the main Otter Juan ore body in the area of complex geology created by the intersection of the 50 Level Fault and the main ore trend.
- Ongoing testing of numerous high-quality regional nickel targets at North Kambalda, the Bluebush Line and the Widgiemooltha Dome. Mincor has a large ground holding in the Kambalda district containing an estimated 120 kilometres of the strike of the basal contact.

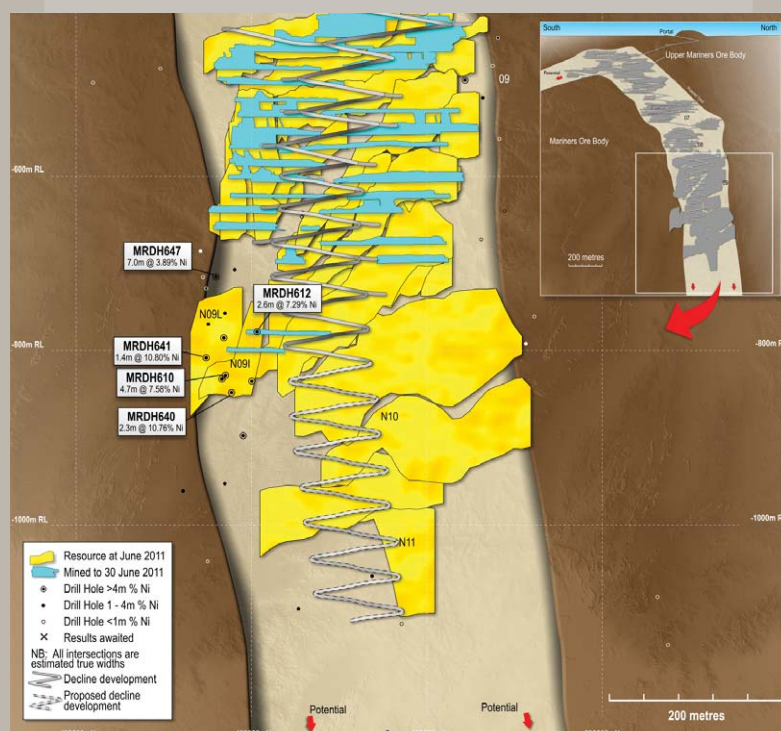


Figure 2: Mariners – Long section

## Near-Mine Exploration

### Mariners ore system

Mariners has proved an exceptionally successful mine for Mincor. The N09 and N10 ore bodies (both discovered by Mincor) are of higher grade than any previous ore body in the mine and amenable to productive and low-cost mining.

During the year further exploration success was achieved with the discovery of the high-grade Terrace ore shoot. This lies on a "terrace" in the basal contact that is elevated above the level of the contact in the main channel but still within the channel.

Higher in the mine this area holds ore pods that have yielded strong high-grade ore. The potential for finding additional pods of very high-grade ore below the current Terrace ore shoot is considered very high.

Some of the better intersections into the Terrace position include:

- MRDH629 4.80 metres @ 4.85% nickel
- MRDH633 9.20 metres @ 11.05% nickel
- MRDH626 3.10 metres @ 5.64% nickel
- MRDH637 7.10 metres @ 11.51% nickel
- MRDH640 2.30 metres @ 10.76% nickel
- MRDH641 1.40 metres @ 10.80% nickel
- MRDH647 10.31 metres @ 3.89% nickel

(all estimated true width)

The intersection in MRDH640 is particularly promising as it remains open down-dip with only a handful of widely spaced holes testing this position over 100 vertical metres down-plunge.

The current Mineral Resource for this new discovery is 76,000 tonnes @ 6.4% nickel, from which an Ore Reserve of 71,000 tonnes @ 4.3% nickel has been derived. Development production from this ore body commenced in late June 2011, with an immediate and striking impact on overall production grades from Mariners.

Later in the 2011/12 financial year, Mincor will commence further drilling of the emerging N11 discovery. Initial results from deep directional drilling indicate the potential for another large, high-grade ore body similar to the N10, which enters production later in the year.

### Miitel ore system

Despite the difficult year endured by Miitel it remains one of Kambalda's more significant ore bodies, and one of the most continuous ore systems yet discovered there. Although reserves were partially written down at the end of the past financial year, exploration during the year achieved a substantial increase in resources.

Most of this increase came from South Miitel, where surface drilling continued throughout the year. The aim of the drilling was to delineate mineralisation on two sub-channels (the N30 and N31) within the overall Miitel channel – potential that was first identified in a major step-out hole drilled in March 2010 which intersected 10.15 metres @ 2.94% nickel (estimated true width 5.82 metres). By the end of the surface drilling program in June 2011, more than 11,000 tonnes of nickel metal had been added to the global Mineral Resource and some 700 metres added to the strike of the Miitel ore system, which still remains entirely open further to the south.

Subject to further infill drilling and feasibility studies, this new resource could represent the medium-term future of the mine.

Significant intersections in the N30 surface are as follows:

- SMD010 5.82 metres @ 2.94% nickel
- SMD011 14.7 metres @ 3.14% nickel
- SMD010W4 2.31 metres @ 5.59% nickel
- SMD15W3 1.13 metres @ 6.91% nickel
- SMD016W1 7.0 metres @ 3.59% nickel
- SMD017W6 2.5 metres @ 3.06% nickel

(all estimated true width)



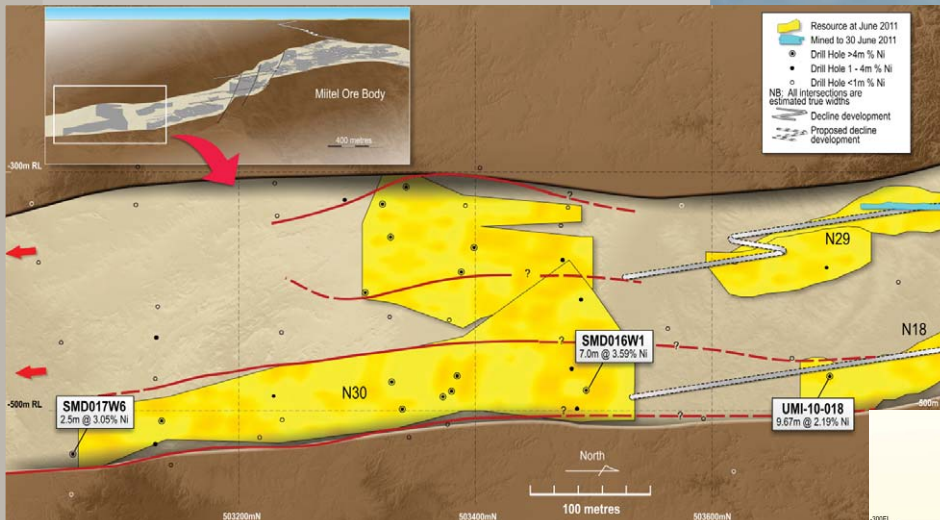
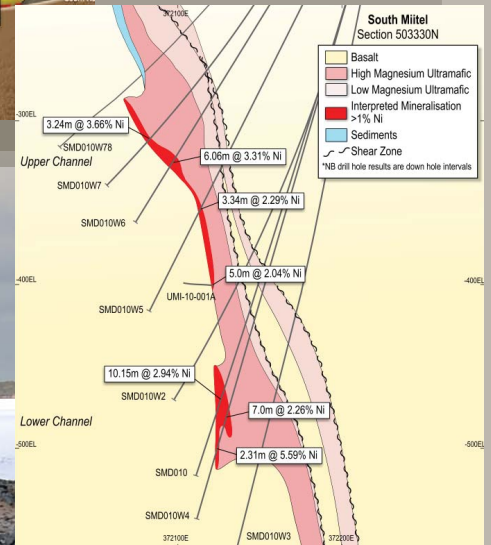


Figure 3: Cross-section of Miitel South showing the interpreted sub-channels



Better intersections in the N31 surface include:

- SMD010W5 2.5 metres @ 2.29% nickel
- SMD010W6 4.96 metres @ 3.31% nickel
- SMD010W7 3.04 metres @ 3.66% nickel
- UMI-10-001A 2.11 metres @ 2.04% nickel
- SMD011W8 4.7 metres @ 2.36% nickel
- SMD011W7 0.81 metre @ 7.11% nickel

(all estimated true width)

Mineralisation is intermittently developed over the length of the new extensions within a well-developed channel structure, and these new ore zones will be cost-effectively delineated over the years ahead from underground positions as they become available.

The very southernmost drill-hole, completed during the March quarter of 2011, intersected strong mineralisation in the lower sub-channel, some 730 metres beyond the end of current reserves:

- SMD017W6 **4.17 metres @ 3.05% nickel** from 843 metres (estimated true width 2.50 metres)

This intersection confirms the Miitel Ore System as being open to the south beyond the furthest extent of current drilling.

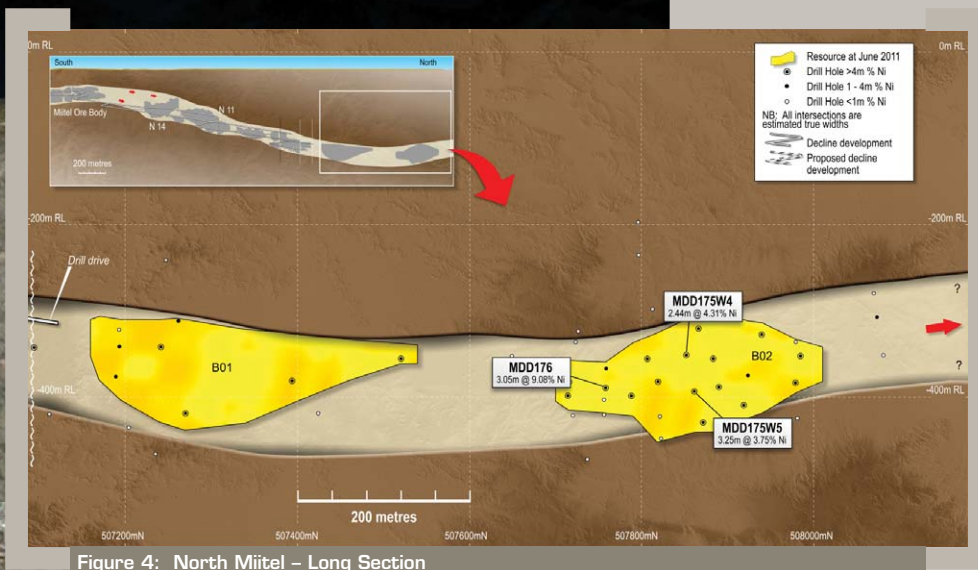
Mincor's priority is now to test the lightly-drilled zone closer to existing development, between the end of the N18 Ore Reserve and the high-grade intersection in SMD016W1 (7 metres true width at 3.59% nickel) – a strike length of approximately 220 metres, tested to date by only two drill-holes, one of which was barren (but interpreted to be an upper flank) and the second of which intersected a true width of 9.67 metres @ 2.19% nickel (including 2.74 metres @ 3.79% nickel).

This drilling will proceed from underground positions during the new financial year.



BLUEBUSH LAKE, MAY 2011 (PHOTO BY TANH DOAN)





### North Miitel – Burnett

Burnett lies on a faulted extension of the Miitel basal contact and is interpreted to be the northward extension of the Miitel ore system. It comprises two ore surfaces, of which the B02 is the largest and highest grade. An infill drilling campaign was undertaken throughout the year in order to firm up this resource for feasibility studies later in the year.

The following new intersections were achieved:

- MDD175 2.84 metres @ 3.71% nickel
- MDD175W1 1.26 metres @ 7.98% nickel
- MDD175W2 1.37 metres @ 8.36% nickel
- MDD176 3.05 metres @ 9.08% nickel
- MDD175W5 3.25 metres @ 3.75% nickel
- MDD175W4 2.44 metres @ 4.31% nickel
- MDD176W3 1.05 metres @ 6.87% nickel
- MDD175W3 1.03 metres @ 6.63% nickel

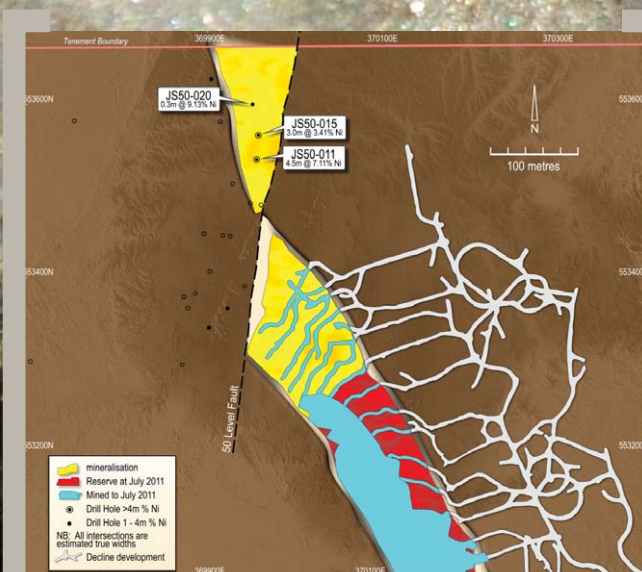
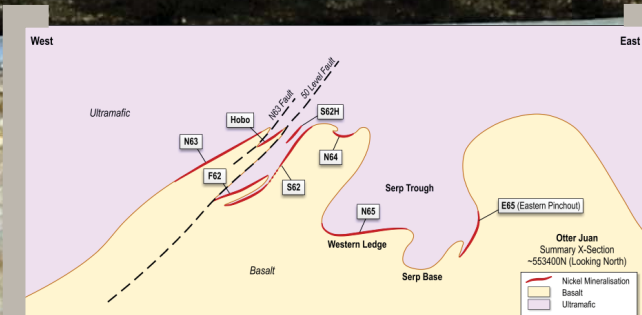
All these intersections have a thin zone of massive sulphide on the basal contact, although some intersections were partially affected by a porphyry intrusion. The drilling has now infilled the B02 resource to a spacing of 40 metre centres. Geological interpretation shows the mineralisation on a linear, relatively undeformed contact over its 400 metres of strike. Although no intersection has returned a totally porphyry-obscured contact, a porphyry has been modelled adjacent to the contact where it runs from the footwall to the hanging-wall and a portion of the resource has been zeroed out in this area.

Mincor's next step will be to carry out underground drilling of the B01 surface, which lies closer to existing development. New reserves in this area would pave the way for the development of the B02 surface.

### Otter Juan ore system

Earlier in the financial year Mincor put considerable effort into discovering the location of the Otter Juan ore system on the other side of the 50 Level Fault. The ore system was located and identified in three drill-holes:

- JS50-11 4.5 metres @ 7.11% nickel
- JS50-15 3.0 metres @ 3.41% nickel
- JS50-20 0.3 metre @ 9.12% nickel  
(intersection partially porphyry obscured)





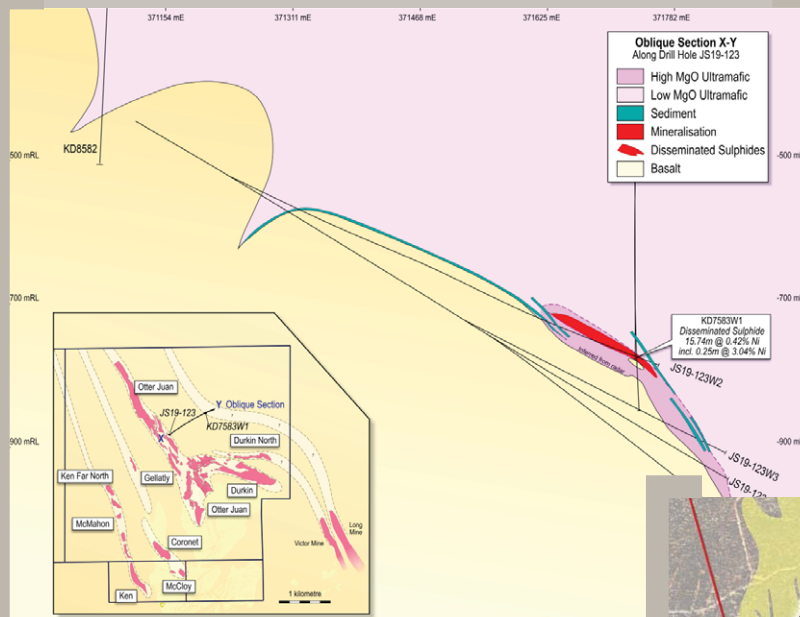


Figure 7: Generalised Kambalda cross-section

All these intersections have geological characteristics indicative of high-grade continuous mineralisation in a substantial channel structure – exactly what would be expected in a continuation of the Otter Juan ore system.

Despite the depth, the potential new extension is the 'heir' to an ore system with past production of over 300,000 tonnes of nickel metal, and hence may represent the tip of a very substantial new nickel resource. It thus remains an important exploration target.

At the base of the Otter Juan mine the complexity created by the intersection of the NNE trending 50 Level Fault with the NNW trending main ore body has generated exploration upside. In particular the basal contact has been doubled in this area and there are some indications that a large offset of the main ore body could be present in this area. Drill testing is planned.

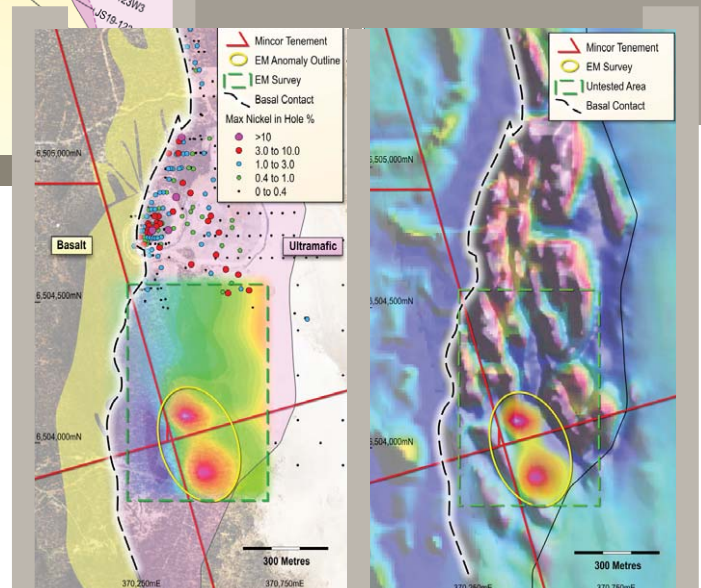


Figure 8: Dordie Pit area: (a) magnetic image clearly showing the Dordie magnetic complex and basal contact (western edge) in yellow and drill collars; and (b) results of Ch 35 squid image.

## Exploration for Ultra-Sized Nickel Ore Bodies

The greater Kambalda area is a world-class nickel district that has produced over 1.4 million tonnes of nickel metal to date. Most of this has come from Ultra-Sized Nickel Bodies (US-NOBs) located around the Kambalda Dome. Mincor's Northern Kambalda tenements cover the northern third of this Dome and have produced nickel from seven known ore systems.

Around two-thirds of the prospective basal contact – the stratigraphic location of all Kambalda's nickel ore bodies – on Mincor's North Kambalda tenements has not been drill-tested. This prospectivity explains Mincor's sustained focus on the discovery of additional US-NOBs in this area.

Mincor has now successfully completed the testing of the initial section of its first US-NOB target along the eastern corridor of the Kambalda Dome. Four pierce points were achieved along the oblique section which contains the historic surface drill-hole KD7583W1. Based on the drill results Mincor believes that a fertile flow unit is present, but is not substantially mineralised at this locality.

The next step will be to repeat the sectional drilling program at two other target areas, which have already been identified.

## Regional Kambalda Nickel Exploration

### Dordie Pit exploration prospect

The Dordie Magnetic anomaly is a large thickened magnetic complex that hosts the small Dordie Deposit. Due to locally steep terrain, no drilling has ever tested these magnetic features despite coincident surface geochemical anomalism and known fertility.

A rock chip geochemical program as well as a ground electromagnetic survey was completed just south of the Dordie Pit. Litho geochemical results of the rock chip samples along the basal contact have confirmed the presence of a newly identified channelised environment within the overlaying ultramafics with positive geochemistry vectors which include cumulate style Ni/Cr ratios, increased magnesium content associated copper elevations and low zinc grades. These anomalies have not been tested at depth by drilling.

A ground electromagnetic survey was also undertaken using the B Field Land TEM system and has generated a number of anomalies of interest. These anomalies sit over coincident magnetic anomalies and considered high priority follow up.

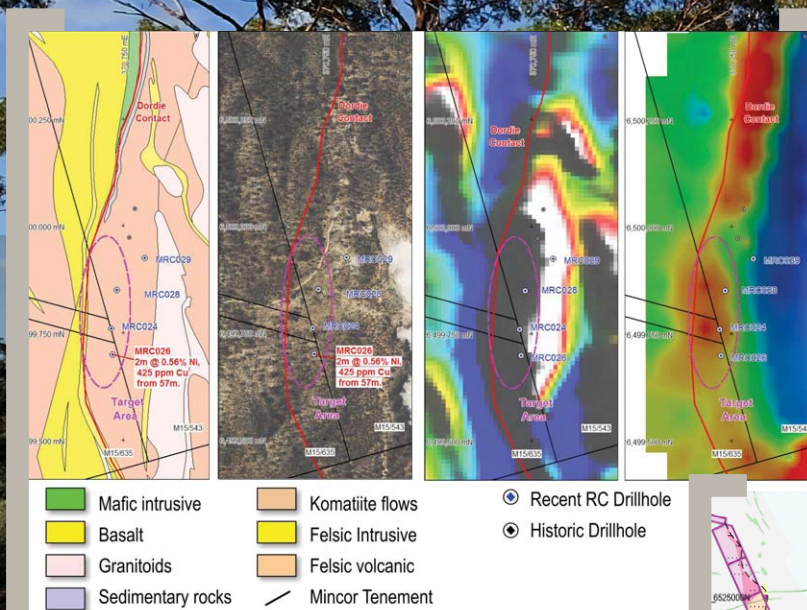


Figure 9: Geology, Squid EM Channel 20, Magnetics and Ortho (target area in dashed red)

### Dordie South exploration prospect

The southern extension of the Dordie contact covers tenement ML15/543 some 5 kilometres to the south of the Dordie Pit, and contains a significant untested magnetic high with an interpreted embayed contact. Four RC drill-holes MRC024, MRC026, MRC028 and MRC029 (750 metres) were completed in May 2011 to test a target which contained a magnetic high and local EM anomalies.

All holes intersected the EM anomaly and basal contact. MRC026 intersected 2 metres @ 0.56% nickel and 425ppm copper from 57 metres on an open contact and considered extremely promising. High priority follow up is planned.

### Anomaly A prospect

The Anomaly A Prospect is located on the eastern flank of the Widgiemooltha Dome half way between Redross and Mariners. Detailed geological studies highlighted the need to follow up earlier drill intersections. The prospect contains high-tenor nickel mineralisation with previous results including down-hole intersections of 4.13 metres @ 7.20% nickel and 6.15 metres @ 2.35% nickel.

A program of two diamond drill-holes (MDD177-179W1) was carried out to test the southern plunge extent of mineralisation.

MDD177 intersected a thick channelised high-MgO talc-magnesite ultramafic and a barren contact. Significantly, MDD179W1 intersected a thick channelised high MgO talc magnesite ultramafic and thin high-tenor blebby mineralisation, as well as light disseminated mineralisation in the hanging-wall.

These results confirm a southerly plunge to Anomaly A. Further drilling is planned.

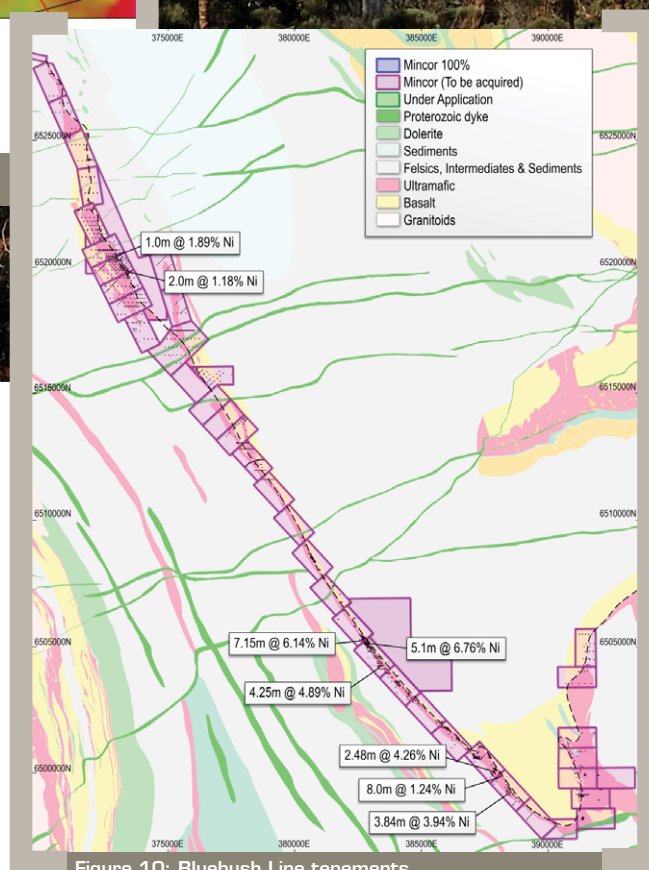


Figure 10: Bluebush Line tenements

### Bluebush Line – Stockwell prospect

The Stockwell prospect was drilled by WMC Resources Ltd in the late 1990s. Based on the results of 51 drill-holes by WMC and 21 infill drill-holes by Mincor, a global resource of 557,000 tonnes @ 3.1% nickel was estimated. The Resource is made up of three main mineralised surfaces which lie less than 300 metres below surface, making them among the shallowest unexploited nickel deposits known in the Kambalda District.

The ore trends in these surfaces have a shallow plunge with variable dips and appear to be influenced at depth by a fault structure.

During the year, 15 infill diamond drill-holes were completed within the main N03 Resource. Overall the infill drilling demonstrated a strong correlation to the initial interpretation in terms of ore body morphology. However, diamond holes twinned against the few RC drill-holes used in the initial resource estimates returned thinner intersections. A new resource estimate will be undertaken once all assays have been received.

The infill resource drilling has also highlighted the potential link between N03 and N01. Further infill drilling is required to test this.



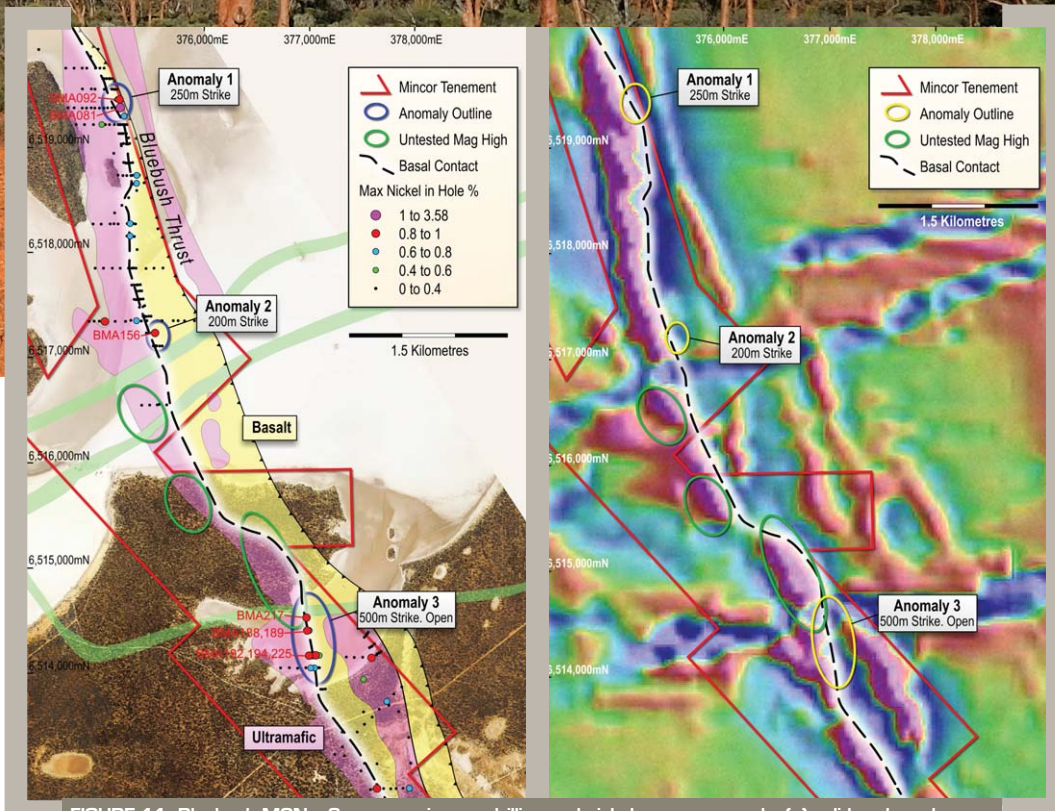


FIGURE 11: Bluebush MON – Summary air-core drilling and nickel-copper anomaly: (a) solid rock geology plan and lake edge in blue, ultramafic in brown, and footwall basalt in yellow; (b) aeromagnetic image/geology showing the three areas of interest in blue

### Bluebush Line – Mons prospect

A major air-core drilling campaign was undertaken at the Mons prospect. The prospect is located at the northern end of the Bluebush Line and much of the prospect area is covered by thin lake sediments of Lake Lefroy.

The prospect was discovered by an airborne EM survey carried out previously by Mincor and further delineated by a round of air-core drilling completed in November 2010. This work confirmed the presence of moderate to high MgO ultramafic rocks on a regional magnetic high and the preservation of the basal contact over a strike of 2 kilometres, with geochemical support from hole BMA081 (9 metres @ 0.88% nickel including 3 metres @ 1.04% nickel, 105ppm copper from 9 metres).

The air-core drilling program returned a number of highly anomalous intersections:

- BMA092 24 metres @ 0.5% nickel, 172ppm copper from 3 metres, including 3 metres @ 0.97% nickel; 178ppm copper
- BMA156 1 metre @ 0.96% nickel, 660ppm copper (BOH)
- BMA188 24 metres @ 0.67% nickel, 199ppm copper from 40 metres, including 6 metres @ 0.95% nickel
- BMA192 9 metres @ 0.7% nickel, 955ppm copper from 32 metres
- BMA189 9 metres @ 0.43% nickel, 670ppm copper from 24 metres
- BMA194 12 metres @ 0.52% nickel, 177ppm copper from 30 metres
- BMA217 15 metres @ 0.68% nickel, 162ppm copper from 60 metres including 6 metres @ 1.0% nickel

These preliminary results identify three main target areas:

- Around BMA092 an anomaly is defined by 100 metre spaced air-core drilling and is characterised by moderate broad nickel-copper anomalism over 250 metres of strike.
- The 200-metre anomaly around BMA156 is defined by three lines of drilling. Strong nickel-copper-zinc intersected in the hole could be related to sediments.
- The third zone is delineated in BMA188-189, BMA192, BMA194 and BMA217. It is defined by a broad strong nickel-copper anomaly over 500 metres of strike and open to the north.

Geochemical analysis and interpretation is continuing and further drilling is planned.

KAMBALDA BUSH AT THE STOCKWELL PROSPECT, MARCH 2011 (PHOTO BY TANH DOAN)



# Emerging Growth In Papua New Guinea

BASE CAMP LOCATION AT HOTMIN, MAY RIVER, JUNE 2011  
(PHOTO BY RICHARD HATFIELD)

## Papua New Guinea – A world-class mining region

In May 2011 Mincor announced a major step in its growth strategy with a \$30 million joint venture deal covering a suite of high-potential gold and copper exploration projects in Papua New Guinea (Figure 12).

The transaction provides Mincor with a pipeline of growth assets ranging from the advanced-stage Edie Creek Gold Project through projects with identified targets and spectacular historical drill intersections to early stage prospects with as-yet untested potential.

In recent years Papua New Guinea has re-emerged as one of the most exciting exploration destinations on earth. It is the site of numerous world-class operating mines and projects and remains under-explored. The country has close long-term ties with Australia and is undergoing a boom in foreign direct investment. Most of the world's major resource companies are operating there.

Mincor's exploration in PNG will target very large-scale, world-class porphyry copper-gold deposits and high-grade epithermal gold deposits as well as high-grade volcanogenic massive sulphide (VMS) copper-gold deposits. Historical exploration results on three of Mincor's four new tenements demonstrate the presence of these styles of mineralisation – catapulting these three projects (May River, Bolobip and Edie Creek) to the status of Mincor's most advanced exploration projects outside of its Kambalda nickel holdings.

## Mincor's Joint Venture Agreements with Niuminco

Under the agreements with PNG exploration company Niuminco Limited, Mincor may earn up to 51% of the Edie Creek Gold Project. There is no minimum expenditure requirement, but Mincor has the right to earn a 17% interest in the tenements for every \$5 million of exploration expenditure, up to a maximum of 51% for a total of \$15 million. In order to maintain its right to continue the joint venture, Mincor must spend the first \$5 million within two years, and complete the earn-in expenditure within five years.

Under a further three separate joint venture agreements, Mincor may earn up to 72% in each of the May River, Bolobip and Kubuna Exploration Licences. Again there is no minimum expenditure commitment, but Mincor has the right to earn an 18% interest in each tenement for every \$1.25 million of exploration expenditure on each tenement, up to a maximum of 72% for \$5 million on each tenement. In order to maintain its right to continue the joint venture Mincor must spend the first \$1.25 million on each licence within two years, and complete the earn-in expenditure within eight years.

As part of the transaction Mincor subscribed \$5 million to Niuminco's IPO, becoming a 13.5% shareholder in that company.

The Edie Creek joint venture remains subject to a number of conditions precedent, and for that reason Mincor's initial exploration work has commenced at May River, Bolobip and Kubuna.



Figure 12: Mincor's project locations in Papua New Guinea





Figure 13: Regional location of the Edie Creek Gold Project



Figure 14: The Edie Creek tenements, outline geology and areas of known mineralisation

## The Edie Creek Project

Edie Creek is located 210 kilometres north of Port Moresby and 120 kilometres south-southwest of the deep-water port of Lae, at an elevation of approximately 2,000 metres. Access is good and local infrastructure is excellent, with a modern camp and all necessary facilities present on site, constructed and maintained by Niuminco. The Edie Creek tenements cover a total area of 390 hectares.

The project lies within the Morobe Goldfields, some 10 kilometres north of the 5.6 million ounce Hidden Valley gold deposit and 60 kilometres south of the 15 million ounce Wafi-Golpu gold/copper deposits. Despite this outstanding location and the well-established presence of epithermal gold mineralisation on the tenements, as well as an 80-year history of small-scale gold mining, the Edie Creek tenements have never been subjected to systematic modern exploration.

Edie Creek lies close to the site of the first gold discoveries in 1910 that led to the proclamation of the Morobe Goldfields in 1923. Alluvial mining commenced at Edie Creek in 1926, and gold production at varying scales has continued ever since. Production has come from alluvial and eluvial operations, as well as underground and open pit mining. Total production from the Morobe Goldfields to 1975 (mainly Edie Creek and Wau) was recorded at 3.5 million ounces (Rebek, RJ 1975). Exploration work has been intermittent, and has included trenching and surface sampling and limited drilling (a total of 23 holes).

Underground mining at Edie Creek between 1936 and 1941 produced a total of 200,000 tonnes grading 11.7g/t gold and 257g/t silver. These operations were closed during the Second World War, and thereafter only alluvial mining took place until the 1990s, after which sporadic open pit mining of shallow bonanza-grade zones took place, limited to the shallow free-digging oxidised material. Small scale alluvial mining has continued throughout the period from the mid-1920s to the present day. The first modern geological assessment of the area commenced in 2010 under Niuminco.

Structurally controlled epithermal gold-silver mineralisation is widespread on the tenements. At present a number of mineralised structures are recognised, and each of these is thought to represent a substantial target for economic gold-silver mineralisation.

Mincor's exploration at Edie Creek will commence once a number of conditions precedent to the Joint Venture Agreement have been met.





LOCAL CHILDREN AT PLAY NEAR EDIE CREEK, MAY 2011  
(PHOTO BY GRAHAM FARISS)

## The May River Project

The 2,280 square kilometres May River Licence covers two separate projects. At May River South, Mincor will follow up existing drill results that highlight the potential for large gold and copper-gold porphyry deposits such as the adjacent Frieda River Deposit; while at May River North Mincor will follow up existing drill results that have delineated a number of high-grade massive sulphide copper-gold bodies.

Mincor has established a base camp at the village of Hotmin, which is accessible via fixed-wing aircraft and river barge.

### May River South

Mincor's May River South project lies immediately adjacent to the giant Frieda River ore body that is currently undergoing feasibility studies by Xstrata.

Xstrata have announced a 1.9 billion tonne Mineral Resource for the Frieda River deposits, with a total estimated metal content of 8.6 million tonnes copper and 14.3 million ounces gold (1.9 billion tonnes at 0.45% copper and 0.22g/t gold in Measured, Indicated and Inferred Resources). This does not include a further 300 million tonnes at the adjacent Nina deposit (1.23 million tonnes copper plus 0.93 million ounces gold) and Koki deposits (1.2 million tonnes copper and 2.6 million ounces gold).

Mincor's target area appears to be part of the same large-scale intrusive complex as Frieda River and shares the same deep crustal structural controls.

Previous work by Highlands Gold included drill-holes into what was interpreted to be diatreme-hosted and structurally-controlled mesothermal gold mineralisation, yielding highly encouraging results, including the following intersections at the Skirasia prospect:

- 06SK98 109 metres @ 1.53g/t gold,  
from 1 to 109 metres depth
- 11SK98 54 metres @ 1.83g/t gold,  
from 106 to 160 metres depth
- 93SK001 96 metres @ 0.89g/t gold,  
from 0 to 96 metres depth

Mincor intends to carry out airborne geophysical surveys at May River South followed by ground-based induced polarisation (IP) surveys and then drilling. Planning for the airborne survey is well-advanced and flying is due to commence in early September 2011.

The airborne survey will use latest generation electro-magnetics (EM) to search for highly sulphidic bodies such as Nina, and a new ZTEM system to map resistivity, which will aid in the targeting of porphyry copper-gold systems. Standard magnetics and radiometrics will also be flown.

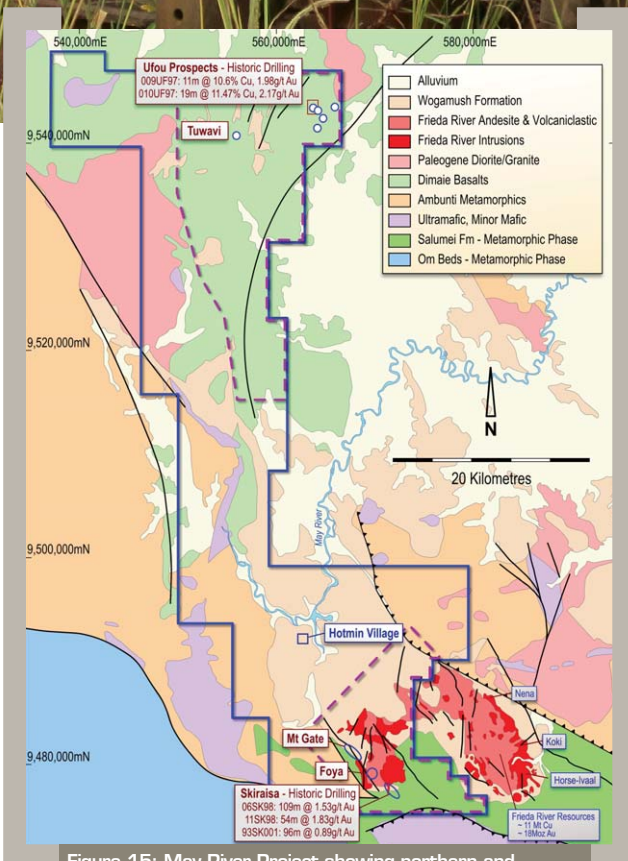


Figure 15: May River Project showing northern and southern prospects and outlines of upcoming airborne EM surveys



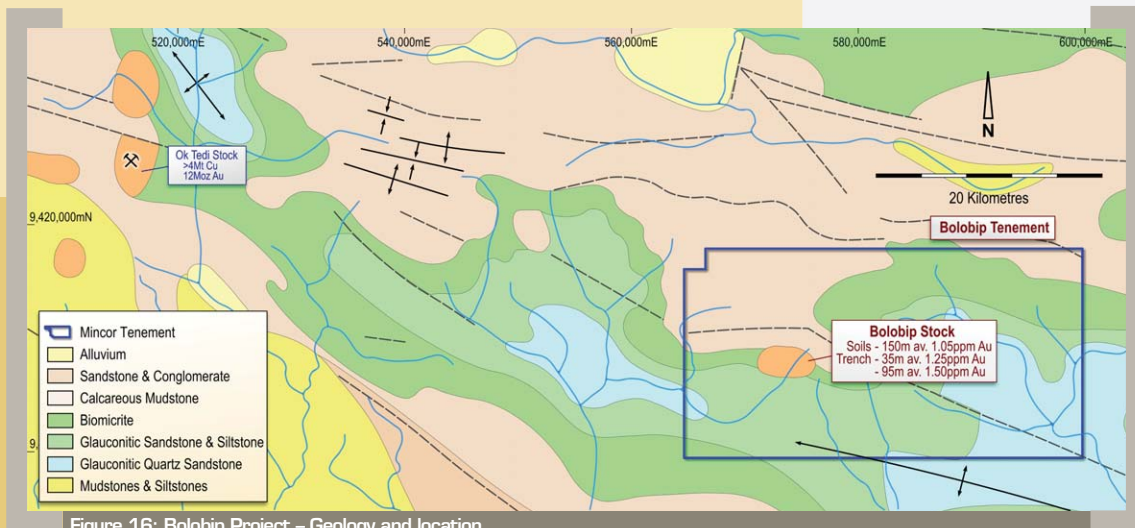


Figure 16: Bolobip Project – Geology and location

## May River North

A suite of mineral prospects containing up to five discrete massive sulphide bodies was discovered in the 1990s by Highlands Gold in the Ufou and Tuwavi areas, in a sequence of altered volcanic rocks.

The host rocks are interpreted to be oceanic crust that has been thrust onto land, and thus prospective for deposits of volcanogenic massive sulphides. The sulphide bodies are described as gently dipping and conformable with the stratigraphy, with underlying zones of disseminated or stockwork mineralisation.

Previous exploration included the drilling of 39 diamond drill-holes, with some of the better intersections as follows:

- 009UF97 11 metres @ 10.6% copper and 1.98g/t gold
- 010UF97 19 metres @ 11.47% copper and 2.17g/t gold
- 05UF97 9 metres @ 3.17% copper and 1.79g/t gold
- 06UF97 5 metres @ 5.13% copper and 1.63g/t gold

These results indicate outstanding potential for high-grade massive sulphide mineralisation of VMS (volcanogenic massive sulphide) style which may have been remobilised and upgraded by adjacent intrusives.

A VTEM survey covering the entire north-eastern part of the May River tenement and incorporating all known prospects is planned and will be flown in conjunction with the May River South VTEM/ZTEM survey mentioned above. The outlines of these survey areas are shown in Figure 15.

## The Bolobip Project

The Bolobip Exploration Licence is situated approximately 60 kilometres east of the very large operating porphyry copper-gold mine of Ok Tedi (Figure 16). The Bolobip area is remote and difficult to access, however soil, rock and stream sediment sampling carried out since the 1960s has identified a major multi-phase intrusive complex known as the Bolobip Stock.

Work carried out by CRA in the late 1980s delineated broad zones of gold mineralisation associated with the Bolobip Stock, outlined in soil samples, rock chip samples and continuous channel samples in trenches. CRA's trench sampling results included 95 metres @ 1.5g/t gold and 35 metres @ 1.25g/t gold. No geophysics and no drilling have ever been undertaken, and there has been no significant follow up of these results.

Mincor has established a fly-camp at Bolobip and is currently in the process of re-opening the old trenches and re-establishing the geological framework. A major ground-based IP survey is under consideration, to be followed by drilling.

## The Kubuna Project

The Kubuna Exploration Licence is located approximately 10 kilometres south of the operating Tolokuma gold mine.

The Licence is well located with respect to infrastructure and access. Historical stream sediment sampling has yielded numerous gold anomalies and these will be followed up with regional reconnaissance-style exploration over the coming year.



ROB HARTLEY (PROJECTS MANAGER) AND  
DAVID MOORE (MANAGING DIRECTOR)  
LOOKING OVER THE EDIE CREEK PROJECT AREA,  
JUNE 2011 (PHOTO BY RICHARD HATFIELD)

# Australia-Wide Mineral Exploration

In addition to its intensive exploration in Kambalda and growing presence in Papua New Guinea, Mincor maintains an active exploration program across a high-quality suite of Australian projects, searching for economic deposits of gold, copper, zinc and other metals. Mincor has current projects in New South Wales, the Northern Territory and Western Australia.

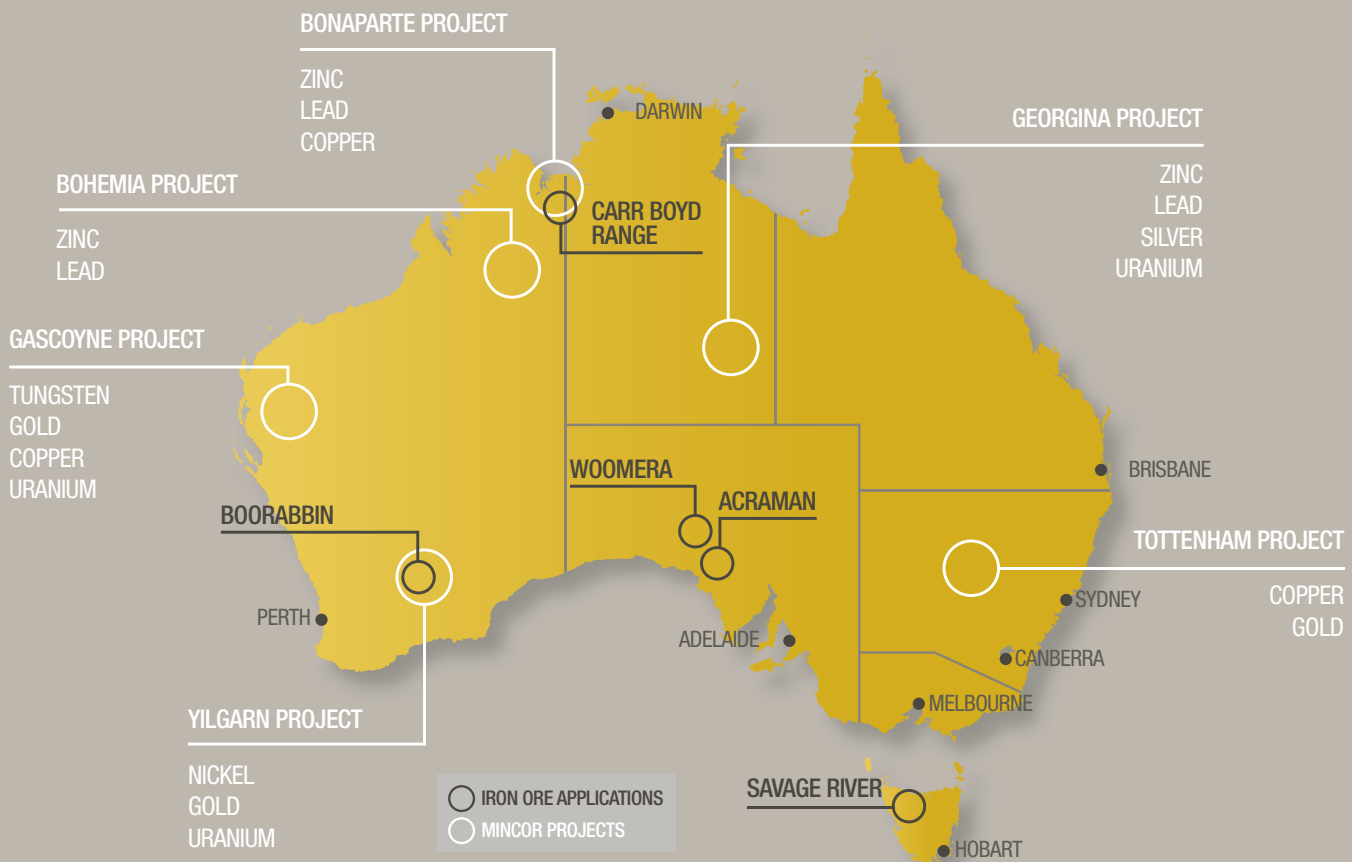






Figure 17: Regional location of the Tottenham Copper Project and Mincor's tenement holdings

## Tottenham Copper-Gold Project (Mincor 100%)

The Tottenham Copper Project is located in the prolific Lachlan Fold Belt of New South Wales. The geological setting is similar to that of the Girilambone group of mines, including the Murrawombie (formerly Girilambone) and Tritton copper mines operated by Straits Resources. Tottenham is located 160 kilometres southeast of the CSA copper-silver mine and Peak gold mine near Cobar.

Tottenham is an historic copper mining district with small-scale production dating back to the 1880s. Mineralisation occurs in volcano-sedimentary rocks of the Girilambone Group, which in the Tottenham area are folded into a broad antiform, with mineralisation located at or near a prominent quartz-magnetite marker horizon.

Mincor's initial work in the area focused on the near-surface potential, and during 2006/07 the Company carried out exploration and drilling programs that led to the delineation of a JORC-compliant Inferred Resource of 3.7 million tonnes @ 1.1% copper containing 41,850 tonnes of copper metal.

Mincor has since turned its attention to the sulphide potential underlying this mostly oxide near-surface resource. Mincor's target is a cluster of volcanogenic massive sulphide (VMS) deposits located along the 30 kilometres of quartz-magnetite strike controlled by Mincor.

The geological setting is similar to copper deposits at Tritton and Murrawombie, which occur in the same rock suite about 120 kilometres northwest of Tottenham. The Tritton Copper Mine (13 million tonnes @ 2.4% copper) and its satellite deposits are typical of VMS deposits worldwide.

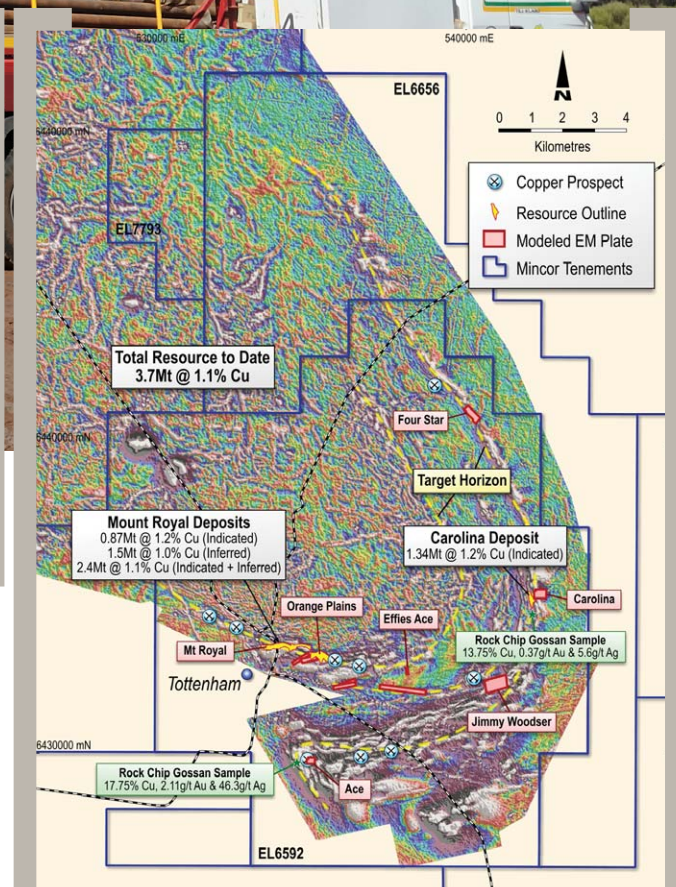


Figure 18: Magnetic intensity image and priority EM targets at Tottenham

Target generation work recently completed at Tottenham includes soil geochemistry, detailed modelling of airborne electromagnetic (VTEM) data, fixed-loop ground EM, additional heli-magnetics and geological mapping. Soil anomalies have confirmed the extensions of a quartz magnetite unit that is the main host for copper mineralisation, with additional support from magnetic data. Some of the soil anomalies remain open ended and further soil surveys are planned to extend these anomalies.

The VTEM survey generated a number of EM targets, 'potentially related to copper mineralisation' both regionally but also beneath known oxide resource. Most of these EM targets have been further defined using fixed-loop ground EM surveys.

Mincor's second drilling campaign was carried out between January and July 2011, totalling 28 diamond holes over five target areas, including Mt Royal-Orange Plains, Carolina, Jimmy Woodser, Underlay and Effies Ace. The results are highly encouraging with district-scale copper sulphide mineralisation intersected at intervals along approximately 15 kilometres of the strike of the prospective horizons. All but two of Mincor's 28 holes intersected some level of copper and gold mineralisation.

### A Note on Besshi-type VMS Ore Deposits

Mincor is targeting a cluster of Besshi-type volcanogenic massive sulphide deposits at Tottenham. Besshi-type deposits are named after ore deposits that occur on the southern Japanese island of Shikoku.

The mineralisation in these systems is typically copper-rich with zinc, silver and gold within well-developed iron-sulphides (pyrite/pyrrhotite) bodies. The host rocks are commonly sedimentary rocks, such as the turbidites at Tottenham, and, as at Tottenham, these have been extensively intruded and interlayered with mafic to basaltic igneous rocks. Mineralised horizons tend to be narrow but very extensive. The best copper and zinc grades are typically proximal to the source of the fluids that formed these bodies – possibly "black smokers" erupting from the sea floor, driven by underlying igneous activity.

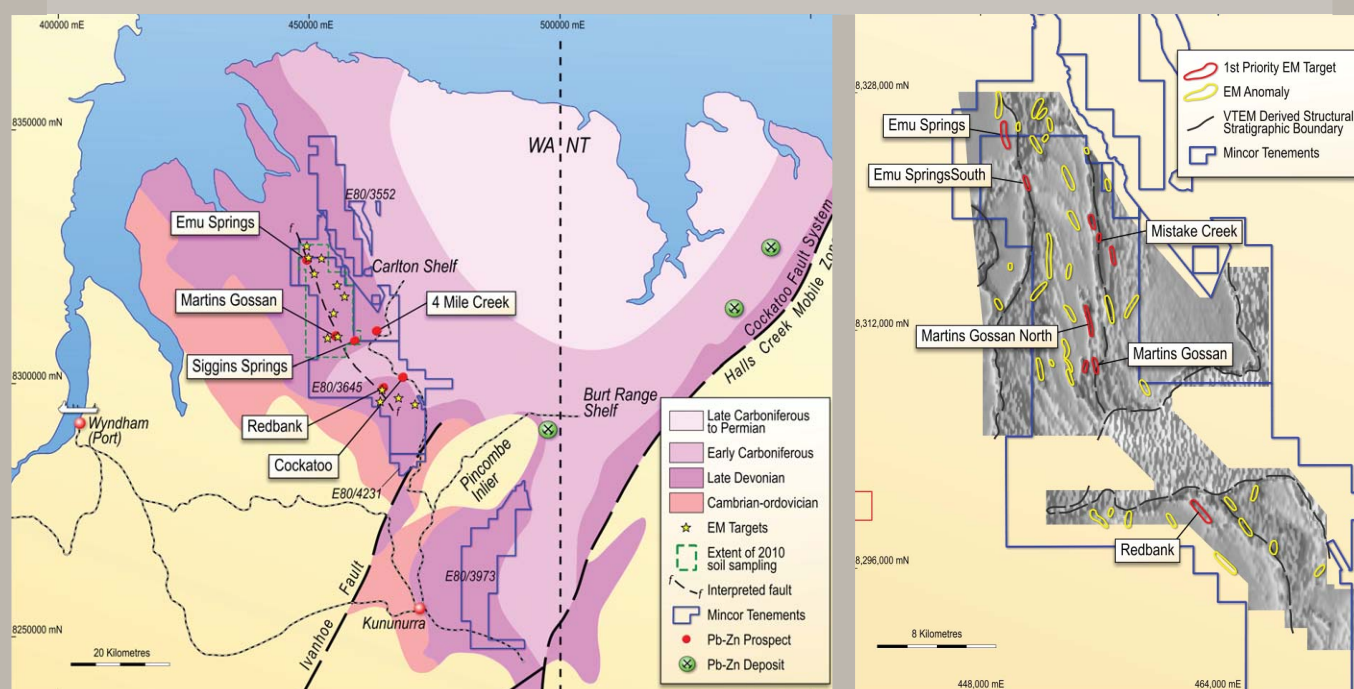


Figure 19: Bonaparte Project – Regional setting and prospect locations (the diagram on the right shows VTEM coverage and EM target locations)

Highlights of drill intersections obtained during 2011 are as follows:

#### Carolina:

- TMD2: 2.18 metres @ 11.17% copper, 2.77g/t gold, 9.47g/t silver from 184.6 metres down-hole (estimated true width 2.00 metres)
- TMD7: (lower zone) 3.35 metres @ 3.42% copper, 0.79g/t gold and 4.22g/t silver from 311 metres (estimated true width 3.08 metres)
- TMD7 (upper zone): 3.00 metres @ 1.22% copper, 1.27g/t gold and 2.05g/t silver from 296.5 metres (estimated true width 2.76 metres)
- TMD9: 3.85 metres @ 1.40% copper, 0.65g/t gold and 1.5g/t silver from 164.55 metres (estimated true width 3.54 metres)
- TMD15: 1.35 metres @ 11.28% copper, 2.06g/t gold and 11.28g/t silver from 239.95 metres down-hole (estimated true width 1.24 metres)
- TMD16: 1.78 metres @ 6.88% copper, 1.67g/t gold and 7.18g/t silver from 167.22 metres down-hole (estimated true width 1.64 metres)
- TMD17 (upper zone): 2.07 metres @ 2.00% copper, 1.28g/t gold and 3.75g/t silver from 168.95 metres (estimated true width 1.91 metres)
- TMD 17 (lower zone): 3.77 metres @ 6.21% copper, 1.74g/t gold and 7.5g/t silver from 190.81 metres (estimated true width 3.47 metres)

#### Mt Orange-Royal Plains:

- TMD6: 3.21 metres @ 1.54% copper, 0.47g/t gold, 6.96g/t silver from 308.79 metres (estimated true width 2.95 metres)
- TMD11: 1.29 metres @ 2.7% copper, 0.57g/t gold, 10.72g/t silver from 255.49 metres (estimated true width 1.19 metres); and
- TMD11: 0.75 metres @ 1.23% copper, 0.27g/t gold, 6.24g/t silver from 284.5 metres (estimated true width 0.69 metre).
- TMD22 returning 2.66 metres @ 3.17% copper, 0.69g/t gold and 9.23g/t silver from 157.7 metres down-hole (estimated true width 2.45 metres).

These results are extremely promising, showing locally developed copper-gold massive sulphides and confirming district-scale mineralisation associated with the quartz-magnetite horizon. A detailed geological study, including lithogeochemistry and geological modelling, is now underway. In the meantime Mincor has applied for additional tenements in the area and is advancing its regional soil sampling program as well as completing target definition work on a number of still undrilled targets.

## Bonaparte Copper and Zinc Project

(Mincor 100%, JOGMEC sole funding to earn up to 40%)

Mincor, together with joint venture partner JOGMEC (Japan Oil, Gas and Metals National Corporation), is exploring for sedimentary-hosted zinc, lead and copper deposits within the onshore Bonaparte basin. Little work has been carried out in the past, with the most recent drilling dating back to 1992. Mincor is the first company to have successfully negotiated an access agreement with the Traditional Owners.

The area is underlain by prospective Devonian and Carboniferous rocks with numerous zinc, lead and copper occurrences as shown in Figure 19. Previous work focused on the Redbank Hills prospect, targeting surface gossans and sporadic copper and zinc mineralisation in Devonian sandstones and shales. However this is only one of numerous targets and Mincor is working up a broad suite of geochemical and geophysical anomalies.

In September 2009 Mincor completed a VTEM survey comprising 1,616 line kilometres along lines spaced 300 metres apart. The survey yielded 19 anomalies, six of which have been assigned a high priority for follow up.

A program of regional mapping, soil sampling and the drilling of six diamond drill-holes was carried out. The soil sample results highlighted the Martin's gossan area where five of the six holes were subsequently drilled. Further extensions to the soil sampling program are likely in the next field season.



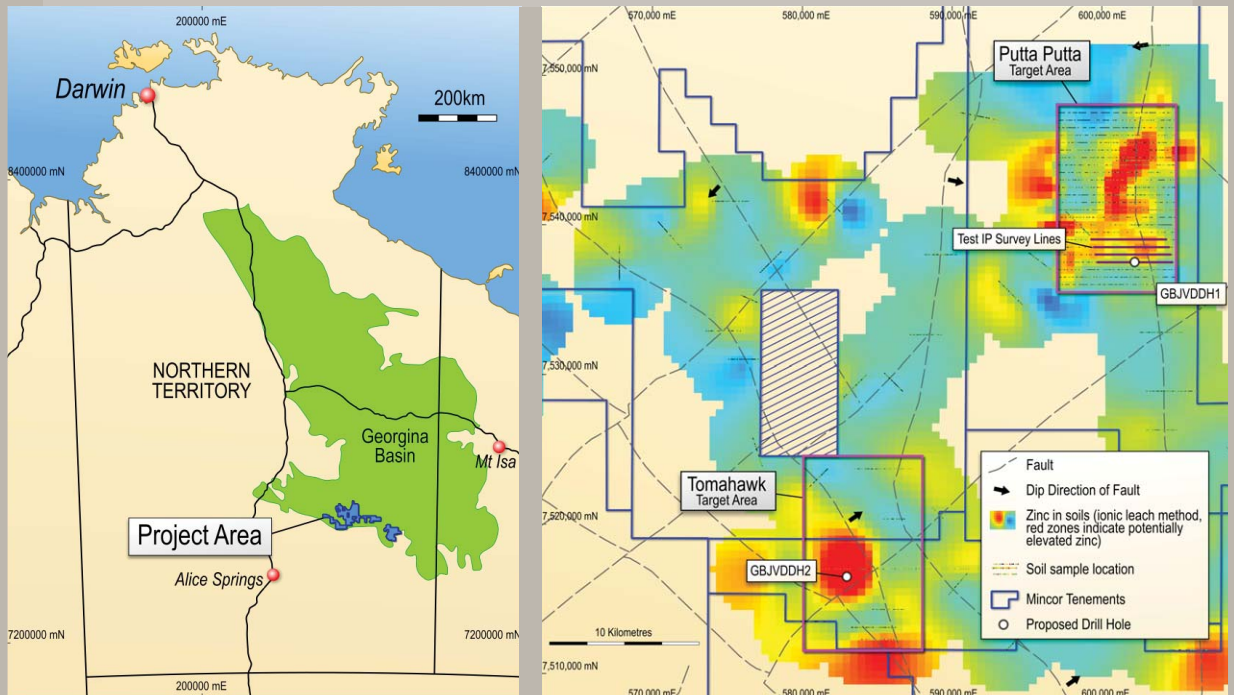


Figure 20: Location of the Georgina Basin tenements together with target areas for more detailed follow up during field season 2011

Five diamond holes were drilled at Martin's gossan to test coincident soil and VTEM anomalies. Only sporadic and sub-economic occurrences of sphalerite and galena were intersected. A sixth hole was drilled at Emu Springs, with no significant results.

A detailed geological review that will integrate information from recent drilling into a broader Bonaparte Basin model is underway and will be incorporated into planning for the next field season.

## Georgina Zinc Project

(Mincor 100%, JOGMEC sole funding up to 40%)

Together with its joint venture partner JOGMEC, Mincor will be taking the conceptual Georgina Basin lead-zinc project to the next stage during the coming field season with drilling of a number of diamond drill-holes. Work to date has focused on establishing the potential of the area to host a new lead-zinc province. The drill-holes are targeting broad zinc in soil anomaly and structural corridor modelled from gravity.

## Bohemia Zinc Project

(Mincor 100%)

Mincor's Bohemia tenements lie along the Lennard Shelf, which is the northern edge of the Canning Basin in northern Western Australia. The Lennard Shelf is a well-known zinc-lead mining district, with past production of more than 40 million tonnes of ore at grades of around 11% combined zinc plus lead.

Empirical evidence based on gravity data suggests that the largest of the known Lennard Shelf deposits are associated with cross faults ('transfer structures') that cut across the 'frontal fault' that is the overriding control on mineralisation elsewhere in the district. One such transfer structure is interpreted to control the location of Pillara (23 million tonnes @ 7.12% zinc and 2.2% lead) which is the largest of the Lennard Shelf ore bodies. At Bohemia, Mincor is targeting similarly large-scale zinc mineralisation associated with a geological setting that is interpreted to mirror that of Pillara (Figure 21).

Mincor is planning a detailed gravity survey in the new year, to be followed by drill-testing.

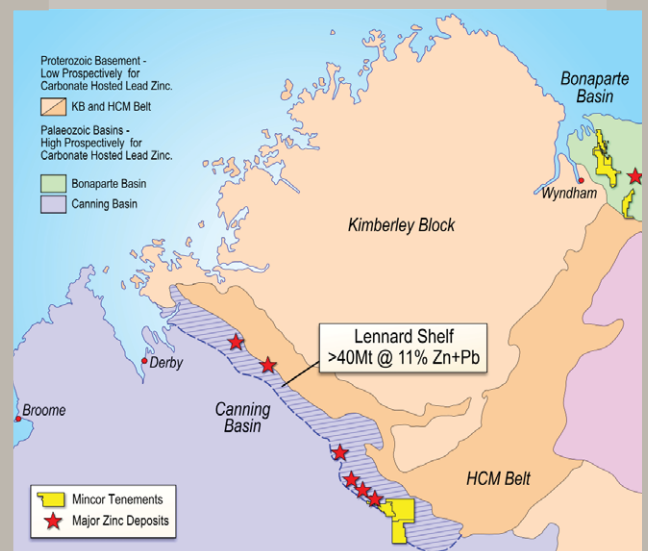


Figure 21: Location of the Canning Project tenements

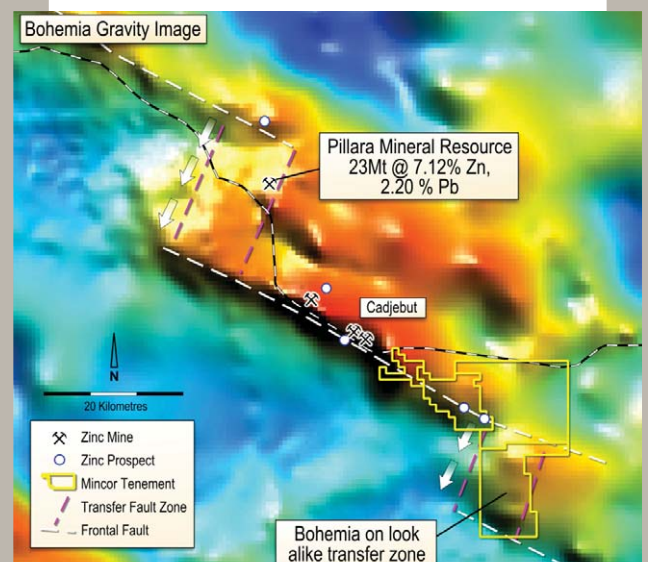


Figure 22: Regional gravity image showing the location of the Bohemia target

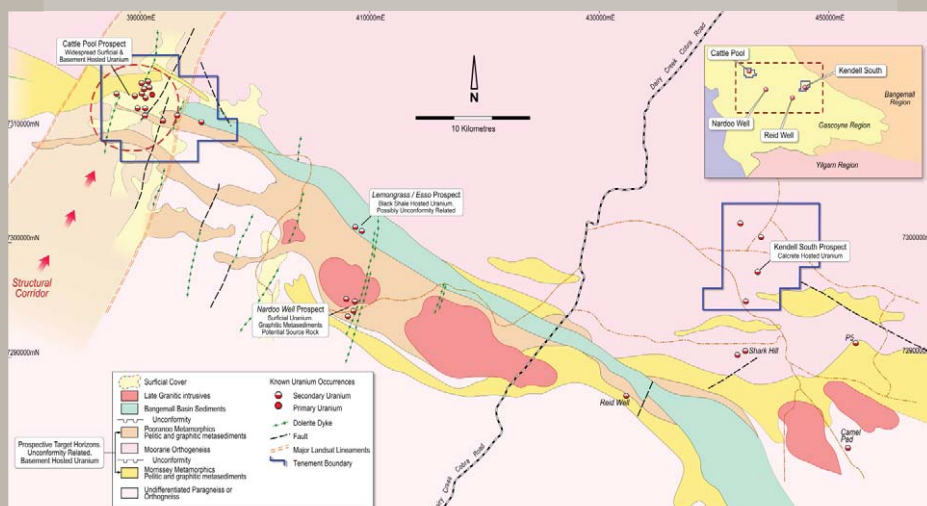


Figure 23: Gascoyne Project area showing regional geology and prospect locations

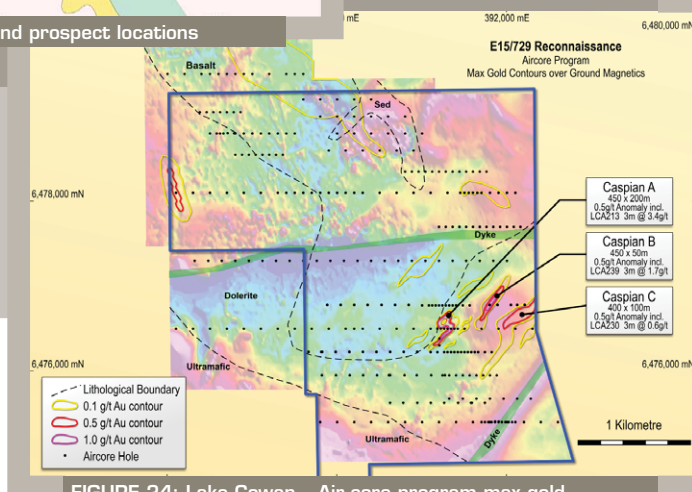


FIGURE 24: Lake Cowan – Air-core program max gold contours over ground magnetics

## Gascoyne Uranium Project

(Mincor 100%)

The Gascoyne Tungsten-Uranium Project consists of two granted exploration licences and two licence applications covering a total area of 756 square kilometres, approximately 350 kilometres east of Carnarvon in Western Australia's Gascoyne region. The tenements cover known occurrences of tungsten and uranium as well as copper and gold.

Mincor's current focus is on the uranium potential of the area. Extensive surface uranium mineralisation has been discovered by Mincor at Cattle Pool through several phases of exploration, including air-core drilling, costeaning, and a detailed RadonX emanometry survey. This work has outlined extensive secondary  $U_3O_8$  mineralisation (U-K vanadates) present in a variety of settings.

In the near term Mincor will carry out an airborne EM survey in order to define potential primary hosts to the widespread surface mineralisation.

## Lake Cowan Gold Prospect

(Mincor 100%)

Mincor's Lake Cowan gold prospect is located in the heart of the Eastern Goldfields of Western Australia, between the Zuleika and Lefroy shear structures.

A number of air-core drilling campaigns completed by Mincor has tested beneath the lake sediments which cover the tenement. These have identified gold anomalies in the Caspian area. These are coincident with copper and arsenic anomalies and with gossanous quartz vein material, and, significantly, occur within a differentiated dolerite host rock. Follow up diamond drilling is planned.



EROMORPHILA FLOWERING NEAR CORONET  
(PHOTO TAKEN BY TANH DOAN)



# Acronyms and Definitions

## Acronyms

<b>EM</b>	electromagnetic (a geophysical prospecting technique that uses the electrically conductive nature of massive sulphides to aid in their discovery)	<b>RC</b>	reverse circulation (percussion drilling with improved recovery and lower contamination due to the configuration of the drill stem. Generates chips of rock, not core)
<b>DHEM</b>	down-hole electromagnetics (use of this technique via a probe inserted in a drill-hole)	<b>US-NOB</b>	Ultra-Sized Nickel Ore Body (defined by Mincor to be a nickel ore body containing more than 100,000 tonnes of nickel metal at mineable grades better than 3.5% nickel)
<b>IP</b>	Induced Polarisation – another geophysical technique that relies on the electromagnetic properties of certain ore bodies to aid in their detection.	<b>TEM</b>	transient electromagnetic (a form of EM geophysical survey)
<b>IPO</b>	initial public offering	<b>U<sub>3</sub>O<sub>8</sub></b>	the most commonly occurring natural form of uranium
<b>JOGMEC</b>	Japan Oil, Gas and Metals National Corporation	<b>VMS</b>	volcanogenic massive sulphides
<b>LME</b>	London Metals Exchange	<b>VTEM</b>	Versatile Time Domain Electromagnetic survey (a helicopter-borne airborne EM survey)
<b>MgO</b>	magnesium oxide	<b>WMC</b>	WMC Resources Ltd
<b>Ni</b>	nickel	<b>ZTEM</b>	Z Axis Tipper Electromagnetic System (an advanced airborne electromagnetic technique designed to map the conductivity and resistivity of the earth)
<b>PNG</b>	Papua New Guinea		



UNDERGROUND MINING AT OTTER JUAN  
(PHOTO BY MARK MULLER)



MAGNETIC MEASURING TOOLS (LEFT) AND MASSIVE NICKEL CORE (RIGHT), PHOTOS BY TANH DOAN

## Definitions

<b>basal contact</b>	In the Kambalda District, this term refers to the contact between two rock types – the overlying ultramafic rocks (representing ancient lava flows) and the underlying basalt (being the surface upon which the lava flowed). Every significant Kambalda nickel ore body discovered to date occurs at or close to this contact.
<b>Besshi-type</b>	A form of massive sulphide deposit (copper-zinc-lead plus gold and silver). Typically larger and lower grade than the related Kuroko-type massive sulphide deposits.
<b>contained nickel metal</b>	Nickel contained in the ore, before any metallurgical recoveries are applied.
<b>disseminated sulphides</b>	A form of mineralisation where the economic sulphide mineral is finely disseminated through the rock.
<b>epithermal deposits</b>	These deposits are formed within about one kilometre of the Earth's surface in the range of 50 to 200°C. These deposits are typically found in volcanic rocks; the chief metals are gold, silver and mercury.
<b>footwall basalt</b>	The basalt rock that occurs in the footwall of nickel ore bodies – the same rock unit whose contact with the ultramafic rock forms the basal contact.
<b>Girrilambone Group</b>	The formal name of a sequence of rock formations in New South Wales, dated to Ordovician times.
<b>gossans</b>	Oxidised (weathered) forms of naturally occurring sulphides, often forming the weathered (outcropping) portion of a sulphide ore body.
<b>hanging-wall</b>	A mining term that refers to the rock unit lying stratigraphically and/or physically directly above an ore body. In most Kambalda mines the hanging-wall is the ultramafic lava that lies directly above the nickel ore body on the basal contact.
<b>massive sulphides</b>	A rock type comprised wholly of sulphide minerals.
<b>Mineral Resources</b>	Is a concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such a form, quantity and quality that there are reasonable prospects for eventual economic extraction. The location, quality, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
<b>nickel-in-concentrate</b>	Nickel contained in a concentrate of sulphide minerals formed after processing the ore through a concentrator plant. Typically a Kambalda nickel concentrate will contain about 12-13% nickel (upgraded from ore containing about 3% nickel). Some nickel is lost in this process, and so nickel-in-concentrate will typically be approximately 88-93% of the nickel-in-ore. Nickel-in-concentrate is the material that Mincor actually sells.
<b>nickel-in-ore</b>	This refers to nickel contained in the ore that Mincor mines, before metallurgical recoveries are applied. Nickel-in-ore is the nickel Mincor refers to when quoting mineral resources and ore reserves. After taking into account metallurgical recoveries of 88-93%, nickel-in-ore converts to nickel-in-concentrate, which is the material Mincor actually sells.
<b>Ore Reserves</b>	Is the economically mineable part of a Measured and/or Indicated Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out that demonstrate at the time of reporting that extraction could be reasonably justified.
<b>porphyry intrusion</b>	A form of igneous rock that has, in a molten state, intruded (cut through) pre-existing rock units. In Kambalda such intrusions can adversely affect both the exploration for and the mining of nickel ore bodies.
<b>quartz magnetite unit</b>	A distinctive rock unit comprising quartz and magnetite, often formed in association with submarine volcanism.
<b>Radonx emanometry</b>	Indirect prospecting method for uranium, relying on the measurement of the concentration of naturally occurring radon gas
<b>stratigraphy</b>	The study of stratified rocks (sedimentary and volcanic rocks), their sequence in time, their characteristics, and their correlation in different localities.
<b>ultramafic rocks</b>	Igneous rocks consisting mostly of ferromagnesium minerals to the virtual exclusion of quartz and feldspar. They are comparatively rare in the earth's crust. Ultramafic lavas, such as occur at Kambalda, are particularly rare and are hardly known to have formed at all since the end of Archean times.



# Statement of Health, Safety and Environmental Policies

MINCOR FIRE AND RESCUE TRAINING  
(PHOTO BY KEVIN MILNER)

## Vision and Mission

### Vision

Mincor's stakeholders include its shareholders, employees, local residents and the wider community. Mincor recognises its responsibilities to all its stakeholders and will ensure that its Health, Safety and Environmental standards are second to none.

### Mission

- Mincor will carry out its business in a responsible manner, and will protect and cherish the natural environment.
- Mincor will ensure that its employees are protected from all occupational injuries and diseases.
- Mincor will provide a safe working environment for its employees, will ensure that Health and Safety are management's top priority and that its workforce is fully trained in Health and Safety matters.

## Policy Statement

Mincor attaches the greatest value to the health and safety of its employees; it is every manager's and supervisor's duty to do everything in his or her power to avert damage, occupational injuries and occupational diseases, and it is also everyone's personal duty to avert damage and occupational injuries and occupational diseases, both in respect of himself or herself and of his or her fellow-workers.



## Principles and Values

Mincor subscribes to the following eleven self-explanatory principles and values:

- All injuries, occupational diseases and damage can be prevented.
- Preventing injuries, occupational diseases and damage makes good business sense.
- Everybody occupying a managerial or supervisory position is personally responsible for the safety and health of those working under him.
- Everybody in Mincor's employment carries personal responsibility for his or her own and his or her fellow workers' health and safety.
- Training is an essential element in ensuring the safety and health of employees.
- Safety and health audits are carried out regularly, participatively and meaningfully, with the emphasis on the modification of attitudes.
- Every shortcoming in the field of occupational health and safety is rectified immediately and permanently.
- All injuries, occupational diseases and damage are investigated thoroughly and participatively, not only to determine the direct causes but also to uncover underlying causes.
- People are the most important element of Mincor's occupational health and safety program.
- Following best practices elsewhere in the world, supervisors spend at least 20% of their time on matters directly related to the protection of their subordinates' health and safety.
- Contractor's personnel are viewed as Mincor employees for health and safety purposes. Mincor's safety principles and values apply equally to contractor's personnel.

Deviations from these principles and values and from required conduct are unacceptable.

## Objectives

- Elimination of unsafe environments and unsafe working conditions.
- Elimination of unsafe acts.
- Maintenance of high safety awareness among all employees.
- Continual safety training at all levels.
- Comprehensive induction of part-time and casual employees.
- Insistence on similar safety standards from contractors.

# Financial Report

Corporate Governance Statement	33
Directors' Report	43
Auditor's Independence Declaration	56
Consolidated Income Statement	57
Consolidated Statement of Comprehensive Income	58
Consolidated Statement of Financial Position	59
Consolidated Statement of Changes In Equity	60
Consolidated Statement of Cash Flows	61
Notes to the Financial Statements	62
Directors' Declaration	104
Independent Auditor's Report	105
Additional Shareholder Information	107

These financial statements are the consolidated financial statements of the consolidated entity consisting of Mincor Resources NL and its subsidiaries. The financial statements are presented in the Australian currency.

Mincor Resources NL is a company incorporated and domiciled in Australia.

Its registered office is:  
Level 1, 56 Ord Street  
West Perth, Western Australia, 6005  
AUSTRALIA

The financial statements were authorised for issue by the Directors on 17 August 2011. The Directors have the power to amend and reissue the financial statements.



The Board of Directors of Mincor Resources NL ("the Company") is responsible for corporate governance of the Company. The Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. The Board continually reviews its governance practices to ensure they remain consistent with the needs of the Company. Some of these policies and procedures are summarised in this statement.

Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2<sup>nd</sup> edition ("ASX Principles and Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" reporting regime.

The following table sets out where the Company has followed the recommendations or provided "if not, why not" reporting.

	ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 <sup>3</sup>	✓	
Recommendation 1.3 <sup>3</sup>	✓		Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2 <sup>3</sup>	✓	
Recommendation 2.2	✓		Recommendation 6.1	✓	
Recommendation 2.3	✓		Recommendation 6.2 <sup>3</sup>	✓	
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 <sup>3</sup>	✓		Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 <sup>3</sup>	✓	
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3 <sup>3</sup>	✓		Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3 <sup>3</sup>	✓	
Recommendation 4.2	✓				

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Further information about the Company's corporate governance practices including charters, policies and procedures may be found at the Company's website at [www.mincor.com.au](http://www.mincor.com.au), under the section marked 'Corporate Governance'. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

	Recommendation(s)
<b>Charters</b>	
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
<b>Policies and Procedures</b>	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities (summary)	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure (summary)	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy (summary)	7.1, 7.4

## DISCLOSURE – PRINCIPLES AND RECOMMENDATIONS

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2010/2011 financial year ("Reporting Period"). The Principles & Recommendations were amended in 2010 and these amendments will apply to the Company's first financial year commencing on or after 1 January 2011. Accordingly, disclosure against the Principles & Recommendations as amended in 2010 will be made in relation to the Company's financial year ending 30 June 2012. The report below is made against the Principles & Recommendations prior to their amendment in 2010.

However, the Company does wish to report that it has adopted a Diversity Policy in accordance with the new Recommendation 3.2. A copy of the Company's Diversity Policy is available on the Company's website. The Company is currently developing measurable objectives for achieving gender diversity and will report against these in relation to its financial year ending 30 June 2012.

### PRINCIPLE 1 – Lay Solid Foundations for Management and Oversight

#### Recommendation 1.1:

*Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.*

Disclosure:

The Board's objectives are to:

- a) increase shareholder value within an appropriate framework which safeguards the rights and interests of the Company's shareholders; and
- b) ensure the Company is properly managed.

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Board delegates responsibility for running the Company's affairs and implementing the policies and strategy set by the Board to the Managing Director, who is accountable to the Board. The Company has established the functions delegated to senior executives which are set out in its Board Charter.

Senior executives are responsible for supporting and assisting the Managing Director to conduct the general operations and financial business of the Company in accordance with the delegated authority of the Board and to progress the strategic direction provided by the Board.

The Board holds at least four meetings per annum and on other occasions as required. Senior managers of the Company are invited to attend meetings of the Board. Non-executive Directors may meet independently of the Executive Directors, although during the Reporting Period no such meetings occurred. At each meeting of the Board time is allocated for consideration of strategic planning issues.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent director, as appropriate.

#### Recommendation 1.2:

*Companies should disclose the process for evaluating the performance of senior executives.*

Disclosure:

The Managing Director is responsible for evaluating the performance of senior executives by conducting formal interviews with each of the senior executives. The Managing Director documents the evaluations and reports the outcome of those evaluations to the Board when required.

#### Recommendation 1.3:

*Companies should provide the information indicated in the Guide to reporting on Principle 1.*

Disclosure:

During the Reporting Period an evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.



## PRINCIPLE 2 – Structure the Board to Add Value

### Recommendation 2.1:

*A majority of the Board should be independent directors.*

Disclosure:

During the year the Board comprised a majority of independent directors (including the Chairman). Details of the Directors (including details of their skills, experience, expertise and term of office) are set out in the Directors' Report.

The Board has adopted a policy for assessing the independence of directors. This policy provides that when determining the independent status of a director the Board should consider whether the director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another group member other than as a director.

The Board also considers the Company's materiality thresholds when assessing the independence of directors. The materiality thresholds are set out in the disclosures under Recommendation 2.6 below.

Messrs DJ Humann, IF Burston and JW Gardner are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Mr DCA Moore is the executive Managing Director and is therefore not independent.

### Recommendation 2.2:

*The Chair should be an independent director.*

Disclosure:

The independent Chair of the Board is Mr DJ Humann.

### Recommendation 2.3:

*The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.*

Disclosure:

The Managing Director is Mr DCA Moore who is not Chair of the Board.

### Recommendation 2.4:

*The Board should establish a Nomination Committee.*

Disclosure:

The Board has established a Nomination Committee.

The Nomination Committee has a separate charter which describes its role, composition, functions and responsibilities. A copy of the charter is set out on the Company's website.

Details of the number of meetings held and attendance at each Nomination Committee meeting during the Reporting Period are detailed below.

Name	No. of meetings held	No. of meetings attended
DJ Humann (Independent)	1	1
DCA Moore	1	1
IF Burston (Independent)	1	1

**Recommendation 2.5:**

*Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.*

**Disclosure:**

The Board's *Process for Performance Evaluation* (available on the Company's website) states that the Chairman is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. It further states that the Nomination Committee is responsible for evaluating the Managing Director and that other senior executives are evaluated by the Managing Director. These evaluations occur annually, or as required, on an informal basis.

During the year, the Chairman (in conjunction with the Nomination Committee) reviewed the performance of the Board as a whole. The review was undertaken by way of round-table discussions relating to how the Board functions and operates effectively. No significant adverse issues were identified. The process applied during the year followed the disclosed process.

During the year, the Chairman (in conjunction with the Board) reviewed the performance of the Audit Committee, Remuneration Committee and Nomination Committee. The reviews were undertaken by way of round-table discussions relating to how the committees functioned and how effectively they operated. No significant adverse issues were identified. The process applied during the year followed the disclosed process.

The Managing Director was evaluated by the Chairman and the Board by way of informal discussion. The Managing Director's performance was also subject to continuous review through ongoing discussions with the Chairman. The process applied during the year followed the disclosed process.

**Recommendation 2.6:**

*Companies should provide the information indicated in the Guide to reporting on Principle 2.*

**Disclosure:**

The following additional information is provided with respect to reporting on *Principle 2*.

**Company's Materiality Thresholds**

When assessing Company matters, the Board considers the following quantitative and qualitative materiality thresholds, which are set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net assets;
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more;
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%; and
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

**Statement concerning availability of Independent Professional Advice**

If a Director considers it necessary to obtain independent professional advice to properly discharge their responsibilities as a director, then, provided the Director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

**Retirement and Re-election of Directors**

The Company's constitution requires one third of directors (other than the Managing Director and alternate directors) to retire from office at each Annual General Meeting. Directors appointed by the Board are required to retire from office at the next Annual General Meeting and are not taken into account in determining the number of directors to retire by rotation at the Annual General Meeting.

Directors cannot hold office for more than three years following their appointment without submitting themselves for re-election. Retiring directors are eligible for re-election by shareholders. Reappointment of directors is not automatic.



### Appointment of New Directors

No new directors were appointed during the last financial year. The Board (subject to member's voting rights in a general meeting) is responsible for selection of new members and succession planning. The Nomination Committee evaluates the range of skills, experience and expertise of the existing Board. In particular, the Nomination Committee identifies the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors on the Board. A potential candidate is considered with reference to their skills and expertise in relation to other Board members. New directors are invited to join the Board by the Chairman, who makes the invitation based on recommendations made by the Nomination Committee and approved by the Board. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting. The Policy for selection and appointment of new directors is available on the Company's website.

## PRINCIPLE 3 – Promote Ethical and Responsible Decision-making

### Recommendation 3.1:

*Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

#### Disclosure:

The Company has established a comprehensive Code of Conduct which is set out in full on the Company's website. The purpose of the code of conduct is to establish practices to maintain confidence in the Company's integrity, set in place practices to take account of its legal obligations and the reasonable expectations of its stakeholders and outline practices for the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. This code of conduct sets out the standards which the Board, management and employees of the Company are encouraged to comply with when dealing with each other, shareholders, and the broader community.

The Board supports the highest standards of corporate governance, and requires its members and the staff of the Company, to act with integrity and objectivity in relation to:

- Compliance with the law;
- Record keeping;
- Conflicts of interest;
- Confidentiality;
- Acquisitions and disposals of the Company's securities; and
- Safe and equal opportunity employment.

The Board and management are also conscious of and aim to ensure fulfilment of the wider obligations of the Company and its staff to people affected by its operations, and for responsible management of the environment.

The Company's Code of Conduct states that the Board, management and employees must not involve themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. Where a real or apparent conflict of interest arises the matter should be brought to the attention of the Chairman in the case of a Director, or the Managing Director in the case of a member of management, or a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner for all concerned.

### Recommendation 3.2:

*Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

#### Disclosure:

The Board has established a policy and procedure on dealing in the Company's securities by directors, officers, employees, and consultants which prohibits dealing in Company securities when those persons possess inside information. The policy contains a blackout period for directors, officers and senior accounting employees and also prohibits short-term or speculative trading of the Company's securities. A copy of the Company's policy for trading in Company securities is set out on the Company's website.

### Recommendation 3.3:

*Companies should provide the information indicated in the Guide to reporting on Principle 3.*

#### Disclosure:

A copy of the Company's Code of Conduct and policy for trading in Company securities is set out on the Company's website.

## PRINCIPLE 4 – Safeguard Integrity in Financial Reporting

### Recommendation 4.1:

*The Board should establish an Audit Committee.*

#### Disclosure:

The Company has established an Audit Committee. The main responsibilities of the Audit Committee are to:

- Monitor and review the integrity of the financial reporting of the Company, including reviewing significant financial reporting judgments;
- Review the Company's internal financial control system and, unless expressly addressed by a separate risk committee or by the Board itself, risk management systems;
- Monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services;
- Monitor and review compliance with the Company's Code of Conduct; and
- Perform such other functions as assigned by law, the Company's Constitution or the Board.

In fulfilling its responsibilities, the Audit Committee receives regular reports from management and the external auditors. It also meets with the external auditors at least twice a year – more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Audit Committee and the Chairman of the Board.

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

### Recommendation 4.2:

*The Audit Committee should be structured so that it:*

- *consists only of non-executive directors*
- *consists of a majority of independent directors*
- *is chaired by an independent Chair, who is not Chair of the Board*
- *has at least three members.*

#### Disclosure:

The members of the Audit Committee, their status and the number of times they met during the Reporting Period are outlined in the following table.

Name	No. of meetings held	No. of meetings attended
IF Burston (Chairman, Independent, non-executive)	4	3
DJ Humann (Independent, non-executive)	4	4
JW Gardner (Independent, non-executive)	4	4

The qualifications of each director are set out in the Directors' Report. Mr Burston has over 30 years' experience in the extractive and related industries and therefore possesses the requisite industry knowledge to participate on and act as Chairman of the Audit Committee. Mr Humann is a Chartered Accountant and therefore possesses the requisite financial literacy and expertise to participate on the Audit Committee. Mr Gardner is an Independent Director with requisite financial and industry knowledge.

### Recommendation 4.3:

*The Audit Committee should have a formal charter.*

#### Disclosure:

The Audit Committee operates under an established Audit Committee Charter which is available on the Company's website. The charter describes the Audit Committee's role, composition, functions and responsibilities.

### Recommendation 4.4:

*Companies should provide the information indicated in the Guide to reporting on Principle 4.*

#### Disclosure:

The following additional information is provided with respect to reporting on *Principle 4*.



### Selection, Appointment and Rotation of External Auditor

The Company has established procedures for the selection, appointment and rotation of its external auditor which are available on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

## PRINCIPLE 5 – Make Timely and Balanced Disclosure

### Recommendation 5.1:

*Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

#### Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.

The Company understands the importance of ensuring the market has full and timely information available to all on an equal basis. For this reason the Company has detailed compliance procedures for ASX listing rule disclosure requirements which covers the following areas:

- Providing guidelines for identifying disclosure material and monitoring share price movements;
- Guidelines for trading halts;
- Guidelines for decision making processes;
- Details on record keeping, confidentiality, education of executives and staff, release of disclosure material; and
- Updating of procedures.

To ensure accountability at a senior executive level the Company has appointed an officer responsible for ensuring compliance with this policy. A summary of the Company's ASX continuous disclosure procedures is available on the Company's website.

### Recommendation 5.2:

*Companies should provide the information indicated in the Guide to reporting on Principle 5.*

#### Disclosure:

A summary of the Company's Policy on Continuous Disclosure is available on the Company's website.

## PRINCIPLE 6 – Respect the Rights of Shareholders

### Recommendation 6.1:

*Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

#### Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company values its relationship with shareholders and understands the importance of communication with them in accordance with the requirements of the ASX. As disclosed above, the Company has a Policy on Continuous Disclosure to ensure it is in compliance with the continuous disclosure obligations of the ASX. The Company also has a Shareholder Communication Policy for keeping shareholders up to date with Company information.

To keep shareholders informed the Company maintains a website at [www.mincor.com.au](http://www.mincor.com.au), on which the Company makes the following information available:

- Company announcements for the last three years;
- Information briefings to media and analysts for the last three years;
- Notices of meetings and explanatory materials;
- Financial information for the last three years; and
- Annual reports for the last three years.

The Company sends a copy of its quarterly report to all Shareholders. It also sends copies of significant announcements to Shareholders and any other person who registers with the Company as an 'Interested Party'. The Company also encourages shareholder participation at general meetings. A copy of the Company's Shareholder Communication Policy is available on the Company's website.

#### Recommendation 6.2:

*Companies should provide the information indicated in the Guide to reporting on Principle 6.*

Disclosure:

A copy of the Company's shareholder communication strategy is available on the Company's website.

## PRINCIPLE 7 – Recognise and Manage Risk

#### Recommendation 7.1:

*Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

Disclosure:

The Company has an established Risk Management Policy, a summary of which is available on the Company's website.

The Board is responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's material business risks and for reviewing and monitoring the Company's application of these systems.

Implementation of the risk management system and day-to-day management of risk is the responsibility of the Managing Director, with the assistance of senior management. The Managing Director is responsible for regularly reporting directly to the Board on all matters associated with risk management, including whether the Company's material business risks are being managed effectively. During the year the Managing Director reported to the Board on the effectiveness of the Company's management of its material business risks. In fulfilling his duties, the Managing Director has unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter he believes appropriate, with the approval of the Board.

The Company has established a Risk Register as part of its risk management and internal control systems. The Risk Register formally documents:

- the identification of business risks;
- an assessment of the consequence of each business risk;
- an assessment of the likelihood of each business risk;
- a risk rating for each identified business risk;
- what existing controls are in place for each identified business risk;
- the effectiveness of each of the existing controls; and
- where further actions may be required to further mitigate or reduce business risk.

The Risk Register is reviewed and updated by management on an ongoing basis and reported to the Board on a quarterly basis.

In addition, the Company maintains a number of policies and practices designed to manage specific business risks. These include:

- Audit Committee and Audit Committee Charter;
- Insurance programs;
- Regular budgeting and financial reporting;
- Clear limits and authorities for expenditure levels;
- Procedures/controls to manage environmental and occupational health and safety matters;
- Procedures for compliance with continuous disclosure obligations under the ASX listing rules; and
- Procedures to assist with establishing and administering corporate governance systems and disclosure requirements.

Major categories of risks reported on within the Risk Register include operational risk, environmental risk, sustainability, statutory reporting and compliance, financial risks (including financial reporting, treasury, information technology and taxation), occupational health and safety risks and market related risks.

The Company's risk management system is an ongoing process. It is recognised that the level and extent of the risk management system will evolve commensurate with the evolution and growth of the Company's activities. Further information on financial risk management is outlined in Note 2 to the financial statements.



**Recommendation 7.2:**

*The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.*

**Disclosure:**

At the request of the Board, management have designed, implemented and maintained risk management and internal control systems to manage the Company's material business risks. Management are required to report to the Board confirming that risks are being managed effectively. During the Reporting Period the Board received reports from management regarding the effectiveness of the Company's management of its material business risks.

**Recommendation 7.3:**

*The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.*

**Disclosure:**

In accordance with the requirements of the *Corporations Act 2001* and *Principle 7* of the ASX Principles and Recommendations the Managing Director and Chief Financial Officer have provided a declaration in accordance with Section 295A of the Corporations Act and have assured the Board that the declaration is founded on sound systems of risk management and internal controls and that the systems are operating effectively in all material respects in relation to financial reporting risks.

**Recommendation 7.4:**

*Companies should provide the information indicated in the Guide to reporting on Principle 7.*

**Disclosure:**

A summary of the Company's Risk Management policy is available on the Company's website.

**PRINCIPLE 8 – Remunerate Fairly and Responsibly****Recommendation 8.1:**

*The Board should establish a Remuneration Committee.*

**Disclosure:**

The Company has established a Remuneration Committee. The Remuneration Committee has a separate charter which describes its role, composition, functions and responsibilities. A copy of the charter is set out on the Company's website.

Details of the number of meetings held and attendance at each Remuneration Committee meeting during the financial year ended 30 June 2011 are detailed below.

Name	No. of meetings held	No. of meetings attended
DJ Humann (Independent)	1	1
DCA Moore	1	1
IF Burston (Independent)	1	1

Effective 1 July 2011 Mr Gardner replaced Mr Moore as a member of the Remuneration Committee thereby complying with the ASX Listing Rule 12.8 requirement that the Remuneration Committee be comprised solely of non-executive directors.

**Recommendation 8.2:**

*Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

**Disclosure:**

All compensation arrangements for Directors and key management personnel are determined at Board level, in consultation with the Remuneration Committee, after taking into account the current competitive rates prevailing in the market.

Remuneration levels of the Directors and key management personnel are set by reference to other similar-sized mining and exploration companies with similar risk profiles and are set to attract and retain executives capable of managing the consolidated entity's operations in Australia.

Remuneration of non-executive Directors is determined by the Board within the maximum approved by the shareholders from time to time. Remuneration for non-executive directors is not linked to the performance of the Company. The Board undertakes an annual review of its performance against goals set at the start of the year. No bonuses are paid to non-executive Directors, nor is there any termination or other benefits paid on retirement. The Company does not issue options to non-executive directors.

The pay and reward framework for executive directors and senior executives consists of a combination of base salary and benefits, short-term performance incentives, long-term incentives through participation in employee share option plans and other remuneration. This remuneration framework aligns the remuneration of executives and senior management with the achievement of strategic objectives and the creation of value for shareholders.

Details of the nature and amount of remuneration paid to each Director of the Company and each key management personnel of the consolidated entity are provided in the 'Remuneration Report' contained within the Directors' Report.

### Recommendation 8.3:

*Companies should provide the information indicated in the Guide to reporting on Principle 8.*

#### Disclosure:

A copy of the Company's Remuneration Committee Charter is set out on the Company's website. The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

Details of remuneration, including the Company's policy on remuneration, are contained in the 'Remuneration Report' which forms of part of the Directors' Report.



For the year ended 30 June 2011

The Directors present their report on the consolidated entity consisting of Mincor Resources NL ("the Company") and its controlled entities, for the year ended 30 June 2011.

## DIRECTORS

The names of the Directors of Mincor Resources NL in office at the date of this report are:

Name	Particulars	Shareholding Interest
<b>DJ Humann</b> FCA, FCPA, FAICD (Chairman)	<p><b>Experience and expertise</b></p> <p>Mr Humann joined Mincor Resources NL on 30 September 1999 as a Non-executive Director and Chairman of the Company. Mr Humann is a fellow of the Institute of Chartered Accountants, a fellow of the Institute of Certified Practising Accountants and also a fellow of the Australian Institute of Company Directors.</p> <p>He was Chairman and Senior Partner of Price Waterhouse (Hong Kong and China firm) from 1986 until 1994. He was also the Managing Partner of Price Waterhouse, Asia Pacific Region, and a member of the World Board of Price Waterhouse and of the global firm's World Executive Management Committee based in London and New York. He was formerly a member of the Australia and New Zealand Firm's Executive Policy Committee. Mr Humann is a member of the boards of a number of public and private companies.</p> <p><b>Other current directorships</b></p> <p>Non-executive chairman of Advanced Braking Technologies Ltd, Atomaer Holdings Pty Ltd and Exxaro Australia Sands Pty Ltd.</p> <p>Non-executive director of Durack Estates Ltd (Bahamas), Logicamms Ltd and India Resources Ltd.</p> <p>Director of James Anne Holdings Pty Ltd.</p> <p><b>Former directorships in last three years</b></p> <p>Non-executive director of India Resources Ltd from 2006 to 2008.</p> <p>Non-executive director of Monarch Gold Mining Company Limited from 2006 to 2008.</p> <p>Non-executive director of Territory Resources Ltd from 2006 to 2008.</p> <p>Non-executive director of Rewards Holdings Pty Ltd 2004 to 2009.</p> <p>Non-executive director of Braemore Resources PLC from 2006 to 2010.</p> <p>Non-executive director of Matrix Metals from 2000 to 2010.</p>	295,000 shares
<b>DCA Moore</b> (Managing Director)	<p><b>Experience and expertise</b></p> <p>Mr Moore joined Mincor Resources NL on 30 September 1999 and is the Managing Director of the Company. His previous experience includes 13 years with Shell/Billiton where he worked internationally in minerals exploration, business development, project management and strategic planning. In 1996 he left a position as Billiton's Chief Geologist in Peru to join Iscor Australia Pty Ltd as director of business development. In that role he established Iscor's gold and base metal exploration unit in Australasia. During 1999 he conducted the transactions that lead to the creation of Mincor Resources NL and became Managing Director of that Company. In 2000 Mr Moore founded Tethyan Copper Company Ltd and as Managing Director drove that company's development, spin-off, listing and growth until its successful cash takeover by a joint venture between Antofagasta and Barrick in 2006. Mr Moore has worked extensively in South America, southern and eastern Africa and Australasia. He holds a B.Sc (Eng) (Mining Geology).</p> <p><b>Other current directorships</b></p> <p>None.</p> <p><b>Former directorships in last three years</b></p> <p>None.</p>	4,045,000 shares

For the year ended 30 June 2011

## DIRECTORS (continued)

Name	Particulars	Shareholding Interest
<b>IF Burston</b>	<p><b>Experience and expertise</b></p> <p>Mr Burston is a Non-executive Director who joined the Company in January 2003. He holds a Bachelor of Engineering (Mech) degree from Melbourne University and a diploma in Aeronautical Engineering from Royal Melbourne Institute of Technology. He has completed the Insead Management Program in Paris and the Harvard Advanced Management Program in Boston. Mr Burston has over 30 years' experience in the extractive and related industries. His prior positions included Managing Director and Chief Executive Officer of Aurora Gold Ltd, Chief Executive Officer of Kalgoorlie Consolidated Gold Mines, Vice President – WA Business Development of CRA Ltd and Managing Director of Hamersley Iron Pty Ltd.</p> <p><b>Other current directorships</b></p> <p>Non-executive chairman of African Iron Ltd and NRW Ltd. Non-executive director of Fortescue Metals Group Ltd, Energio Limited and TGP Limited.</p> <p><b>Former directorships in last three years</b></p> <p>Executive chairman of Cape Lambert Iron Ore Ltd from 2006 to 2008. Non-executive chairman of Imdex Ltd from 2000 to 2009. Non-executive chairman of Auvex Resources Ltd 2009. Non-executive chairman of Carrick Gold Ltd 2009 to 2010. Non-executive chairman of Condor Nickel Ltd 2009 to 2010. Non-executive chairman of Broome Port Authority from 2004 to 2010.</p>	50,000 shares
<b>JW Gardner</b>	<p><b>Experience and expertise</b></p> <p>Mr Gardner is a Non-executive Director who joined the Company in February 1996. Mr Gardner graduated from the University of Melbourne in 1962 with a Bachelor of Engineering (Mechanical) degree and is a Fellow of the Institution of Engineers Australia. He also holds a Master of Business Administration degree from Curtin University, Western Australia. After holding directorships and senior management positions with Hawker Siddeley Engineering Pty Ltd, Comsteel Vickers/ANI, Minproc Engineers Pty Ltd and Broken Hill Metals NL between 1970 and 1990, he formed his own engineering consultancy. He has consulted on many gold and base metal projects both in Australia and overseas. Mr Gardner was chairman of Ghana Manganese Company from 1995 until 2000. From 1993 until 2006 he was actively involved in Canadian listed company, Guinor Gold Corporation where he was Chief Engineer, Mining Projects. Since 1996 he has developed and managed the 100,000 ounce per annum Lero gold Heap Leach Project and completed the LEFA Corridor project study and supervised the EPCM contractor constructing its 350,000 ounce per annum multiple open pit and CIP Plant project in remote Guinea, West Africa. Currently he is pursuing bauxite, uranium, copper and gold exploration projects in West Africa and Australia. He has recently been appointed non-executive Chairman of ASX listed Viking Ashanti Limited.</p> <p><b>Other current directorships</b></p> <p>Chairman of Viking Ashanti Limited. Non-executive director of Vortex Minerals Pty Ltd, Mineraus Resources Pty Ltd, Greenline Investments Pty Ltd, Bayfield Enterprises Pty Ltd and Aerial Holdings Pty Ltd.</p> <p><b>Former directorships in last three years</b></p> <p>Non-executive director of Viking Metals Pty Ltd 2007 to 2010.</p>	1,218,176 shares

## COMPANY SECRETARY

The name of the Company Secretary of Mincor Resources NL in office at the date of this report is:

Name	Particulars
<b>B Lynn</b>	Mr Lynn is a Chartered Accountant with over 20 years' experience. He joined Mincor in May 2001 and prior to this held various senior financial positions with companies involved in the mining industry, including gold and mineral sands.



For the year ended 30 June 2011

## REVIEW OF OPERATIONS AND SIGNIFICANT EVENTS

### Mining Operations

The Company produced 9,056 tonnes of nickel-in-concentrate during the year ended 30 June 2011 (2010: 10,673 tonnes of nickel-in-concentrate).

During the year, the Company's South Kambalda Operations (Miitel and Mariners) produced 251,068 dry metric tonnes at an average grade of 2.17%, to produce 4,572 tonnes of nickel-in-concentrate.

The Company's North Kambalda Operations (including Otter Juan, Coronet and McMahon Nickel Operations and Mincor's 70% interest in the Carnilya Hill Nickel Operation) produced 144,911 dry metric tonnes at an average grade of 3.36%, to produce 4,484 tonnes of nickel-in-concentrate.

### Exploration and Development Projects

On 23 May 2011 the Company entered into various joint venture agreements with Niuminco Limited and its subsidiaries for the exploration and development of various mining and exploration licences in Papua New Guinea, subject to the satisfaction of various conditions precedent.

The agreements allow Mincor to earn into the Edie Creek Gold Project and the May River, Bolobip and Kubuna exploration licences. The Company will sole-fund up to \$15 million to earn up to a 51% interest in the Edie Creek Gold Project and will sole-fund up to \$5 million on each of the three exploration licences to earn up to a 72% interest in each licence.

During the year, the Company spent \$17,766,000 on exploration activities, comprising \$9,873,000 on regional exploration activities and \$7,893,000 on extensional exploration activities.

Exploration and development drilling continued throughout the period, with considerable success at Mariners Nickel Mine, Miitel Nickel Mine and at the Company's Tottenham Project. The Company has committed to an aggressive exploration drilling program targeting nickel and other base metals on its tenements throughout Australia and in Papua New Guinea.

### Corporate

The consolidated entity generated a loss after tax of \$23,391,000 (2010: profit after tax of \$28,100,000) for the year.

As at 30 June 2011 the Company had sold forward 1,890 tonnes of nickel to March 2013 at an average price of A\$27,362 per tonne.

On 24 September 2010 the Company paid a fully franked annual dividend of 6 cents per share to shareholders.

On 25 March 2011 the Company paid a fully franked interim dividend of 2 cents per share in respect of the year ending 30 June 2011.

On 21 June 2011 the Company announced its intention to conduct an on-market buy-back of up to 20,018,000 shares, being approximately 10% of the Company's share capital. In accordance with the Listing Rules of the Australian Securities Exchange and the *Corporations Act (2001)*, the buy-back commenced on 5 July 2011 and will continue for up to 12 months.

## PRINCIPAL ACTIVITIES

The principal activities of the companies in the consolidated entity during the course of the year were the mining and exploration of mineral resources.

No significant change in the activities occurred during the 12 months to 30 June 2011, except as outlined below.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as noted elsewhere in this report, there have been no significant changes in the state of affairs of the consolidated entity during the financial period.

For the year ended 30 June 2011

## GROUP RESULTS

The loss of the consolidated entity for the year after income tax was \$23,391,000 (2010 profit: \$28,100,000).

## DIVIDENDS

A fully franked dividend of 6 cents per share in respect of the year ended 30 June 2010 was paid on 24 September 2010. On 25 March 2011 a fully franked interim dividend of 2 cents per share in respect of the year ended 30 June 2011 was paid. On 17 August 2011 the Directors declared a fully franked final dividend of 2 cents per share in respect of the year ended 30 June 2011.

## MEETINGS OF DIRECTORS'

The number of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2011, and the number of meetings attended by each Director were:

	Total Directors Meetings Available	Directors Meetings Attended	Total Audit Committee Meetings Available	Audit Committee Meetings Attended
DJ Humann	7	7	4	4
DCA Moore	7	7	-	-
JW Gardner	7	7	4	4
IF Burston	7	7	4	3

## FUTURE DEVELOPMENTS

Details of important developments occurring in this financial year have been covered in the Review of Operations. The Company will continue to actively explore for minerals, and any significant information or data will be released to the market and the shareholders pursuant to the Continuous Disclosure rules as and when they are to hand.

Further information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

## REMUNERATION REPORT

All compensation arrangements for Directors and key management personnel are determined at Board level after taking into account the competitive rates prevailing in the market place.

Remuneration levels of the Directors and key management personnel are set by reference to other similar-sized mining and exploration companies with similar risk profiles, and are set to attract and retain executives capable of managing the consolidated entity's operations in Australia. Remuneration levels for the Managing Director and key management personnel are determined by the Board based upon recommendations from the Remuneration Committee. Remuneration of non-executive directors is determined by the Board within the maximum approved by the shareholders from time to time. The Board undertakes an annual review of its performance against goals set at the start of the year. No bonuses are paid to non-executive directors.

The information provided in this remuneration report has been audited as required by Section 308 (3C) of the *Corporations Act 2001*.

The remuneration report is set out under the following main headings:

- Principles Used to Determine the Nature and Amount of Remuneration
- Details of Remuneration
- Service Agreements
- Share-based Compensation
- Additional Information



For the year ended 30 June 2011

## a) Principles Used to Determine the Nature and Amount of Remuneration

The Company's key management personnel remuneration framework aligns their remuneration with the achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that the remuneration of key management personnel is competitive and reasonable, acceptable to shareholders, and aligns remuneration with performance.

### Remuneration of non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board receives advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration.

#### i) Directors' fees

The current base remuneration was last reviewed with effect from 8 November 2006. The Chairman's and non-executive directors' remuneration is inclusive of committee fees.

Fees for the Chairman and non-executive directors' are determined within an aggregate directors' fee pool limit of \$350,000, which was last approved by shareholders on 8 November 2006.

#### ii) Retirement allowances for non-executive directors

No retirement allowances exist for non-executive directors.

### Remuneration of key management personnel

The pay and reward framework for key management personnel has four components:

- Base pay and benefits;
- Short-term performance incentives;
- Long-term incentives through participation in employee share option plans, including the Mincor Employee Share Option Plan and Mincor Resources Executive Share Option Scheme; and
- Other remuneration.

The combination of these comprises the key management personnel's total remuneration.

#### i) Base pay and benefits

The base pay is inclusive of statutory superannuation and is structured as a total employment cost package, which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Key management personnel are offered a competitive base pay that comprises the fixed component of pay and rewards. External remuneration consultants provide analysis and advice to ensure base pay is set to reflect the market for a comparable role. Base pay for key management personnel is reviewed annually to ensure the executive's pay is competitive with the market. The pay of key management personnel is also reviewed on promotion.

There is no guaranteed base pay increase included in any key management personnel's contract.

#### ii) Short-term incentives (STI)

The Company has established an Incentive Bonus Scheme, which is designed to encourage and reward superior performance. The Incentive Bonus Scheme has both a company performance component linked to the Company's annual result as well as an individual component linked to the employee's performance. Whilst it is the Company's intention to apply the Incentive Bonus Scheme annually, it is solely at the discretion of the Directors.

#### iii) Long-term incentives (LTI)

Long-term incentives are provided to certain employees via the Executive Share Option Scheme and 2002 Employee Share Option Plan. Information on the Executive Share Option Scheme and the 2002 Employee Share Option Plan is set out in Note 31 to the financial statements.

For the year ended 30 June 2011

## REMUNERATION REPORT (continued)

### b) Details of Remuneration

Details of the remuneration of the directors, the key management personnel of the Group and the five highest paid executives of Mincor Resources NL and the consolidated entity are set out in the following tables.

The key management personnel of Mincor Resources NL and the consolidated entity (as defined in AASB 124) includes the Directors and the following executive officers who report directly to the Managing Director and who have authority and responsibility for planning, directing and controlling the activities of the consolidated entity.

- ST Cowle – Chief Operating Officer (resigned 17 June 2011)
- B Lynn – Chief Financial Officer
- GL Fariss – General Manager, Corporate Development
- P Muccilli – Exploration Manager

All of the above persons were also key management personnel during the year ended 30 June 2010.

#### i) Key management personnel of Mincor Resources NL and its controlled entities

2011	Short-term Employee Benefits					Post-employment Benefits	Long-term Benefits	Share-based Payments	
Name	Directors Fees \$	Salary \$	Bonus \$	Non-monetary Benefits \$	Other \$	Super-annuation \$	Long Service Leave \$	Options \$	Total \$
<b>Non-executive Directors</b>									
DJ Humann (Chairman)	100,100	-	-	-	-	9,900	-	-	110,000
JW Gardner	55,000	-	-	-	-	-	-	-	55,000
IF Burston	55,000	-	-	-	-	-	-	-	55,000
<b>Sub-total</b>	<b>210,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,900</b>	<b>-</b>	<b>-</b>	<b>220,000</b>
<b>Executive Directors</b>									
DCA Moore*	-	584,213	-	588	-	15,199	9,621	-	609,621
<b>Other Key Management Personnel</b>									
ST Cowle*	-	370,342	-	534	-	15,199	6,355	-	392,430
B Lynn*	-	331,323	-	588	-	15,199	6,896	95,870	449,876
GL Fariss*	-	252,013	-	588	-	15,199	5,142	95,870	368,812
P Muccilli*	-	230,383	-	588	-	15,199	4,890	95,870	346,930
<b>Total</b>	<b>210,100</b>	<b>1,768,274</b>	<b>-</b>	<b>2,886</b>	<b>-</b>	<b>85,895</b>	<b>32,904</b>	<b>287,610</b>	<b>2,387,669</b>

\* Denotes one of the five highest paid executives of the Company and the consolidated entity, as required to be disclosed under the *Corporations Act 2001*.



For the year ended 30 June 2011

2010	Short-term Employee Benefits					Post-employment Benefits	Long-term Benefits	Share-based Payments	
Name	Directors Fees \$	Salary \$	Bonus \$	Non-monetary Benefits \$	Other \$	Super-annuation \$	Long Service Leave \$	Options \$	Total \$
<b>Non-executive Directors</b>									
DJ Humann (Chairman)	100,100	-	-	-	-	9,900	-	-	110,000
JW Gardner	50,459	-	-	-	-	4,541	-	-	55,000
IF Burston	55,000	-	-	-	-	-	-	-	55,000
<b>Sub-total</b>	<b>205,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,441</b>	<b>-</b>	<b>-</b>	<b>220,000</b>
<b>Executive Directors</b>									
DCA Moore*	-	584,951	12,000	588	-	14,461	9,649	-	621,649
<b>Other Key Management Personnel</b>									
ST Cowle*	-	314,951	6,600	588	-	14,461	5,192	-	341,792
B Lynn*	-	321,951	6,740	588	-	14,461	7,099	-	350,839
GL Fariss*	-	237,944	5,200	588	-	21,468	3,976	-	269,176
P Muccilli*	-	218,678	4,385	588	-	20,129	3,654	-	247,434
<b>Total</b>	<b>205,559</b>	<b>1,678,475</b>	<b>34,925</b>	<b>2,940</b>	<b>-</b>	<b>99,421</b>	<b>29,570</b>	<b>-</b>	<b>2,050,890</b>

\* Denotes one of the five highest paid executives of the Company and the consolidated entity, as required to be disclosed under the *Corporations Act 2001*.

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration 2011	At Risk – LTI 2011	At Risk – STI 2011
<b>Directors of Mincor Resources NL</b>			
DJ Humann (Chairman)	100%	-	-
DCA Moore	100%	-	-
JW Gardner	100%	-	-
IF Burston	100%	-	-
<b>Other Key Management Personnel of the consolidated entity</b>			
ST Cowle	100%	-	-
B Lynn	79%	21%	-
GL Fariss	74%	26%	-
P Muccilli	72%	28%	-

For the year ended 30 June 2011

## REMUNERATION REPORT (continued)

### b) Details of Remuneration (continued)

#### ii) Cash bonuses and share-based compensation benefits

For each cash bonus and grant of options included in the above tables, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses are payable in future years.

Name	Cash Bonus		Share-based Compensation (Options)					
	Paid %	Forfeited %	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Minimum total value of grant yet to vest \$	Maximum total value of grant yet to vest \$
DCA Moore	-	-	-	-	-	-	-	-
ST Cowle	-	-	2011	-	100	-	-	-
B Lynn	-	-	2011	-	-	2012	Nil	303,560
GL Fariss	-	-	2011	-	-	2012	Nil	303,560
P Muccilli	-	-	2011	-	-	2012	Nil	303,560

### c) Service Agreements

Remuneration and other terms of employment for the Managing Director and other key management personnel are formalised in employment contracts. Each of these agreements provide for the participation in the Company's Incentive Option Schemes and Incentive Bonus Scheme. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party providing between one to three months' notice, subject to termination payments as detailed below.

#### DCA Moore, Managing Director

- No set term of agreement.
- Base salary, inclusive of superannuation, for the year ended 30 June 2011 of \$600,000.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months of the base salary.

#### ST Cowle, Chief Operating Officer (resigned 17 June 2011)

- No set term of agreement.
- Base salary, inclusive of superannuation, for the year ended 30 June 2011 of \$339,900.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to one month of the base salary.

#### B Lynn, Chief Financial Officer

- No set term of agreement.
- Base salary, inclusive of superannuation, for the year ended 30 June 2011 of \$347,110.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to one month of the base salary.

#### GL Fariss, General Manager, Corporate Development

- No set term of agreement.
- Base salary, inclusive of superannuation, for the year ended 30 June 2011 of \$267,800.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to one month of the base salary.



For the year ended 30 June 2011

**P Muccilli, Exploration Manager**

- No set term of agreement.
- Base salary, inclusive of superannuation, for the year ended 30 June 2011 of \$246,170.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to one month of the base salary.

**d) Share-based Compensation – Options****2002 Employee Share Option Plan**

The 2002 Employee Share Option Plan ("Plan") was introduced on 21 August 2002. Persons eligible to participate in the Plan include Directors and all employees of the Company or companies or bodies corporate in which the Company holds at least 20% of all the voting shares.

Options are granted under the Plan for no consideration for a maximum period of five years and can be exercised at any time between the date the option is granted and the expiry date, subject to the imposition of any specified vesting date determined at the discretion of the Directors. The employee's entitlements to the options are vested and the options carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. Amounts receivable on the exercise of the options are recognised as share capital.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

The Plan rules contain a restriction on removing the 'at risk' aspect of the instrument granted to Plan participants. Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

**Prospectus dated 6 December 2007**

The Prospectus was issued on 6 December 2007. Persons eligible to participate pursuant to the Prospectus include Directors and all employees of the Company.

Options are granted under the Prospectus for no consideration for a maximum period of five years and can be exercised at any time between the date the option is granted and the expiry date, subject to the imposition of any specified vesting date determined at the discretion of the Directors. The employee's entitlements to the options are vested and the options carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. Amounts receivable on the exercise of the options are recognised as share capital.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Australian Stock Exchange during the five trading days immediately before the options are granted.

**Mincor Resources Executive Share Option Scheme**

The Mincor Resources Executive Share Option Scheme ("Scheme") was introduced on 8 May 2006. Persons eligible to participate in the Scheme include key employees, who are determined at the discretion of the Directors.

Options are granted under the Scheme for no consideration for a maximum period of five years and can be exercised at any time between the date the option is granted and the expiry date, subject to the imposition of any specified vesting date determined at the discretion of the Directors.

When exercisable, each option is convertible into one ordinary share. Amounts receivable on the exercise of options are recognised as share capital.

The exercise price of options is determined at the discretion of the Directors and is set to incentivise the executives to increase shareholder value.

The Scheme rules contain a restriction on removing the 'at risk' aspect of the instrument granted to Scheme participants. Scheme participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

For the year ended 30 June 2011

## REMUNERATION REPORT (continued)

### d) Share-based Compensation – Options (continued)

#### Mincor Resources Executive Share Option Scheme (continued)

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant Date	Date Vested and Exercisable	Expiry Date	Exercise Price	Value per Option at Grant Date
22 December 2005 <sup>(1)</sup>	100% after 18 November 2006	25 October 2010	\$0.70	\$0.1834
8 May 2006 <sup>(2)</sup>	33 <sup>1/3</sup> % after 8 May 2007	7 May 2011	\$0.85	\$0.240
	33 <sup>1/3</sup> % after 8 May 2008	7 May 2011	\$0.85	\$0.230
	33 <sup>1/3</sup> % after 8 May 2009	7 May 2011	\$0.85	\$0.220
23 October 2006 <sup>(2)</sup>	33 <sup>1/3</sup> % after 18 October 2007	19 October 2011	\$1.74	\$0.753
	33 <sup>1/3</sup> % after 18 October 2008	19 October 2011	\$1.74	\$0.753
	33 <sup>1/3</sup> % after 18 October 2009	19 October 2011	\$1.74	\$0.753
6 December 2006 <sup>(1)</sup>	100% after 6 December 2007	5 December 2011	\$2.16	\$0.7989
1 April 2008 <sup>(3)</sup>	100% after 5 June 2009	5 December 2012	\$4.40	\$0.9023
31 January 2011 <sup>(2)</sup>	100% after 31 January 2012	30 January 2015	\$2.60	\$0.2572
1 April 2011 <sup>(2)</sup>	100% after 1 April 2012	31 March 2015	\$1.95	\$0.2009
19 May 2011 <sup>(2)</sup>	100% after 20 May 2012	18 May 2015	\$1.60	\$0.1722

(1) Options granted under the 2002 Employee Share Option Plan which was approved by shareholders at the 2006 annual general meeting. All staff are eligible to participate in the Plan.

(2) Options granted to certain senior executives under the Executive Option Scheme, pursuant to specified terms and conditions.

(3) Options granted pursuant to the Prospectus dated 6 December 2007.

All options granted carry no dividend or voting rights.

#### Options provided as remuneration

Details of options over ordinary shares in the Company provided as remuneration to each Director of Mincor Resources NL and each of the key management personnel of the consolidated entity are set out below. Further information on the options is set out in Note 31 to the financial statements.

Name	Number of Options Granted during the Year 2011	Number of Options Vested during the Year 2011
<b>Directors of Mincor Resources NL</b>		
DJ Humann (Chairman)	-	-
DCA Moore	-	-
JW Gardner	-	-
IF Burston	-	-
<b>Other Key Management Personnel of the consolidated entity</b>		
ST Cowle*	1,000,000	-
B Lynn	1,400,000	-
GL Fariss	1,400,000	-
P Muccilli	1,400,000	-

\*These options automatically lapsed following Mr Cowle's resignation on 17 June 2011.



For the year ended 30 June 2011

## Fair value of options granted

The assessed fair value at grant date of options granted under the Mincor Resources Executive Option Scheme during the year ended 30 June 2011 was 25.72 cents for options granted on 31 January 2011 and 20.09 cents for options granted on 1 April 2011 and 17.22 cents for options granted on 19 May 2011. The fair value at grant date is independently determined using the Binomial option valuation methodology that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for the options granted during the year ended 30 June 2011 included:

2011	Options are granted for no consideration and will vest over 12 months	Options are granted for no consideration and will vest over 12 months	Options granted for no consideration and will vest over 12 months
Exercise price	\$2.60	\$1.95	\$1.60
Grant date	31 January 2011	1 April 2011	19 May 2011
Expiry date	30 January 2015	31 March 2015	18 May 2015
Share price at grant date	\$1.76	\$1.35	\$1.10
Expected price volatility of the Company's shares	46%	46%	47%
Expected dividend yield	6%	6%	6%
Risk-free interest rate	4.90%	4.90%	4.98%

Further information on the options is set out in Note 31 to the financial statements.

## e) Additional Information

## Relationship between compensation and Company performance

The overall level of key management personnel's compensation takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current and prior year. Over the past five years, the consolidated entity's profit from ordinary activity after income tax has grown at an average rate of 33.7%. During the same period, average key management personnel compensation has increased by approximately 8% per annum.

In considering the consolidated entity's performance, due regard is given to shareholder wealth creation including dividends paid, movements in the market value of the Company's shares and any return of capital to shareholders. The following table summarises the performance of the Company over the last five financial years.

	2011	2010	2009	2008	2007
Net (loss)/profit attributable to shareholders of Mincor Resources NL (\$'000)	(23,391)	28,100	(16,664)	64,041	101,330
Earnings/(loss) per share (cents)	(11.7)	14.1	(8.4)	32.4	51.8
Dividends paid (\$'000)	16,049	14,012	15,911	23,722	17,596
Dividends paid per share (cents)	8.0	7.0	8.0	12.0	9.0
30 June share price (\$)	0.91	1.82	1.55	3.32	4.70

## Details of remuneration

Details of ordinary shares in the Company provided as a result of the exercise of remuneration options to each Director of Mincor Resources NL and other key management personnel of the consolidated entity during the year ended 30 June 2011 are set out below.

Name	Date of Exercise of Options	Number of Ordinary Shares Issued on Exercise of Options during the Year	Amount Paid per Share
<b>Other Key Management Personnel of the consolidated entity</b>			
P Muccilli	25 August 2010	414,118	\$0.85

For the year ended 30 June 2011

## SHARES UNDER OPTION

Unissued ordinary shares in the Company under option at the date of this report are as follows:

Date Options Granted	Expiry Date	Issue Price of Shares	Number of Options
23 October 2006	19 October 2011	\$1.74	113,000
6 December 2006	5 December 2011	\$2.16	220,000
1 April 2008	5 December 2012	\$4.40	405,000
31 January 2011	30 January 2015	\$2.60	3,000,000
1 April 2011	31 March 2015	\$1.95	2,000,000
19 May 2011	18 May 2015	\$1.60	2,000,000
18 July 2011	17 July 2015	\$1.32	2,000,000
			<b>9,738,000</b>

No option holder has any right under the option to participate in any share issue of the Company or any other entity.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of the Company were issued during and/or since the year ended 30 June 2011 and up to the date of this report on the exercise of options granted under both the 2002 Employee Share Option Plan and Executive Share Option Scheme. No amounts are unpaid on any of the shares.

Date Options Granted	Issue Price of Shares	Number of Shares Issued
22 December 2005	\$0.70	10,000
8 May 2006	\$0.85	414,118
		<b>424,118</b>

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 17 August 2011 the Directors declared a fully franked dividend of 2 cents per share in respect of the year ended 30 June 2011.

## CORPORATE GOVERNANCE

The Company's corporate governance policies and practices are set out separately in this document.

## ENVIRONMENTAL MATTERS

The consolidated entity is subject to environmental regulation on its mineral properties. To this extent, the consolidated entity has raised rehabilitation provisions of \$4,943,000 (2010: \$4,858,000). To the best of the belief and knowledge of the Directors, no breach of environmental legislation occurred during the year and up to the date of this report. Further details on environmental policy are set out in the Annual Report under the Corporate Governance section and the Health, Safety and Environmental Policy section.

### Greenhouse Gas and Energy Data Reporting Requirements

The consolidated entity is subject to the reporting requirements of both the *Energy Efficiency Opportunities Act 2006* and the *National Greenhouse and Energy Reporting Act 2007*.

The *Energy Efficiency Opportunities Act 2006* requires the consolidated entity to assess its energy usage, including the identification, investigation and evaluation of energy saving opportunities, and to report publicly on the assessments undertaken, including what action the consolidated entity intends to take as a result.

The *National Greenhouse and Energy Reporting Act 2007* requires the consolidated entity to report its annual greenhouse gas emissions and energy use. The consolidated entity has implemented systems and processes for the collection and calculation of the data required and submitted its 2009/10 report to the Greenhouse and Energy Data Officer on 22 October 2010.

For the year ended 30 June 2011

## INSURANCE OF OFFICERS

During the year the Company has paid a premium in respect of Directors' and Executive Officers' insurance. The contract contains a prohibition on disclosure of the amount of the premium and the nature of the liabilities under the policy.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are provided in Note 24 to the financial statements.

The board of Directors has considered the position and in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 24, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

## AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out separately in this report.

## ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Dated in Perth this 17<sup>th</sup> day of August 2011 in accordance with a resolution of the Directors.



DCA Moore  
Managing Director





### Auditor's Independence Declaration

As lead auditor for the audit of Mincor Resources NL for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Mincor Resources NL and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'David J. Smith'.

David J Smith  
Partner  
PricewaterhouseCoopers

Perth  
17 August 2011

**PricewaterhouseCoopers, ABN 52 780 433 757**  
QV1, 250 St Georges Terrace, PERTH WA 6000, GPO BOX D198, PERTH WA 6840  
T +61 8 9238 3000, F +61 8 9238 3999, [www.pwc.com.au](http://www.pwc.com.au)

Liability limited by a scheme approved under Professional Standards Legislation.

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Revenue</b>	3	152,108	184,034
Mining contractor costs		(40,896)	(23,900)
Ore tolling costs		(15,667)	(14,660)
Utilities expense		(9,627)	(7,044)
Mining supplies and consumables		(5,403)	(8,482)
Royalty expense		(5,638)	(4,338)
Employee benefit expense		(25,797)	(24,722)
Finance costs	4	(189)	(320)
Foreign exchange loss		(8,368)	(526)
Exploration costs expensed	4	(9,923)	(6,305)
Depreciation and amortisation expense	4	(28,130)	(40,174)
Impairment of property, plant and equipment	4	(24,994)	-
Other expenses from ordinary activities		(10,883)	(13,631)
(Loss)/profit before income tax		(33,407)	39,932
Income tax benefit/(expense)	5	10,016	(11,832)
(Loss)/profit attributable to the members of Mincor Resources NL		(23,391)	28,100
		<b>Cents</b>	<b>Cents</b>
(Loss)/earnings per share	30	(11.7)	14.1
Diluted (loss)/earnings per share	30	(11.7)	14.0

*The above Consolidated Income Statement should be read in conjunction with the accompanying notes.*

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>(Loss)/profit for the year</b>		(23,391)	28,100
<b>Other Comprehensive Income/(Loss)</b>			
Changes in the fair value of available-for-sale financial assets	18	415	19
Changes in the fair value of cash flow hedges	18	5,828	(13,488)
Income tax (expense)/benefit relating to components of other comprehensive income	5(c)	(1,873)	4,041
Other comprehensive income/(loss) for the year, net of tax		4,370	(9,428)
<b>Total comprehensive (loss)/income for the year attributable to the members of Mincor Resources NL</b>		<b>(19,021)</b>	<b>18,672</b>

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



As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	29	87,342	126,797
Trade and other receivables	6	22,201	24,783
Inventory	7	3,921	2,718
Current tax asset	14	3,783	-
Derivative financial instruments	8	8,159	3,669
<b>Total Current Assets</b>		<b>125,406</b>	<b>157,967</b>
<b>Non-Current Assets</b>			
Available-for-sale financial assets	9	1,644	1,229
Property, plant and equipment	10	68,093	83,474
Exploration, evaluation and development expenditure	11	12,898	12,948
Derivative financial instruments	8	2,845	4,811
<b>Total Non-Current Assets</b>		<b>85,480</b>	<b>102,462</b>
<b>TOTAL ASSETS</b>		<b>210,886</b>	<b>260,429</b>
<b>Current Liabilities</b>			
Payables	12	19,785	19,449
Interest bearing liabilities	13	-	943
Current tax liabilities	14	-	9,243
Provisions	15	3,980	3,492
Derivative financial instruments	8	2,053	705
<b>Total Current Liabilities</b>		<b>25,818</b>	<b>33,832</b>
<b>Non-Current Liabilities</b>			
Provisions	15	4,943	4,858
Deferred tax liabilities	16	9,278	14,633
Derivative financial instruments	8	-	2,053
<b>Total Non-Current Liabilities</b>		<b>14,221</b>	<b>21,544</b>
<b>TOTAL LIABILITIES</b>		<b>40,039</b>	<b>55,376</b>
<b>NET ASSETS</b>		<b>170,847</b>	<b>205,053</b>
<b>Equity</b>			
Contributed equity	17	32,753	32,394
Reserves	18	9,370	4,495
Retained earnings	19	128,724	168,164
<b>TOTAL EQUITY</b>		<b>170,847</b>	<b>205,053</b>

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Contributed Equity \$'000	Retained Earnings \$'000	Other Reserves \$'000	Total Equity \$'000
<b>At 1 July 2009</b>		31,392	154,076	13,858	199,326
Profit for the year		-	28,100	-	28,100
Other comprehensive income		-	-	(9,428)	(9,428)
Total comprehensive income for the year		-	28,100	(9,428)	18,672
Transactions with owners in their capacity as owners:					
- Contributions of equity, net of transaction costs		1,002	-	-	1,002
- Dividends provided for or paid	20	-	(14,012)	-	(14,012)
- Employee share options	18	-	-	65	65
		1,002	(14,012)	65	(12,945)
<b>At 30 June 2010</b>		<b>32,394</b>	<b>168,164</b>	<b>4,495</b>	<b>205,053</b>
Loss for the year		-	(23,391)	-	(23,391)
Other comprehensive income		-	-	4,370	4,370
Total comprehensive income for the year		-	(23,391)	4,370	(19,021)
Transactions with owners in their capacity as owners:					
- Contributions of equity, net of transaction costs		359	-	-	359
- Dividends provided for or paid	20	-	(16,049)	-	(16,049)
- Employee share options	18	-	-	505	505
		359	(16,049)	505	(15,185)
<b>At 30 June 2011</b>		<b>32,753</b>	<b>128,724</b>	<b>9,370</b>	<b>170,847</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
<b>Cash Flows from Operating Activities</b>			
Receipts from customers (inclusive of GST)		158,487	212,558
Payments to suppliers and employees (inclusive of GST)		(126,667)	(115,595)
		31,820	96,963
Interest received		3,607	2,579
Other revenue		1,061	1,016
Interest paid		(49)	(77)
Income tax paid		(10,238)	(990)
<b>Net Cash Inflow from Operating Activities</b>	29(a)	26,201	99,491
<b>Cash Flows from Investing Activities</b>			
Payments for acquisition of exploration properties		-	(81)
Payment for contingent consideration in relation to past acquisition of subsidiary		-	(1,561)
Payments for property, plant and equipment		(39,163)	(28,370)
Payments for exploration, evaluation and development expenditure		(9,873)	(5,171)
Proceeds from sale of property, plant and equipment		13	243
<b>Net Cash Outflow from Investing Activities</b>		(49,023)	(34,940)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issues of shares		359	1,002
Dividends paid		(16,049)	(14,012)
Finance lease payments		(943)	(545)
<b>Net Cash Outflow from Financing Activities</b>		(16,633)	(13,555)
<b>Net (Decrease)/Increase in Cash and Cash Equivalents</b>		(39,455)	50,996
Cash at the Beginning of the Financial Year		126,797	75,801
<b>Cash at the End of the Financial Year</b>	29(b)	87,342	126,797

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



For the year ended 30 June 2011

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Mincor Resources NL and its subsidiaries.

#### a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

##### Compliance with IFRS

The consolidated financial statements of the consolidated entity comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

##### Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss or equity and certain classes of property, plant and equipment.

#### b) Principles of Consolidation

##### Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mincor Resources NL ("Company") as at 30 June 2011 and the results of all subsidiaries for the year then ended. Mincor Resources NL and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the consolidated entity has power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 1(r)).

Intercompany transactions, balances and unrealised gains on transaction between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

##### Joint ventures

The proportionate interests in the assets, liabilities and expenses of jointly controlled assets have been incorporated in the financial statements under the appropriate headings. Details of the joint ventures are set out in Note 27.

#### c) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director.

For the year ended 30 June 2011

**d) Revenue Recognition**

Sales revenue comprises revenue earned from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the product is delivered and:

- risk has been passed to the customer;
- the product is in a form suitable for delivery;
- the quantity of the product can be determined with reasonable accuracy;
- the product has been dispatched to the customer and is no longer under the physical control of the producer; and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer. Sales are initially recognised at estimated sales value when the product is delivered. Adjustments are made for variations in metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

Interest income is recognised using the effective interest rate method.

**e) Property, Plant and Equipment**

Office property, plant and equipment are stated at historical cost less depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Office property, plant and equipment are depreciated or amortised over their estimated useful economic lives using either the straight line or reducing balance method. The expected useful lives are as follows:

- Plant and Equipment - 2 to 5 years
- Furniture and Fittings - 3 to 10 years

Refer to Notes 1(i), 1(j), 1(k) and 1(l) for the accounting policy with respect to exploration and evaluation expenditure, development properties, mine properties, and mine buildings, machinery and equipment.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

**f) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

For the year ended 30 June 2011

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### f) Income Tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for the investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets

#### g) Foreign Currency Translation

##### i) Functional and presentation currency

Items included in the financial statements of each of the consolidated entity's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Mincor Resources NL's functional and presentation currency.

##### ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary items such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

##### iii) Group companies

The results and financial position of all the consolidated entity's entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.



For the year ended 30 June 2011

**h) Inventories****Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of stock on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

**i) Exploration and Evaluation Expenditure**

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are initially capitalised when incurred and then written off except where they may be carried forward as an item in the balance sheet where the rights of tenure of an area are current and one of the following conditions is met:

- The costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and/or evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered through use or sale.

**j) Development Expenditure**

Development expenditure incurred by or on behalf of the consolidated entity is accumulated separately for each area of interest in which economically recoverable reserves have been identified to the satisfaction of the Directors. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure having a specific nexus with the development property.

Once a development decision has been taken, any deferred exploration and evaluation expenditure is transferred to "Development Expenditure".

All expenditure incurred prior to the commencement of commercial levels of production from each development property, is carried forward to the extent to which recoupment out of revenue to be derived from the sale of production from the relevant development property, or from the sale of that property, is reasonably assured.

No amortisation is provided in respect of development properties until they are reclassified as "Mine Properties" following a decision to commence mining.

**k) Mine Properties**

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the consolidated entity in relation to areas of interest in which mining of a mineral resource has commenced.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the associated future economic benefits will flow to the consolidated entity, otherwise such expenditure is classified as part of the cost of production.

Amortisation of costs are provided on the unit-of-production method with separate calculations being made for each mineral resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable mineral reserves.

For the year ended 30 June 2011

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### l) Mine Buildings, Machinery and Equipment

The cost of each item of buildings, machinery and equipment is written off over its expected useful life using either the unit-of-production or straight-line method. Cost includes expenditure that is directly attributable to the acquisition of the items. The unit-of-production basis results in an amortisation charge proportional to the depletion of the recoverable mineral reserves. Each item's economic life has due regard to both its own physical life limitations and to present assessments of recoverable mineral reserves of the mine property at which the item is located, and to possible future variations in those assessments.

Estimates of remaining useful lives are made on a regular basis for all mine buildings, machinery and equipment, with annual reassessments of major items.

The expected useful lives are as follows:

- Mine buildings – the shorter of applicable mine life and five years;
- Machinery and equipment – the shorter of applicable mine life and two to ten years, depending on the nature of the asset.

#### m) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except where they are included in the cost of qualifying assets. Qualifying assets are assets that take more than 12 months to prepare for their intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year. No interest was capitalised in 2011 (2010: Nil).

Borrowing costs include:

- interest on bank overdrafts and short-term and long-term borrowings;
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings, and
- finance lease charges.

#### n) Leased Non-Current Assets

Leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in interest bearing liabilities. Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated in accordance with policy 1(e) above.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the consolidated entity is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

#### o) Employee Benefits

##### i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

For the year ended 30 June 2011

**ii) Other long-term employee benefit obligations**

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**iii) Share-based payments**

Share-based compensation benefits are provided to employees via the Mincor Resources NL 2002 Employee Share Option Plan, the Prospectus issued 6 December 2007 and an Executive Share Option Scheme.

The fair value of options granted under the Mincor Resources NL 2002 Employee Share Option Plan, the Prospectus issued 6 December 2007 and the Executive Share Option Scheme is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Binomial option valuation model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

**p) Cash and Cash Equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes deposits at call with financial institutions, short-term bank bills, and cash at bank and in transit, all of which are used in the cash management function on a day-to-day basis, net of outstanding bank overdrafts.

**q) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**r) Business Combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.



For the year ended 30 June 2011

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### r) Business Combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with the changes in fair value recognised in profit or loss.

#### s) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### t) Investments and Other Financial Assets

##### Classification

The consolidated entity classifies its investments into the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments, and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. The Company determines the classification of its investments at initial recognition, and in the case of assets classified as held-to-maturity re-evaluates this designation at the end of each reporting period.

##### i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current assets.

##### ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

##### iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the consolidated entity's management has the positive intention and ability to hold to maturity. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

For the year ended 30 June 2011

## iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

**Recognition and de-recognition**

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the consolidated entity commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

**Measurement**

At initial recognition, the consolidated entity measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the consolidated entity's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Details on how the fair value of financial instruments is determined are disclosed in Note 2.

**Impairment**

The consolidated entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

## i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the consolidated entity may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

## ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

For the year ended 30 June 2011

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### u) Derivatives and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The consolidated entity designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of highly probable forecast transactions (cash flow hedges).

The consolidated entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The consolidated entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 8. Movements in the hedging reserve in shareholders' equity are shown in Note 18. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or a liability when the remaining maturity of the hedged item is less than 12 months.

##### i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective investment rate.

##### ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are reclassified from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

##### iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

#### v) Fair Value Estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated entity is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.



For the year ended 30 June 2011

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments. The fair value of current borrowings approximates the carrying amount, as the impact of discounting is not significant.

## w) Contributed Equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Where the consolidated entity purchases the company's equity instruments, for example as the results of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the consolidated entity. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the consolidated entity.

## x) Dividends

Provision is made for the amount of any dividend declared, determined or publicly recommended by the Directors on or before the end of the reporting period but not distributed at the end of the reporting period.

## y) Earnings per Share

### i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

## z) Rehabilitation and Mine Closure Costs

The consolidated entity has obligations to dismantle, remove, restore and rehabilitate certain items of property, plant and equipment.

Under AASB 116 *Property, Plant and Equipment*, the cost of an asset includes any estimated costs of dismantling and removing the asset and restoring the site on which it is located. The capitalised rehabilitation and mine closure costs are depreciated (along with the other costs included in the asset) over the asset's useful life.

AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* requires a provision to be raised for the present value of the estimated cost of settling the rehabilitation and restoration obligations existing at balance date. The estimated costs are discounted using a pre-tax discount rate that reflects the time value of money. The discount rate does not reflect risks for which future cash flow estimates have been adjusted. As the value of the provision represents the discounted value of the present obligation to restore, dismantle and rehabilitate, the increase in the provision due to the passage of time is recognised as a borrowing cost.

## aa) Royalties

Royalties, to the extent that they represent period costs, are accrued and charged against earnings when the liability from production or sale of the mineral crystallises.

In the case of business combinations, future royalty payments may represent contingent purchase consideration. Where this is the case and an estimate of the probable payments can be reliably measured, such amounts are included in the cost of the business combination.

For the year ended 30 June 2011

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ab) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

#### ac) Critical Accounting Estimates and Judgements

Critical accounting estimates and judgements are continually evaluated and are based on management's historical experience and knowledge of relevant facts and circumstances at that time.

The consolidated entity makes estimates and judgements concerning the future. The resulting accounting estimates and judgements may differ from the related actual results and may have a significant effect on the carrying amounts of assets and liabilities within the next financial year and on the amounts recognised in the financial statements. Information on such estimates and judgements are contained in the accounting policies and/or notes to the financial statements.

Key accounting estimates include:

- estimation of sales revenue when product is delivered (Note 1(d));
- estimation of royalties based on estimated sales revenue;
- estimation of dismantling, restoration costs, environmental clean-up costs and the timing of this expenditure (Notes 1(z) and 15);
- asset carrying value and impairment charges;
- determination of ore reserves; and
- capitalisation and impairment of exploration and evaluation expenditure.

Critical judgements in applying the entity's accounting policies include determining the effectiveness of forward foreign exchange contracts and futures commodity contracts as cash flow hedges and fair value hedges (Note 1(u)).

#### ad) Parent Entity Financial Information

The financial information for the parent entity, Mincor Resources NL disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

##### i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Mincor Resources NL. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

##### ii) Tax consolidation legislation

Mincor Resources NL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Mincor Resources NL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Mincor Resources NL recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

For the year ended 30 June 2011

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Mincor Resources NL for any current tax payable assumed and are compensated by Mincor Resources NL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Mincor Resources NL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

### iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

## ae) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

### **AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)**

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and liabilities and is likely to affect the consolidated entity's accounting for its financial assets and liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The consolidated entity is yet to assess its full impact. The consolidated entity has not yet decided when to adopt AASB 9.

### **AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)**

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Company is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the consolidated entity.

### **AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)**

Amendments made to AASB 7 *Financial Instruments: Disclosures* in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the consolidated entity's disclosures. The consolidated entity intends to apply the amendment from 1 July 2011.

### **AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)**

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is, through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The consolidated entity will apply the amendment from 1 July 2012. The consolidated entity is yet to assess its full impact.

### **Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)**

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The consolidated entity will apply the amended standard from 1 July 2011. It is not expected to have any effect on the consolidated entity's or the parent entity's related party disclosures.



For the year ended 30 June 2011

## NOTE 1

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ae) New Accounting Standards and Interpretations (continued)

**IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities and revised IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures** (effective 1 January 2013)

In May 2011, the IASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The AASB is expected to issue equivalent Australian standards shortly.

IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 *Consolidated and Separate Financial Statements*, and SIC-12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the consolidated entity does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

**IFRS 13 Fair Value Measurement** (effective 1 January 2013)

IFRS 13 was released in May 2011. The AASB is expected to issue an equivalent Australian standard shortly. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The consolidated entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The consolidated entity does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

**Revised IAS 1 Presentation of Financial Statements** (effective 1 July 2012)

In June 2011, the IASB made an amendment to IAS 1 *Presentation of Financial Statements*. The AASB is expected to make equivalent changes to AASB 101 shortly. The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The consolidated entity intends to adopt the new standard from 1 July 2012.

**AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements** (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

#### af) Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

For the year ended 30 June 2011

## NOTE 2

### FINANCIAL RISK MANAGEMENT

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts and commodity price futures to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes and not as trading or other speculative instruments.

Financial risk management is carried out by senior management utilising policies approved by the Board of Directors. The Board provides written policies covering specific areas, such as mitigating foreign exchange and price risks, use of derivative financial instruments and investing excess liquidity. The consolidated entity uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of foreign exchange, commodity price and interest rate risks.

The consolidated entity hedges less than 60% of its proved and probable ore reserves from its combined operations. The consolidated entity will not hedge more than 80% of its budgeted or forecast production over any six month period and will not enter into hedging contracts that terminate less than six months before planned exhaustion of ore reserves.

There has been no change to the consolidated entity's exposure to market risks or the manner in which it manages and measures the risk.

#### a) Market risk

##### i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised financial assets and financial liabilities are denominated in a currency that is not the entity's functional currency. The entity manages its foreign exchange risk exposure arising from future commercial transactions through sensitivity analysis, cash flow management and forecasting and where appropriate, utilises derivative financial instruments to reduce foreign exchange risk exposure.

The consolidated entity is exposed to foreign exchange risk principally through the sale of commodities denominated in US dollars. The consolidated entity hedges part of this exposure through the use of derivative instruments in accordance with policies approved by the Board of Directors.

The consolidated entity's exposure to foreign currency risk at the end of the reporting period was as follows:

	30 June 2011 USD \$'000	30 June 2010 USD \$'000
Cash and cash equivalents	23,022	35,633
Trade and other receivables	18,681	19,085
Derivative financial instruments		
- Futures commodity contracts	58,411	79,025
- Forward foreign exchange contracts	(54,157)	(73,414)

##### Group sensitivity

Based on the financial instruments held at 30 June 2011, had the Australian dollar strengthened/weakened by 10% against the US dollar, with all other variables held constant, the consolidated entity's post-tax loss for the year would have been \$2,153,000 higher/\$2,621,000 lower (2010: post-tax profit \$3,352,000 lower/\$4,144,000 higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated trade receivables and US dollar denominated cash and cash equivalents.

Equity would have been \$827,000 higher/\$1,019,000 lower (2010: \$1,205,000 higher/\$1,426,000 lower) had the Australian dollar strengthened/weakened by 10% against the US dollar, arising mainly from US dollar denominated trade receivables, US dollar denominated cash and cash equivalents and currency hedging contracts.

For the year ended 30 June 2011

## NOTE 2

### FINANCIAL RISK MANAGEMENT (continued)

#### a) Market risk (continued)

##### ii) Price risk

The consolidated entity is exposed to commodity price risk and equity security price risk. Commodity price risk arises from the sales of nickel, copper and cobalt. The entity manages its commodity price risk exposure arising from future commodity sales through sensitivity analysis, cash flow management and forecasting and where appropriate, utilises derivative financial instruments to reduce price risk.

Equity security price risk arises from investments held by the consolidated entity and are classified as available-for-sale instruments. The price risk for equity securities classified as available-for-sale instruments is not material to post tax profit or loss or total equity and has not been included in the sensitivity analysis.

##### Group sensitivity

Based on the financial instruments held at 30 June 2011, had commodity prices strengthened/weakened by 10% against those recognised, with all other variables held constant, the consolidated entity's post-tax loss for the year would have been \$862,000 lower/\$862,000 higher (2010: post-tax profit \$771,000 higher/\$771,000 lower), and equity would have been \$2,212,000 lower/\$2,212,000 higher (2010: \$3,888,000 lower/\$3,888,000 higher).

##### iii) Cash flow interest rate risk

Interest rate risk arises from the consolidated entity's cash and cash equivalents earning interest at variable rates. The significance and management of the risks to the consolidated entity and the parent entity are dependent on a number of factors including:

- interest rates;
- level of cash, liquid investments and borrowings and their term;
- maturity dates of investments.

At the end of the reporting period, the consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

	30 June 2011		30 June 2010	
	Weighted Average Interest Rate	Balance \$'000	Weighted Average Interest Rate	Balance \$'000
Cash and cash equivalents	3.51%	87,342	2.96%	126,797
Lease liabilities	-	-	9.75%	943

The risk is managed by the consolidated entity by maintaining an appropriate mix between short term fixed and floating rate cash and cash equivalents.

##### Group sensitivity

Based on the financial instruments at 30 June 2011, if interest rates had changed by +/-50 basis points from the year end rates, with all other variables held constant, post-tax loss for the year would have been \$306,000 lower/\$306,000 higher and equity would have been \$306,000 higher/\$306,000 lower (2010: post-tax profit and equity \$444,000 higher/\$444,000 lower).

The consolidated entity interest bearing liabilities have not been included in the sensitivity analysis as their possible impact on profit or loss or total equity is not considered material.

#### b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to trade customers, including outstanding receivables and committed transactions and represents the potential financial loss if counterparties fail to perform as contracted. The consolidated entity has credit policies in place and the exposure to credit risk is monitored on an ongoing basis.

All revenue from operations and related trade receivables balances are due from BHP Billiton Limited pursuant to Ore Tolling and Concentrate Purchase Agreements. The receivables balances are monitored on an ongoing basis.



For the year ended 30 June 2011

The age analysis of trade receivables past due but not impaired is disclosed in Note 6. The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment is also disclosed in Note 6.

For cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, the consolidated entity controls credit risk by setting minimum creditworthiness requirements of counterparties, which for banks and financial institutions is a Standard & Poor's rating of A or better.

The carrying amount of financial assets recorded in the financial statements represents the consolidated entity's exposure to credit risk.

### c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the operating commitments of the business.

The consolidated entity aims at maintaining flexibility in funding to meet ongoing operational requirements, exploration and development expenditure and small-to-medium sized business development opportunities by prudent cash flow management and maintaining committed credit facilities.

To the extent that the consolidated entity has liabilities on its cash flow hedges, the consolidated entity expects to produce sufficient nickel from its nickel operations to deliver into its committed hedge contracts.

The consolidated entity had access to undrawn borrowings. Refer to Note 13 for details at the end of the reporting period.

### Contractual maturities of financial liabilities

The following table details the consolidated entity's remaining contractual maturity for its financial liabilities and derivatives. The amounts presented represent the future undiscounted principal and interest cash flows.

CONSOLIDATED	Less than 1 year \$'000	Between 1 and 5 years \$'000	Total contractual cash flows \$'000	Carrying amount (assets)/liabilities \$'000
<b>AT 30 JUNE 2011</b>				
<b>Non-Derivative Financial Liabilities</b>				
Trade payables	2,902	-	2,902	2,902
Non-interest bearing liabilities	16,883	-	16,883	16,883
Lease liabilities	-	-	-	-
<b>Total Non-Derivative Financial Liabilities</b>	<b>19,785</b>	<b>-</b>	<b>19,785</b>	<b>19,785</b>
<b>Derivatives – commodity contracts</b>				
Net settled	779	(1,468)	(689)	(689)
<b>Derivatives – foreign exchange contracts</b>				
Gross settled				
- (inflow)	(45,929)	(19,746)	(65,675)	(8,262)
- outflow	39,044	18,369	57,413	-
	(6,885)	(1,377)	(8,262)	(8,262)
<b>AT 30 JUNE 2010</b>				
<b>Non-Derivative Financial Liabilities</b>				
Trade payables	5,840	-	5,840	5,840
Non-interest bearing liabilities	13,609	-	13,609	13,609
Lease liabilities	943	-	943	943
<b>Total Non-Derivative Financial Liabilities</b>	<b>20,392</b>	<b>-</b>	<b>20,392</b>	<b>20,392</b>
<b>Derivatives – commodity contracts</b>				
Net settled	(3,109)	(4,811)	(7,920)	(7,920)
<b>Derivatives – foreign exchange contracts</b>				
Gross settled				
- (inflow)	(56,742)	(37,010)	(93,752)	2,198
- outflow	56,887	39,063	95,950	-
	145	2,053	2,198	2,198

For the year ended 30 June 2011

## NOTE 2

### FINANCIAL RISK MANAGEMENT (continued)

#### c) Liquidity risk (continued)

##### Contractual maturities of financial liabilities (continued)

There are no derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

#### d) Fair Value Measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2011 and 30 June 2010.

GROUP – AT 30 JUNE 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Derivatives used for hedging	-	11,004	-	11,004
Available-for-sale financial assets	1,644	-	-	1,644
<b>Total Assets</b>	<b>1,644</b>	<b>11,004</b>	<b>-</b>	<b>12,648</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	2,053	-	2,053
<b>Total Liabilities</b>	<b>-</b>	<b>2,053</b>	<b>-</b>	<b>2,053</b>

GROUP – AT 30 JUNE 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Derivatives used for hedging	-	8,480	-	8,480
Available-for-sale financial assets	1,229	-	-	1,229
<b>Total Assets</b>	<b>1,229</b>	<b>8,480</b>	<b>-</b>	<b>9,709</b>
<b>Liabilities</b>				
Derivatives used for hedging	-	2,758	-	2,758
<b>Total Liabilities</b>	<b>-</b>	<b>2,758</b>	<b>-</b>	<b>2,758</b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the 30 June 2011 bid price. These instruments are included in level 1.

The fair value of the derivative financial instruments held by the Group is calculated by a financial risk management firm who use published market data to develop the yield curves, and capture currency and commodity prices to complete these market valuations. The published market data is collected from Reuters and these rates are used to complete the net present value calculation which provides the current market values at the end of each reporting period. These instruments are included in level 2.

For the year ended 30 June 2011

### NOTE 3 REVENUE

#### Revenue

Sale of goods

#### Other Revenue

Interest income

Sundry income

2011 \$'000	2010 \$'000
147,486	180,195
3,607	2,579
1,015	1,260
<b>152,108</b>	<b>184,034</b>

### NOTE 4 EXPENSES

(Loss)/profit before income tax includes the following specific expenses:

#### Expenses

Cost of sale of goods

Finance costs

- Interest paid or due and payable to other persons
- Unwinding of discount on rehabilitation

Exploration expenditure written off

Rental expenses relating to operating leases

Government royalty expense

Impairment

- Property, plant and equipment (refer Note 10)

Depreciation and amortisation:

- Mine property
- Plant and equipment

2011 \$'000	2010 \$'000
92,580	79,554
69	92
120	228
189	320
9,923	6,305
839	777
3,977	4,122
24,994	-
<b>24,994</b>	<b>-</b>
24,826	35,501
3,304	4,673
<b>28,130</b>	<b>40,174</b>



For the year ended 30 June 2011

## NOTE 5 INCOME TAX EXPENSE

	2011 \$'000	2010 \$'000
<b>a) Income tax (benefit)/expense</b>		
Current tax	(2,774)	11,943
Deferred tax	(6,846)	140
Over provision in prior year	(396)	(251)
Aggregate income tax (benefit)/expense	(10,016)	11,832
<b>b) Numerical reconciliation of income tax expense to prima facie tax payable</b>		
(Loss)/profit before income tax expense	(33,407)	39,932
Tax at the Australian tax rate of 30% (2010: 30%)	(10,022)	11,980
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Amortisation of property, plant and equipment	408	7
- Over provision in prior year	(396)	(251)
- Sundry items	(6)	96
Income tax (benefit)/expense	(10,016)	11,832
<b>c) Tax expense (income) relating to items of other comprehensive income</b>		
Available-for-sale financial assets (Note 18)	125	6
Cash flow hedges (Note 18)	1,748	(4,047)
	1,873	(4,041)
<b>d) Franking credits</b>		
Franking credits available for subsequent financial years based on a tax rate of 30%	79,006	75,684

The amounts represent the balance of the franking account as at the reporting date, adjusted for:

- Franking credits that will arise from the payment of the current tax liability;
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date;
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and
- Franking credits that may be prevented from being distributed in subsequent financial years.

## NOTE 6 TRADE AND OTHER RECEIVABLES

	2011 \$'000	2010 \$'000
<b>Current</b>		
Trade receivables	19,207	22,835
Other receivables	1,678	953
Prepayments	1,316	995
	22,201	24,783

The total revenue from operations and the related trade receivables' balances are due from BHP Billiton Limited pursuant to Ore Tolling and Concentrate Purchase Agreements.

### a) Impaired Receivables

The consolidated entity has no impaired receivables.

### b) Past Due but not Impaired

Financial assets that are neither past due or impaired are trade receivables with companies with a good collection track record with the consolidated entity.

For the year ended 30 June 2011

Where financial assets are past due but not impaired, the consolidated entity has assessed that the credit quality of these amounts has not changed and the amounts are still considered recoverable.

None of the current and non-current trade and other receivables are either impaired or past due but not impaired.

### c) Effective Interest Rate and Credit Risk

All receivables in 2011 and 2010 are non-interest bearing and therefore have no exposure to interest rate risk. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The consolidated entity does not hold collateral as security. Refer to Note 2 for more information on the risk management policy of the consolidated entity.

### d) Foreign Exchange Risk

Note 2(a)(i) details the trade and other receivables not denominated in Australian dollars and provides an analysis of the sensitivity of trade and other receivables to foreign exchange risk.

## NOTE 7 INVENTORY

Stores  
Work in progress

2011 \$'000	2010 \$'000
2,843	2,527
1,078	191
<b>3,921</b>	<b>2,718</b>

## NOTE 8 DERIVATIVE FINANCIAL INSTRUMENTS

### Current Assets

Forward foreign exchange contracts – cash flow hedges  
Futures commodity contracts – cash flow hedges  
Forward foreign exchange contracts – fair value hedges  
Futures commodity contracts – fair value hedges

**Total Current Derivative Financial Instrument Assets**

### Non-Current Assets

Forward foreign exchange contracts – cash flow hedges  
Futures commodity contracts – cash flow hedges

**Total Non-Current Derivative Financial Instrument Assets**

### Current Liabilities

Forward foreign exchange contracts – cash flow hedges  
Futures commodity contracts – cash flow hedges  
Forward foreign exchange contracts – fair value hedges  
Futures commodity contracts – fair value hedges

**Total Current Derivative Financial Instrument Liabilities**

### Non-Current Liabilities

Forward foreign exchange contracts – cash flow hedges

**Total Non-Current Derivative Financial Instrument Liabilities**

**Net Derivative Financial Instrument Assets**

2011 \$'000	2010 \$'000
5,191	42
1,147	682
1,694	31
127	2,914
<b>8,159</b>	<b>3,669</b>
1,377	-
1,468	4,811
<b>2,845</b>	<b>4,811</b>
-	(170)
(530)	(487)
-	(48)
(1,523)	-
<b>(2,053)</b>	<b>(705)</b>
-	(2,053)
<b>-</b>	<b>(2,053)</b>
<b>8,951</b>	<b>5,722</b>

For the year ended 30 June 2011

## NOTE 8

### DERIVATIVE FINANCIAL INSTRUMENTS (continued)

#### a) Instruments used by the Consolidated Entity

The consolidated entity is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in future commodity price and foreign exchange rates.

##### i) Forward exchange contracts – Cash flow hedges

The consolidated entity enters into forward exchange contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales in foreign currencies, to protect the Group against the possibility of loss from future exchange rate fluctuations. Exchange gains or losses on forward exchange contracts are charged to profit or loss except those relating to hedges of specific commitments which are deferred and included in the measurement of the sale.

The following table sets out the net value of Australian dollars to be received under foreign currency contracts, the weighted average contracted exchange rates and the settlement periods of outstanding contracts for the consolidated entity.

Sell US Dollars Year	Weighted Average Rate		Total Value (AUD \$'000)	
	2011	2010	2011	2010
30 June 2011	-	0.8329	-	46,667
30 June 2012	0.8866	0.8631	38,533	26,140
30 June 2013	0.9274	-	13,180	-
			<b>51,713</b>	<b>72,807</b>

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the income statement by removing the related amount from other comprehensive income.

At balance date these contracts represented assets of \$6,568,000 (2010: liabilities of \$2,181,000).

During the year ended 30 June 2011 a profit of \$8,974,000 (2010: profit of \$6,209,000) was removed from equity and transferred to the consolidated statement of comprehensive income.

##### ii) Commodity price contracts – Cash flow hedges

The Group has entered into forward sales contracts that oblige it to sell specified quantities of base metals in the future at predetermined prices. The contracts are matched against anticipated future base metal production to protect the Company against the possibility of a fall in base metal prices.

The following table sets out details of forward nickel sales contracts in place at 30 June 2011:

Year	Nickel Tonnes		Average Price (US\$/Tonne)	
	2011	2010	2011	2010
30 June 2011	-	1,950	-	19,993
30 June 2012	1,410	960	24,230	23,500
30 June 2013	480	-	25,465	-
	<b>1,890</b>	<b>2,910</b>		

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the income statement by removing the related amount from other comprehensive income.

At balance sheet date these contracts represented assets of \$2,085,000 (2010: \$5,006,000).

During the year ended 30 June 2011 a loss of \$8,894,000 (2010: loss of \$3,069,000) was removed from equity and transferred to the consolidated statement of comprehensive income.



For the year ended 30 June 2011

**iii) Forward exchange contracts – Fair value hedges**

Certain forward exchange contracts are designated as fair value hedges as they protect the Group against changes in the fair value of recognised assets. Changes in the fair value of the fair value hedges are recorded in profit or loss together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. A gain of \$1,694,000 (2010: loss of \$17,000) was recognised in profit or loss which was offset by a loss of \$1,694,000 (2010: gain of \$17,000) of the hedged item.

**iv) Commodity price contracts – Fair value hedges**

Certain futures commodity contracts are designated as fair value hedges as they protect the Group against changes in the fair value of recognised assets. Changes in the fair value of the fair value hedges are recorded in profit or loss together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. A loss of \$1,396,000 (2010: gain of \$2,914,000) was recognised in profit or loss which was offset by a gain of \$1,396,000 (2010: loss of \$2,914,000) of the hedged item.

**b) Interest Rate, Foreign Exchange and Commodity Price Risk**

An analysis of the sensitivity of derivatives to interest rate, foreign exchange and commodity price risk is provided at Note 2. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of derivative financial assets mentioned above.

**NOTE 9****AVAILABLE-FOR-SALE FINANCIAL ASSETS**

	2011 \$'000	2010 \$'000
At beginning of year	1,229	1,210
Revaluation in current year transferred to equity	415	19
At end of year	<b>1,644</b>	<b>1,229</b>
Represented by:		
Equity securities – listed	<b>1,644</b>	<b>1,229</b>

**a) Listed Investments**

No analysis of the sensitivity of available-for-sale financial assets is provided in Note 2 as market risks are not material to post-tax profits or total equity.

For the year ended 30 June 2011

## NOTE 10

### PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	Mine Property \$'000	Plant & Equipment \$'000	Leased Plant & Equipment \$'000	Total \$'000
<b>At 1 July 2009</b>				
Cost	298,727	49,361	9,703	357,791
Accumulated depreciation/amortisation	(219,941)	(33,947)	(8,921)	(262,809)
<b>Net book amount</b>	<b>78,786</b>	<b>15,414</b>	<b>782</b>	<b>94,982</b>
<b>Year ended 30 June 2010</b>				
Opening net book amount	78,786	15,414	782	94,982
Additions	28,378	426	9	28,813
Disposals	-	(147)	-	(147)
Depreciation/amortisation charge	(35,501)	(4,435)	(238)	(40,174)
<b>Closing net book amount</b>	<b>71,663</b>	<b>11,258</b>	<b>553</b>	<b>83,474</b>
<b>At 30 June 2010</b>				
Cost	327,105	49,341	9,712	386,158
Accumulated depreciation/amortisation	(255,442)	(38,083)	(9,159)	(302,684)
<b>Net book amount</b>	<b>71,663</b>	<b>11,258</b>	<b>553</b>	<b>83,474</b>
<b>Year ended 30 June 2011</b>				
Opening net book amount	71,663	11,258	553	83,474
Additions	36,331	1,422	-	37,753
Disposals	-	(10)	-	(10)
Transfers	553	-	(553)	-
Depreciation/amortisation charge	(24,826)	(3,304)	-	(28,130)
Impairment Loss	(24,994)	-	-	(24,994)
<b>Closing net book amount</b>	<b>58,727</b>	<b>9,366</b>	<b>-</b>	<b>68,093</b>
<b>At 30 June 2011</b>				
Cost	363,436	50,753	9,712	423,901
Accumulated depreciation	(304,709)	(41,387)	(9,712)	(355,808)
<b>Net book amount</b>	<b>58,727</b>	<b>9,366</b>	<b>-</b>	<b>68,093</b>

Refer to Note 13 for information on non-current assets pledged as security by the parent entity or its controlled entities.

### Impairment Charge

As a result of operational setbacks, seismic events and adverse reserve reconciliations, the consolidated entity undertook a review of the recoverable amount of each of its mining assets to determine if any asset was impaired. Each mine is considered to be a separate Cash Generating Unit ("CGU").

The recoverable amount of each CGU was established by applying the 'fair value less costs to sell' approach with reference to discounted cash flow forecasts which applied valuation assumptions that a knowledgeable and willing buyer would be expected to use. This included the use of external market forecasts of key inputs to the valuation models, such as forecast nickel prices and exchange rates.

Following this assessment the consolidated entity has recognised the following pre-tax impairment charges.

	2011 \$'000	2010 \$'000
<b>Cash Generating Unit</b>		
Miitel Mine	13,054	-
Otter Juan Mine	2,587	-
McMahon Mine	9,353	-
	<b>24,994</b>	<b>-</b>

For the year ended 30 June 2011

The estimates of future cash flows for each CGU against which the impairment charge is calculated, are based on significant assumptions including:

- estimates of the quantities of mineral reserves and ore resources for which there is a high degree of confidence of economic extraction and the timing of access to these reserves and ore resources;
- future production levels;
- future selling prices based on the consolidated entity's assessment of commodity prices;
- future exchange rates for the Australian dollar compared to the US dollar;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the CGU.

Given the nature of the consolidated entity's mining activities, future changes in assumptions upon which these estimates are based, may give rise to material adjustments to the current or prior years. This could lead to a reversal of part, or all, of impairment charges recorded in the current or prior years, or the recognition of additional impairment charges in the future.

Due to the nature of the assumptions and their significance to the assessment of the recoverable amount of each CGU, relatively modest changes in one or more assumptions could require a material adjustment (negative or positive) to the carrying value of the related non-current assets within the next reporting period.

The inter-relationships of the significant assumptions upon which estimated future cash flows are based, however, are such that it is impracticable to disclose the extent of the possible effects of a change in a key assumption in isolation.

In addition, the Australian Federal Government has proposed introducing a carbon tax no earlier than 2012. This introduction has the potential to significantly impact the assumptions used to determine the future cash flows generated from the continuing use of the consolidated entity's assets for the purpose of impairment testing. The consolidated entity has not yet incorporated the impact of carbon tax into its assumptions at 30 June 2011 as insufficient market information exists.

## NOTE 11

### EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	2011 \$'000	2010 \$'000
<b>Exploration, Evaluation and Development Expenditure</b>		
Opening balance	12,948	13,021
Current year expenditure	9,873	6,305
Cost of acquisition – new tenements	-	81
Expenditure transferred to property, plant and equipment	-	(154)
Expenditure written off in current year	(9,923)	(6,305)
Closing balance	12,898	12,948
<b>Total Exploration, Evaluation and Development Expenditure</b>	<b>12,898</b>	<b>12,948</b>

## NOTE 12

### PAYABLES

	2011 \$'000	2010 \$'000
<b>Current</b>		
Trade payables	2,902	5,840
Other creditors and accruals	16,883	13,609
	<b>19,785</b>	<b>19,449</b>

#### a) Foreign Currency Risk

Note 2(a)(i) details the trade and other payables not denominated in Australian dollars. An analysis of the sensitivity of trade and other payables to foreign exchange and foreign currency risk is provided at Note 2.



For the year ended 30 June 2011

## NOTE 13 INTEREST-BEARING LIABILITIES

### Current

Lease liabilities (secured)

2011 \$'000	2010 \$'000
-	943

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

## Financing Arrangements

Entities in the consolidated entity have access to the following financing arrangements at balance date:

Bonding Facility – secured  
Less: Draw down portion

2011 \$'000	2010 \$'000
2,000	2,000
(1,679)	(1,575)
321	425

The Bonding Facility is denominated in Australian dollars and is secured by a first ranking charge over the assets and undertakings of the parent entity and consolidated entities. An annual performance bond fee is charged at market rates.

## NOTE 14 TAX (ASSETS)/LIABILITIES

### Current

Income tax (asset)/liability

2011 \$'000	2010 \$'000
(3,783)	9,243

The current tax asset for the Group of \$3,783,000 (2010: liability of \$9,243,000) represents the amount of income taxes receivable in respect of current and prior financial periods.

The consolidated entity has entered into a tax funding agreement. Refer to Note 5.

## NOTE 15 PROVISIONS

### Current

Employee benefits (b)

2011 \$'000	2010 \$'000
3,980	3,492

### Non-Current

Rehabilitation (a)

4,943	4,858
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As at 30 June 2011 the consolidated entity employed 220 people (2010: 226 people).

## Mine Rehabilitation

In accordance with State government legislative requirements, a provision for mine rehabilitation has been recognised in relation to the consolidated entity's nickel mining operations. The basis for accounting is set out in Note 1(z) of the significant accounting policies. Because of the long-term nature of the liability, the key uncertainty in estimating the provision is the costs that will be incurred and the life of the mine.

For the year ended 30 June 2011

## a) Movements in provisions

Movements in the rehabilitation provision during the financial year are set out below.

	2011 \$'000
<b>Rehabilitation 2011</b>	
Carrying amount at start of year	4,858
Charged to profit or loss	
- Unwinding of discount	120
Amounts used during the period	(35)
Carrying amount at end of year	<b>4,943</b>

## b) Amounts not expected to be settled within the next 12 months

The current position for employee benefits includes accrued annual leave, vesting sick leave and long service leave. Long service leave covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2011 \$'000	2010 \$'000
Leave obligation expected to be settled after 12 months	<b>757</b>	<b>247</b>

## NOTE 16

### DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

*Amounts recognised in profit or loss*

Trade receivables	5,907	7,483
Inventory	(659)	(536)
Property, plant and equipment	323	4,654
Evaluation and acquired exploration	2,996	3,490
Employee benefits	(1,252)	(995)
Impairment of available-for-sale financial assets	(171)	(171)
Rehabilitation	(1,483)	(1,458)
Other items	914	1,335
	<b>6,575</b>	<b>13,802</b>

*Amounts recognised directly in equity*

Available-for-sale financial assets	107	(17)
Cash flow hedges	2,596	848
	<b>2,703</b>	<b>831</b>

Net deferred tax liabilities

Deferred tax liabilities expected to be settled within 12 months	5,801	6,457
Deferred tax liabilities expected to be settled after more than 12 months	3,477	8,176
	<b>9,278</b>	<b>14,633</b>

	2011 \$'000	2010 \$'000
	5,907	7,483
	(659)	(536)
	323	4,654
	2,996	3,490
	(1,252)	(995)
	(171)	(171)
	(1,483)	(1,458)
	914	1,335
	<b>6,575</b>	<b>13,802</b>
	107	(17)
	2,596	848
	<b>2,703</b>	<b>831</b>
	<b>9,278</b>	<b>14,633</b>
	5,801	6,457
	3,477	8,176
	<b>9,278</b>	<b>14,633</b>

For the year ended 30 June 2011

## NOTE 17 CONTRIBUTED EQUITY

### a) Issued and Paid-up Capital

Fully paid ordinary shares 200,608,804 (2010: 200,184,686)

2011 \$'000	2010 \$'000
32,753	32,394

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### b) Movements in Ordinary Share Capital

	No. of Shares	Issue Price	\$'000
<b>2011</b>			
Opening balance	200,184,686		32,394
Shares issued pursuant to the exercise of options over fully paid shares	10,000	\$0.70	7
Shares issued pursuant to the exercise of options over fully paid shares	414,118	\$0.85	352
	<b>200,608,804</b>		<b>32,753</b>
<b>2010</b>			
Opening balance	199,059,010		31,392
Shares issued pursuant to the exercise of options over fully paid shares	20,000	\$0.70	14
Shares issued pursuant to the exercise of options over fully paid shares	1,051,676	\$0.85	894
Shares issued pursuant to the exercise of options over fully paid shares	54,000	\$1.74	94
	<b>200,184,686</b>		<b>32,394</b>

### c) Options

At 30 June 2011 options to take up shares in Mincor Resources NL are as follows:

Number and Class	Issue Date	Expiry Date	Exercise Price
113,000 unlisted <sup>(2)</sup>	23 October 2006	19 October 2011	174 cents per share
220,000 unlisted <sup>(1)</sup>	6 December 2006	5 December 2011	216 cents per share
405,000 unlisted <sup>(3)</sup>	1 April 2008	5 December 2012	440 cents per share
3,000,000 unlisted <sup>(2)</sup>	31 January 2011	30 January 2015	260 cents per share
2,000,000 unlisted <sup>(2)</sup>	1 April 2011	31 March 2015	195 cents per share
2,000,000 unlisted <sup>(2)</sup>	19 May 2011	18 May 2015	160 cents per share

(1) Options have been granted under the Mincor Resources NL 2002 Employee Share Option Plan. Each option entitles the holder to acquire one ordinary share by payment of the exercise price prior to the expiry date.

(2) Options have been granted under the Executive Share Option Scheme to certain senior executives. Each option entitles the holder to acquire one ordinary share by payment of the exercise price prior to the expiry date.

(3) Options have been granted pursuant to a Prospectus dated 6 December 2007. Each option entitles the holder to acquire one ordinary share by payment of the exercise price prior to the expiry date.

### d) Capital Risk Management

The consolidated entity manages its capital to ensure entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of its capital structure comprising equity, debt and cash.

The capital structure of the consolidated entity consists of debt, which includes borrowings disclosed in Note 13, cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained earnings as disclosed in Notes 18 and 19 respectively.

For the year ended 30 June 2011

The consolidated entity reviews the capital structure on an ongoing basis. As part of this review the consolidated entity considers the cost of capital and the risks associated with each class of capital. Based on recommendations from the Board of Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, new debt or the refinancing or repayment of existing debt.

The consolidated entity reviews its gearing level. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'interest bearing debt' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

As the consolidated entity had no net debt at 30 June 2011, its gearing level was Nil (30 June 2010: Nil).

## NOTE 18 RESERVES

	2011 \$'000	2010 \$'000
Available-for-Sale Financial Assets	250	(40)
Cash Flow Hedges	6,057	1,977
Share-based Payments	3,063	2,558
	<b>9,370</b>	<b>4,495</b>
<b>Movements:</b>		
<i>Available-for-Sale Financial Assets</i>		
Balance at 1 July	(40)	(53)
Revaluation – gross (Note 9)	415	19
Deferred tax (Note 16)	(125)	(6)
<b>Balance at 30 June</b>	<b>250</b>	<b>(40)</b>
<i>Cash Flow Hedges</i>		
Balance at 1 July	1,977	11,418
Revaluation – net	5,828	(13,488)
Deferred tax (Note 16)	(1,748)	4,047
<b>Balance at 30 June</b>	<b>6,057</b>	<b>1,977</b>
<i>Share-based Payments</i>		
Balance at 1 July	2,558	2,493
Option expense (Note 31)	505	65
<b>Balance at 30 June</b>	<b>3,063</b>	<b>2,558</b>

### Nature and Purpose of Reserves

#### i) Available-for-sale financial assets

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income, as described in Note 1(t). Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

#### ii) Cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised in other comprehensive income, as described in Note 1(u). Amounts are reclassified to profit or loss when the associated hedged transaction affects profit or loss.

#### iii) Share-based payments

The share-based payments reserve is used to recognise the fair value of options issued to employees but not exercised.



For the year ended 30 June 2011

## NOTE 19 RETAINED EARNINGS

	2011 \$'000	2010 \$'000
Balance 1 July	168,164	154,076
(Loss)/profit for the year	(23,391)	28,100
Dividends paid (Note 20)	(16,049)	(14,012)
Balance 30 June	<b>128,724</b>	<b>168,164</b>

## NOTE 20 DIVIDENDS

### a) Ordinary Shares

Final fully franked dividend for the year ended 30 June 2010 of 6 cents (2010: 4 cents) per fully paid ordinary shares paid on 24 September 2010 (2010: 25 September 2009)

Interim fully franked dividend for the year ended 30 June 2011 of 2 cents (2010: 3 cents) per fully paid ordinary share paid on 25 March 2011 (2010: 26 March 2010)

	2011 \$'000	2010 \$'000
Final fully franked dividend	12,037	8,007
Interim fully franked dividend	4,012	6,005
	<b>16,049</b>	<b>14,012</b>

### b) Dividends Not Recognised at Year End

The Directors have recommended the payment of a final dividend of 2 cents per fully paid ordinary share, (2010: 6 cents) fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 27 September 2011 out of retained earnings at 30 June 2011, but not recognised as a liability at year end is \$4,012,000.

## NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES

### a) Directors

The following persons were Directors of Mincor Resources NL during the financial year:

- DJ Humann – Non-executive Chairman
- DCA Moore – Managing Director
- JW Gardner – Non-executive Director
- IF Burston – Non-executive Director

### b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, during the financial year:

- ST Cowle – Chief Operating Officer (resigned 17 June 2011)
- B Lynn – Chief Financial Officer
- GL Fariss – General Manager, Corporate Development
- P Muccilli – Exploration Manager

All the above persons are employees of Mincor Resources NL and were also key management persons during the year ended 30 June 2010.

For the year ended 30 June 2011

## c) Key Management Personnel Compensation

	2011 \$	2010 \$
Short-term employee benefits	1,981,260	1,921,899
Post-employment benefits	85,895	99,421
Long-term benefits	32,904	29,570
Share-based payments	287,610	-
	<b>2,387,669</b>	<b>2,050,890</b>

Detailed remuneration disclosures can be found in sections (a) to (d) of the Remuneration Report contained in the Directors' Report.

## d) Equity Instruments Disclosures Relating to Key Management Personnel

## i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options, can be found in section (d) of the Remuneration Report contained in the Directors' Report.

## ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Mincor Resources NL and other key management personnel of the consolidated entity, including their personally-related parties, are set out below.

Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
<b>2011</b>							
<b>Directors of Mincor Resources NL</b>							
DJ Humann (Chairman)	-	-	-	-	-	-	-
DCA Moore	-	-	-	-	-	-	-
JW Gardner	-	-	-	-	-	-	-
IF Burston	-	-	-	-	-	-	-
<b>Other Key Management Personnel of the consolidated entity</b>							
ST Cowle	-	1,000,000	-	(1,000,000)	-	-	-
B Lynn	-	1,400,000	-	-	1,400,000	-	1,400,000
GL Fariss	-	1,400,000	-	-	1,400,000	-	1,400,000
P Muccilli	414,118	1,400,000	414,118	-	1,400,000	-	1,400,000

For the year ended 30 June 2011

## NOTE 21

## KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

## d) Equity Instruments Disclosures Relating to Key Management Personnel (continued)

## ii) Option holdings (continued)

Name	Balance at the start of the year	Granted as compensation	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
<b>2010</b>							
<b>Directors of Mincor Resources NL</b>							
DJ Humann (Chairman)	-	-	-	-	-	-	-
DCA Moore	-	-	-	-	-	-	-
JW Gardner	-	-	-	-	-	-	-
IF Burston	-	-	-	-	-	-	-
<b>Other Key Management Personnel of the consolidated entity</b>							
ST Cowle	-	-	-	-	-	-	-
B Lynn	250,000	-	(250,000)	-	-	-	-
GL Fariss	333,334	-	(333,334)	-	-	-	-
P Muccilli	714,118	-	(300,000)	-	414,118	414,118	-

All vested options are exercisable at the end of the year.

## iii) Shareholdings

The number of shares in the Company held during the financial year by each director of Mincor Resources NL and other key management personnel of the consolidated entity, including their personally-related parties, are set below.

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>2011</b>				
<b>Directors of Mincor Resources NL</b>				
<i>Ordinary shares</i>				
DJ Humann (Chairman)	295,000	-	-	295,000
DCA Moore	4,045,000	-	-	4,045,000
JW Gardner	1,218,176	-	-	1,218,176
IF Burston	50,000	-	-	50,000
<b>Other Key Management Personnel of the consolidated entity</b>				
<i>Ordinary shares</i>				
ST Cowle	179,800	-	(179,800)	-
B Lynn	150,000	-	-	150,000
GL Fariss	333,334	-	-	333,334
P Muccilli	-	414,118	(314,118)	100,000

For the year ended 30 June 2011

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
<b>2010</b>				
<b>Directors of Mincor Resources NL</b>				
<i>Ordinary shares</i>				
DJ Humann (Chairman)	295,000	-	-	295,000
DCA Moore	4,045,000	-	-	4,045,000
JW Gardner	1,218,176	-	-	1,218,176
IF Burston	50,000	-	-	50,000
<b>Other Key Management Personnel of the consolidated entity</b>				
<i>Ordinary shares</i>				
ST Cowle	185,000	-	(5,200)	179,800
B Lynn	60,000	250,000	(160,000)	150,000
GL Fariss	200,000	333,334	(200,000)	333,334
P Muccilli	-	300,000	(300,000)	-

## NOTE 22

### EXPENDITURE COMMITMENTS AND CONTINGENCIES

#### a) Exploration Expenditure Commitments

Discretionary exploration expenditure commitments relating to existing mineral tenements are as follows:

- Within one year

2011 \$'000	2010 \$'000
5,348	5,552

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable within one year. All of the above obligations are subject to renegotiation upon expiry of the mineral tenements and are not provided for in the accounts.

#### b) Operating Lease Commitments

Operating lease commitments are as follows:

##### Office Rental

Within one year

Later than one year but not later than five years

2011 \$'000	2010 \$'000
821	788
633	1,451
1,454	2,239

#### c) Finance Lease Commitments

Finance and hire purchase rentals for plant and equipment are payable as follows:

- Within one year
- Later than one year but not later than five years
- Minimum lease payments
- Less: Future finance charges
- Recognised as a liability

Representing interest-bearing liabilities:

- Current (Note 13)
- Non-current (Note 13)

-	943
-	-
-	943
-	-
-	943
-	943
-	-
-	943



For the year ended 30 June 2011

## NOTE 22

### EXPENDITURE COMMITMENTS AND CONTINGENCIES (continued)

#### d) Capital Commitments

There are no capital expenditure commitments as at 30 June 2011.

#### e) Contingent Liabilities

There are no known contingent liabilities as at 30 June 2011.

## NOTE 23

### SEGMENT INFORMATION

#### Description of Segments

The Group has one reportable operating segment being nickel mining operations.

In determining operating segments, the Group has had regard to the information and reports the chief operating decision maker uses to make strategic decisions regarding resources. The Managing Director ("MD") is considered to be the chief operating decision maker and is empowered by the Board of Directors to allocate resources and assess the performance of the Group. The MD assesses and reviews the business using a total Group nickel business approach and utilises an executive team consisting of the Chief Operating Officer, Chief Financial Officer, General Manager – Corporate Development and Exploration Manager to assist with this function. The MD assesses the performance of the operating segment based on a measure of net profit after tax.

## NOTE 24

### REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the consolidated entity, and its related practices and non-related audit firms.

	2011 \$	2010 \$
<b>a) Audit services</b>		
PricewaterhouseCoopers Australian firm		
- Audit and review of financial statements and other audit work under the <i>Corporations Act 2001</i>	195,976	142,187
<b>Total remuneration for audit services</b>	<b>195,976</b>	<b>142,187</b>
<b>b) Non-audit services</b>		
<i>Taxation services</i>		
PricewaterhouseCoopers Australian firm		
- Tax compliance services, including review of company income tax returns	33,000	33,500
- Tax advice on R&D concessions	7,000	39,900
- Tax advice on Australian Taxation Office Client Risk Review	91,309	-
- Tax advice and review of investment allowance	-	19,500
<b>Total remuneration for taxation services</b>	<b>131,309</b>	<b>92,900</b>
<i>Other Services</i>		
PricewaterhouseCoopers Australian firm		
- Due diligence and accounting advice regarding potential acquisitions	119,555	-
- Professional services related to Employee Share Trust	-	5,000
- Other	26,573	1,000
	<b>146,128</b>	<b>6,000</b>

For the year ended 30 June 2011

## NOTE 25

### SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2011 (%)	2010 (%)
Oribi Resources Inc	British Virgin Islands	Ordinary	100	100
Mincor Operations Pty Limited	Australia	Ordinary	100	100
Mincor Holdings Pty Ltd	Australia	Ordinary	100	100
Mincor Gold Pty Ltd	Australia	Ordinary	100	100
Mincor Copper Pty Ltd	Australia	Ordinary	100	100
Mincor Tungsten Pty Ltd	Australia	Ordinary	100	100
Mincor Zinc Pty Ltd	Australia	Ordinary	100	100
Goldfields Mine Management Pty Ltd*	Australia	Ordinary	100	100
Mincor Coal Holdings Pty Ltd	Australia	Ordinary	100	-
Mincor Iron Holdings Pty Ltd	Australia	Ordinary	100	-
Mincor PNG Holdings Pty Ltd	Australia	Ordinary	100	-

\*This subsidiary has been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by Australian Securities and Investments Commission. For further information refer to Note 26.

For the year ended 30 June 2011

## NOTE 26

### DEED OF CROSS GUARANTEE

Mincor Resources NL and Goldfields Mine Management Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the other. By entering into the deed, the wholly-owned entity has been relieved from the requirement to prepare a financial report and director's report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

#### a) Consolidated Income Statement, Statement of Comprehensive Income and a Summary of Movements in Consolidated Retained Earnings

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the Deed of Cross Guarantee that are controlled by Mincor Resources NL, they also represent the 'Extended closed group'.

Set out below is a consolidated income statement, statement of comprehensive income and a summary of movements in consolidated retained earnings for the year ended 30 June 2011 of the closed group consisting of Mincor Resources NL and Goldfields Mine Management Pty Ltd.

	2011 \$'000	2010 \$'000
<b>Income Statement</b>		
Revenue	152,108	184,034
Mining contractor costs	(40,896)	(23,900)
Ore tolling costs	(15,667)	(14,660)
Utilities expense	(9,627)	(7,044)
Mining supplies and consumables	(5,403)	(8,482)
Royalty expense	(5,638)	(4,338)
Employee benefit expense	(25,797)	(24,722)
Finance costs	(189)	(320)
Foreign exchange loss	(8,368)	(526)
Exploration costs expensed	(7,010)	(5,707)
Depreciation and amortisation expense	(28,130)	(40,174)
Impairment of property, plant and equipment	(24,994)	-
Other expenses from ordinary activities	(10,931)	(13,623)
(Loss)/profit before income tax	(30,542)	40,538
Income tax benefit/(expense)	9,157	(12,013)
(Loss)/profit for the year	(21,385)	28,525
<b>Statement of Comprehensive Income</b>		
(Loss)/profit for the year	(21,385)	28,525
<b>Other comprehensive income/(loss)</b>		
Available-for-sale financial assets	21	(97)
Cash flow hedges	5,828	(13,488)
Income tax relating to components of other comprehensive income	(1,755)	4,076
Other comprehensive profit/(loss) for the year, net of tax	4,094	(9,509)
Total comprehensive (loss)/income for the year	(17,291)	19,016
<b>Summary of movements in consolidated retained earnings</b>		
Retained earnings at the beginning of the financial year	170,625	156,112
(Loss)/profit for the year	(21,385)	28,525
Dividends provided for or paid	(16,049)	(14,012)
Retained earnings at the end	133,191	170,625

For the year ended 30 June 2011

**b) Balance Sheet**

Set out below is a consolidated balance sheet as at 30 June 2011 of the closed group consisting of Mincor Resources NL and Goldfields Mine Management Pty Ltd.

	2011 \$'000	2010 \$'000
<b>Current Assets</b>		
Cash and cash equivalents	87,342	126,797
Trade and other receivables	25,568	27,333
Inventory	3,921	2,718
Derivative financial instruments	8,159	3,669
Current tax asset	3,784	-
<b>Total Current Assets</b>	<b>128,774</b>	<b>160,517</b>
<b>Non-Current Assets</b>		
Available-for-sale financial assets	691	670
Property, plant and equipment	68,094	83,474
Exploration and evaluation expenditure	12,898	12,948
Derivative financial instruments	2,845	4,811
Other financial assets	311	310
<b>Total Non-Current Assets</b>	<b>84,839</b>	<b>102,213</b>
<b>TOTAL ASSETS</b>	<b>213,613</b>	<b>262,730</b>
<b>Current Liabilities</b>		
Payables	18,600	19,449
Interest bearing liabilities	-	943
Current tax liabilities	-	9,243
Provisions	3,980	3,492
Derivative financial instruments	2,053	705
<b>Total Current Liabilities</b>	<b>24,633</b>	<b>33,832</b>
<b>Non-Current Liabilities</b>		
Provisions	4,943	4,858
Deferred tax liabilities	9,176	14,650
Derivative financial instruments	-	2,053
<b>Total Non-Current Liabilities</b>	<b>14,119</b>	<b>21,561</b>
<b>TOTAL LIABILITIES</b>	<b>38,752</b>	<b>55,393</b>
<b>NET ASSETS</b>	<b>174,861</b>	<b>207,337</b>
<b>Equity</b>		
Contributed equity	32,753	32,394
Reserves	8,917	4,318
Retained earnings	133,191	170,625
<b>TOTAL EQUITY</b>	<b>174,861</b>	<b>207,337</b>



For the year ended 30 June 2011

## NOTE 27 INTERESTS IN JOINT VENTURES

The consolidated entity has the following joint ventures:

Name	Principal Activity	Percentage Interest	
		2011	2010
Webe Creek Farm-in and Joint Venture <sup>(1)</sup>	Gold exploration	18.75	18.75
Tafuse Farm-in and Joint Venture <sup>(1)</sup>	Gold exploration	25	25
Sabeto Farm-in and Joint Venture <sup>(1)</sup>	Gold exploration	25	25
Carnilya Hill Farm-in and Joint Venture*	Nickel exploration	70	70
Image Resources Farm-in and Joint Venture *	Nickel exploration	70	51
Georgina Basin Farm-in and Joint Venture <sup>(2)</sup> *	Zinc exploration	100	100
Bonaparte Farm-in and Joint Venture <sup>(3)</sup> *	Zinc exploration	100	100
West Tipperary Farm-in and Joint Venture <sup>(4)</sup>	Zinc exploration	-	51
Edie Creek Farm-in and Joint Venture <sup>(5)</sup>	Gold exploration	Earning	-
May River Farm-in and Joint Venture <sup>(6)</sup>	Copper/Gold exploration	Earning	-
Bolobip Farm-in and Joint Venture <sup>(7)</sup>	Copper/Gold exploration	Earning	-
Kubuna Farm-in and Joint Venture <sup>(8)</sup>	Copper/Gold exploration	Earning	-

\*The interest in the joint venture is controlled by Mincor Resources NL and is not jointly controlled.

- (1) Golden Rim Resources Ltd has met the earn-in expenditure commitments to acquire 75% of the Company's share in the Webe Creek, Tafuse and Sabeto Creek licenses.
- (2) During 2008 the Company entered into an agreement with the Japan, Oil, Gas and Metals National Corporation ("JOGMEC") whereby JOGMEC have undertaken to spend \$2.5 million over two years to earn a 25% interest in the Georgina Basin Project which is currently 100% owned by the Company. During 2011 the Company extended the earn-in period by a further 12 months, JOGMEC are required to spend \$2.5 million by 31 March 2012 to earn 25%. JOGMEC may elect to earn a further 15% interest by spending an additional \$2 million on the project over a further 12 month period.
- (3) During 2010 the Company entered into an agreement with JOGMEC whereby JOGMEC have undertaken to spend \$430,000 within one year, then may elect to spend a further \$770,000 over a second year to earn a 24% interest in the Bonaparte Project which is currently 100% owned by the Company. JOGMEC may elect to earn a further 16% interest by spending an additional \$800,000 on the project over a further 12 month period.
- (4) During 2011 the Company withdrew from the West Tipperary Farm-in and Joint Venture.
- (5) During 2011 the Company entered into an agreement with Niuminco Edie Creek Ltd and DSF International Holdings Limited (to be renamed Niuminco Group Limited – "Niuminco") whereby the Company have undertaken to spend \$15 million over five years to earn a 51% interest in the Edie Creek Gold Project.
- (6) During 2011 the Company entered into an agreement with Niuminco Limited and DSF International Holdings Limited (to be renamed Niuminco Group Limited – "Niuminco") whereby the Company have undertaken to spend \$5 million over eight years to earn a 72% interest in the May River Exploration Licence.
- (7) During 2011 the Company entered into an agreement with Niuminco Limited and DSF International Holdings Limited (to be renamed Niuminco Group Limited – "Niuminco") whereby the Company have undertaken to spend \$5 million over eight years to earn a 72% interest in the Bolobip Exploration Licence.
- (8) During 2011 the Company entered into an agreement with Niuminco Limited and DSF International Holdings Limited (to be renamed Niuminco Group Limited – "Niuminco") whereby the Company have undertaken to spend \$5 million over eight years to earn a 72% interest in the Kubuna Exploration Licence.

The joint ventures are not separate legal entities. They are contractual arrangements between the participants for the sharing of costs and output and do not in themselves generate revenue or profit.

For the year ended 30 June 2011

## NOTE 28 RELATED PARTY TRANSACTIONS

### a) Parent Entity

The ultimate parent entity within the consolidated entity is Mincor Resources NL.

### b) Subsidiaries

The aggregate amounts receivable from/payable to controlled entities are on an interest-free basis and are repayable on demand.

### c) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 21.

### d) Transactions with Other Related Parties

There were no transactions with other related parties during the reporting period.

## NOTE 29 RECONCILIATION OF (LOSS)/PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

### a) Reconciliation of Net Cash Inflow from Operating Activities to Operating (Loss)/Profit after Income Tax

	2011 \$'000	2010 \$'000
(Loss)/profit for the year	(23,391)	28,100
<b>Add/(Less): Non-Cash Items</b>		
Depreciation	3,304	4,673
Amortisation	24,826	35,501
Impairment	24,994	-
Net loss/(profit) on sale of non-current assets	7	(97)
Exploration expenditure written off	9,923	6,305
Employee benefits expense – share based payments	505	65
Bad debt provision	-	300
<b>Change in operating assets and liabilities</b>		
Decrease in trade receivables	5,968	14,228
(Increase)/decrease in inventories	(1,203)	405
(Increase) in prepayments	(321)	(211)
Increase/(decrease) in creditors and accruals	1,354	(330)
(Decrease)/increase in income tax payable/receivable	(13,025)	10,620
(Decrease)/increase in deferred tax	(7,228)	222
Increase/(decrease) in employee entitlement provisions	488	(290)
<b>Net cash inflow from operating activities</b>	<b>26,201</b>	<b>99,491</b>

### b) Cash and cash equivalents

Cash at bank and in hand	5	4
Deposits at call	87,337	126,793
	<b>87,342</b>	<b>126,797</b>

The consolidated entity's exposure to interest rate risk is disclosed in Note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

For the year ended 30 June 2011

## NOTE 30 EARNINGS PER SHARE

### a) Basic earnings per share (cents)

(Loss)/profit attributable to the ordinary equity holders of the Company

### b) Diluted earnings per share (cents)

(Loss)/profit attributable to the ordinary equity holders of the Company

### c) Earnings used in calculating earnings per share (\$'000)

*Basic and Diluted earnings per share*

(Loss)/profit for the year

(Loss)/profit attributable to the ordinary equity holders of the Company

### d) Weighted average number of shares used as the denominator

*Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share*

Adjustments for calculation of diluted earnings per share:

Options on issue

*Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share*

	2011	2010
	(11.7)	14.1
	(11.7)	14.0
	(23,391)	28,100
	(23,391)	28,100
	200,544,896	200,035,718
	-	280,681
	200,544,896	200,316,399

## NOTE 31 SHARE-BASED PAYMENTS

### 2002 Employee Share Option Plan

The 2002 Employee Share Option Plan ("Plan") was introduced on 21 August 2002. Persons eligible to participate in the Plan include Directors and all employees of the Company or companies or bodies corporate in which the Company holds at least 20% of all the voting shares.

Options are granted under the Plan for no consideration for a maximum period of five years and can be exercised at any time between the date the option is granted and the expiry date, subject to the imposition of any specified vesting date which is at the discretion of the Directors. The employee's entitlements to the options are vested and the options carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share. Amounts receivable on the exercise of the options are recognised as share capital.

The exercise price of options is determined at the discretion of the Directors and is set to incentivise the executives to increase shareholder value.

Set out below are summaries of options granted under the Plan.

2011			Opening Balance	Granted during the Year	Exercised during the Year	Forfeited during the Year	Closing Balance	Vested and Exercisable at End of the Year
Grant Date	Expiry Date	Exercise Price	Number	Number	Number	Number	Number	Number
22 December 2005	25 October 2010	70 cents	30,000	-	10,000	20,000	-	-
6 December 2006	5 December 2011	216 cents	250,000	-	-	30,000	220,000	220,000
<b>Total</b>			<b>280,000</b>	<b>-</b>	<b>10,000</b>	<b>50,000</b>	<b>220,000</b>	<b>220,000</b>
Weighted average exercise price			\$2.00	-	\$0.70	\$1.58	\$2.16	\$2.16

For the year ended 30 June 2011

2010			Opening Balance	Granted during the Year	Exercised during the Year	Forfeited during the Year	Closing Balance	Vested and Exercisable at End of the Year
Grant Date	Expiry Date	Exercise Price	Number	Number	Number	Number	Number	Number
22 December 2005	25 October 2010	70 cents	50,000	-	20,000	-	30,000	30,000
6 December 2006	5 December 2011	216 cents	250,000	-	-	-	250,000	250,000
<b>Total</b>			<b>300,000</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>280,000</b>	<b>280,000</b>
Weighted average exercise price			\$1.92	-	\$0.70	-	\$2.00	\$2.00

### Fair value of options granted

No options were granted under the 2002 Employee Share Option Plan during the year ended 30 June 2011.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was \$1.74 (2010: \$2.61).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.43 years (2010: 1.31 years).

### Options Issued pursuant to Prospectus dated 6 December 2007

			Opening Balance	Granted during the Year	Exercised during the Year	Forfeited during the Year	Closing Balance	Vested and Exercisable at End of the Year
Grant Date	Expiry Date	Exercise Price	Number	Number	Number	Number	Number	Number
<b>2011</b>								
1 April 2008	5 December 2012	440 cents	535,000	-	-	130,000	405,000	405,000
<b>Total</b>			<b>535,000</b>	<b>-</b>	<b>-</b>	<b>130,000</b>	<b>405,000</b>	<b>405,000</b>
Weighted average exercise price			\$4.40	-	-	\$4.40	\$4.40	\$4.40
<b>2010</b>								
1 April 2008	5 December 2012	440 cents	535,000	-	-	-	535,000	535,000
<b>Total</b>			<b>535,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>535,000</b>	<b>535,000</b>
Weighted average exercise price			\$4.40	-	-	-	\$4.40	\$4.40

The weighted average remaining contracted life of share options outstanding at the end of the period was 1.44 years (2010: 2.44 years).

### Mincor Resources Executive Share Option Scheme

The Mincor Resources Executive Share Option Scheme ("Scheme") was introduced on 8 May 2006. Persons eligible to participate in the Scheme include key employees, who are determined at the discretion of the Directors. Options are granted under the Scheme for no consideration for a maximum period of five years and can be exercised at any time on or after the following dates.

Grant Date	Number of Options Exercisable	Vesting and Date Exercisable
23 October 2006	33 <sup>1/3</sup> % of options	19 October 2007
23 October 2006	66 <sup>2/3</sup> % of options	19 October 2008
23 October 2006	100% of options	19 October 2009
31 January 2011	100% of options	31 January 2012
1 April 2011	100% of options	1 April 2012
19 May 2011	100% of options	20 May 2012

When exercisable, each option is convertible into one ordinary share. Amounts receivable on the exercise of options are recognised as share capital.

The exercise price of options is determined at the discretion of the Directors and is set to incentivise the executives to increase shareholder value.



For the year ended 30 June 2011

## NOTE 31

### SHARE-BASED PAYMENTS (continued)

#### Mincor Resources Executive Share Option Scheme (continued)

Set out below are summaries of options granted under the Scheme.

Grant Date	Expiry Date	Exercise Price	Opening Balance Number	Granted during the Year Number	Exercised during the Year Number	Forfeited during the Year Number	Closing Balance Number	Vested and Exercisable at End of the Year Number
<b>2011</b>								
8 May 2006	7 May 2011	85 cents	414,118	-	414,118	-	-	-
23 October 2006	19 October 2011	174 cents	279,667	-	-	166,667	113,000	113,000
31 January 2011	30 January 2015	260 cents	-	4,200,000	-	1,200,000	3,000,000	-
1 April 2011	31 March 2015	195 cents	-	2,800,000	-	800,000	2,000,000	-
19 May 2011	18 May 2015	160 cents	-	2,000,000	-	-	2,000,000	-
<b>Total</b>			<b>693,785</b>	<b>9,000,000</b>	<b>414,118</b>	<b>2,166,667</b>	<b>7,113,000</b>	<b>113,000</b>
Weighted average exercise price			\$1.21	\$2.18	\$0.85	\$2.29	\$2.12	\$1.74
<b>2010</b>								
8 May 2006	7 May 2011	85 cents	1,465,794	-	1,051,676	-	414,118	414,118
23 October 2006	19 October 2011	174 cents	333,667	-	54,000	-	279,667	279,667
25 March 2008	5 March 2013	323 cents	200,000	-	-	200,000	-	-
<b>Total</b>			<b>1,999,461</b>	<b>-</b>	<b>1,105,676</b>	<b>200,000</b>	<b>693,785</b>	<b>693,785</b>
Weighted average exercise price			\$1.24	-	\$0.89	\$3.23	\$1.21	\$1.21

#### Fair value of options granted

The assessed fair value at grant date of options granted under the Mincor Resources Executive Option Scheme during the year ended 30 June 2011 was 25.72 cents for options granted on 31 January 2011 and 20.09 cents for options granted on 1 April 2011 and 17.22 cents for options granted on 19 May 2011. The fair value at grant date is independently determined using the Binomial option valuation methodology that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was \$1.74 (2010: \$2.35).

The weighted average remaining contractual life of options outstanding at the end of the period was 3.67 years (2010: 1.03 years).

The model inputs for the options granted during the year ended 30 June 2011 included:

2011	Options are granted for no consideration and will vest over 12 months	Options are granted for no consideration and will vest over 12 months	Options granted for no consideration and will vest over 12 months
Exercise price	\$2.60	\$1.95	\$1.60
Grant date	31 January 2011	1 April 2011	19 May 2011
Expiry date	30 January 2015	31 March 2015	18 May 2015
Share price at grant date	\$1.76	\$1.35	\$1.10
Expected price volatility of the Company's shares	46%	46%	47%
Expected dividend yield	6%	6%	6%
Risk-free interest rate	4.90%	4.90%	4.98%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any changes to future volatility due to publicly available information.

For the year ended 30 June 2011

**Expenses Arising from Share-based Payment Transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

Options issued under employee option plans (refer Note 18)

2011 \$'000	2010 \$'000
505	65

**NOTE 32****PARENT ENTITY FINANCIAL INFORMATION****a) Summary Financial Information**

The individual financial statements for the parent entity show the following aggregate amounts:

	2011 \$'000	2010 \$'000
<b>Balance Sheet</b>		
Current assets	46,696	73,579
Total assets	206,739	241,093
Current liabilities	51,497	55,926
Total liabilities	58,704	66,305
<b>Shareholders' equity</b>		
Issued capital	32,753	32,394
Reserves		
- Available-for-sale financial assets	(202)	(217)
- Cash flow hedges	6,057	1,978
- Share-based payments	3,062	2,557
Retained earnings	106,365	138,076
	<b>148,035</b>	<b>174,788</b>
(Loss)/profit for the year	(15,662)	14,417
<b>Total Comprehensive (Loss)/Income</b>	<b>(11,568)</b>	<b>4,908</b>

**b) Guarantees Entered into by the Parent Entity**

Mincor Resources NL and Goldfields Mine Management Pty Ltd have provided a cross guarantee as described in Note 26. No deficiencies of assets exist in any of these entities.

**c) Contingent Liabilities of the Parent Entity**

The parent entity did not have any contingent liabilities as at 30 June 2011 or 30 June 2010.

**d) Contractual Commitments for the Acquisition of Property, Plant and Equipment**

As at 30 June 2011, the parent entity had no contractual commitments (30 June 2010 – Nil).

**NOTE 33****EVENTS OCCURRING AFTER BALANCE SHEET DATE**

On 17 August 2011 the Directors declared a fully franked dividend of 2 cents per share in respect of the year ended 30 June 2011.

The financial effect of this post balance date event has not been recorded in the 30 June 2011 financial statements.

In the Director's opinion:

- a) the financial statements and notes set out on pages 57 to 103 are in accordance with the *Corporations Act 2001*, including:
  - i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 26 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 26.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Dated at Perth this 17<sup>th</sup> day of August 2011.



DCA Moore  
Managing Director



## **Independent auditor's report to the members of Mincor Resources NL**

### **Report on the financial report**

We have audited the accompanying financial report of Mincor Resources NL (the company) which comprises the statement of financial position as at 30 June 2011, and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Mincor Resources NL Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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Liability limited by a scheme approved under Professional Standards Legislation.





**Independent auditor's report to the members of  
Mincor Resources NL (cont'd)**

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

- (a) the financial report of Mincor Resources NL is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 46 to 53 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the remuneration report of Mincor Resources NL for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

  
PricewaterhouseCoopers

  
David J Smith  
Partner

Perth  
17 August 2011

As at 31 August 2011

**Substantial Holders (holding not less than 5%)**

Name of Shareholder	Total Number of Voting Shares in Mincor Resources NL in which the Substantial Shareholders and its Associates hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Acorn Capital Limited	10,250,773	5.11%

**Distribution of Shareholders**

Number of Shares Held	Number of Shareholders	Number of Fully Paid Shares
1 to 1,000	1,746	1,093,851
1,001 to 5,000	3,357	9,950,862
5,001 to 10,000	1,750	14,340,424
10,001 to 100,000	2,093	59,586,697
100,001 and over	151	112,983,970
<b>Total</b>	<b>9,097</b>	<b>197,955,804</b>

**Number of Shareholders holding less than a Marketable Parcel**

805 shareholders (minimum parcel size of 562 shares/\$500 parcel at \$0.89 per share).

**Voting Rights**

**Ordinary Shares** – On a show of hands, every shareholder present in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

**Options** – The Company's options have no voting rights.

**Percentage held by 20 Largest Shareholders**

42.76%

**Listing of 20 Largest Shareholders**

Name of Ordinary Shareholder	Number of Shares Held	Percentage of Shares Held (%)
JP Morgan Nominees Australia Limited	18,701,131	9.45
National Nominees Limited	17,751,758	8.97
Citicorp Nominees Pty Limited	11,200,184	5.66
HSBC Custody Nominees (Australia) Limited	9,988,437	5.05
JP Morgan Nominees Australia Limited <Cash Income A/C>	7,517,940	3.80
Mr David Charles Moore	4,000,000	2.02
Mr David Parker & Mrs Helen Parker	2,260,000	1.14
Mr Anthony Hubert Shields	2,000,000	1.01
HSBC Custody Nominees (Australia) Limited – GSCO ECA	1,307,450	0.66
Jaytu Pty Ltd <JW Gardner Super Fund A/c>	1,218,175	0.62
Mr Robert Euan Macmillan and Mrs Ruth Durelle Macmillan	1,100,000	0.56
Queensland Investment Corporation	1,045,101	0.53
Mr Anthony Hubert Shields and Ms Amanda Carol Nayton	1,000,000	0.51
Citicorp Nominees Pty Ltd <Cwlth Bank Off Super A/C>	897,976	0.45
Mrs Daphne Georgina Balaam	880,000	0.44
De Bruin Securities Pty Ltd	800,000	0.40
Peterblue Pty Ltd	800,000	0.40
Perpetual Trustee Company Limited	745,726	0.38
HSBC Custody Nominees (Australia) Limited – A/C 2	723,890	0.37
Zashvin Pty Ltd	710,483	0.36

As at 31 August 2011

## Stock Exchange Listing

Mincor Resources NL shares are listed on the Australian Stock Exchange. The Company's ASX Code is MCR.

## Unlisted Share Options

Number of Options	Exercise Price	Expiry Date	Number of Holders
2002 Employee Share Option Plan 220,000	\$2.16	5 Dec 2011	32
Mincor Resources Executive Share Option Scheme 113,000	\$1.74	19 Oct 2011	2
3,000,000	\$2.60	30 Jan 2015	5
2,000,000	\$1.95	31 Mar 2015	5
2,000,000	\$1.60	18 May 2015	5
2,000,000	\$1.32	17 Jul 2015	2
Options issued pursuant to Prospectus dated 6 December 2007 405,000	\$4.40	5 Dec 2012	81



# Corporate Directory

MINCOR'S BOARD OF DIRECTORS (L TO R): IAN BURSTON, DAVID MOORE, DAVID HUMANN, BRIAN LYNN AND JACK GARDNER

## Directors

David Humann (Chairman)  
David Moore (Managing Director)  
Ian Burston  
Jack Gardner

## Company Secretary

Brian Lynn

## Registered Office

Level 1, 56 Ord Street  
West Perth 6005, Western Australia  
Postal Address  
PO Box 1810  
West Perth 6872, Western Australia

## Contact Details

Telephone: (+618) 9476 7200  
Facsimile: (+618) 9321 8994  
Website: [www.mincor.com.au](http://www.mincor.com.au)  
Email: [mincor@mincor.com.au](mailto:mincor@mincor.com.au)

## Stock Exchange Listing

Mincor Resources NL shares are listed on the  
Australian Stock Exchange (Home Branch – Perth)  
ASX Code: MCR

## ACN and ABN

ACN: 072 745 692  
ABN: 42 072 745 692

## Auditors

PricewaterhouseCoopers  
QV1 Building, 250 St Georges Terrace  
Perth 6000, Western Australia

## Bankers

Commonwealth Bank of Australia  
Société Générale Group  
Barclays Bank plc

## Solicitors

Gilbert + Tobin  
1202 Hay Street  
West Perth 6005, Western Australia

## Share Registry

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth 6000, Western Australia

## Date and Location of Annual General Meeting

Wednesday, 9 November 2011 at 11.30am  
Venue: Celtic Club, 48 Ord Street, West Perth





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West Perth 6005, Western Australia

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