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Mincor Resources NL has just launched its expanded regional exploration drilling programme (the 'regional arm' of your exploration strategy). Which of your gold targets exhibit the potential to contain the largest discoveries?

MD David Moore

We're very excited about our gold potential. There is a vastly greater endowment of gold through the Widgiemooltha Dome than we had previously thought.

We have a gold exploration database that we only got hold of a few months ago. This shows that there are a large number of significant intersections of primary gold mineralisation around the Dome. We have plotted these up and they build a coherent picture of gold-bearing fluid pathways through our ground. These pathways are structural splays off a major regional shear zone – the same one we think introduced the gold to the Higginsville and Norseman gold camps, and possibly Chalice as well.

Quite apart from the immediately obvious targets, such as existing high-grade gold intersections and soil anomalies, the conceptual underpinnings are very strong. Perhaps the most prospective setting we have is the Lake Zot Dolerite, which curves around the eastern side of the Dome, east of our nickel mines. The intersection of this rock type, which is an ideal host rock for gold mineralisation, with one of these fluid pathways, could create a big gold deposit – conceivably in the millions of ounces. Very little work has been done on the Lake Zot Dolerite by previous explorers, but as an immediate target the Gilligan Prospect looks good.

There are high-grade gold intersections on a basic-ultramafic contact not far from the Dolerite – it's an early target for us.

We'll start drilling the first targets in January, and at the same time we'll work up others that need more definition, and follow up on regional ideas with soil sampling and RAB drilling. Targets range from big open-pittable gold deposits to narrow-vein bonanza style underground deposits. It's exciting stuff, because the main focus at Widgie has always been nickel, so the gold is really under-explored.

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One of the main aims of Mincor's regional exploration drilling programme is to discover a new million tonne high-grade nickel ore body. In your recent ASX release you listed several nickel targets you aim to drill before June 2005. Which of these might provide that million-tonne ore body? Can you give more detail on why they are so prospective?

MD David Moore

The first three anomalies we've targeted are Location One, Bradley and Anomaly A. These are specific areas where either Mincor or previous explorers have intersected ore grade or near ore grade mineralisation right on the basal contact, which is the prime indicator that there may be an ore body present. You have to realise that Miitel and Mariners, both million tonne plus ore bodies, were known of as sub-grade nickel zones for many years before the actual ore bodies were discovered. Our three initial targets are at exactly that stage of exploration. We have nickel intersections on the basal contact, but we have not found the main system. Of course there may not be one. But these are very good targets, and any one of them could be a million tonne plus system.

We're also excited about the gravity work we're currently doing. We don't have anything in publishable form yet, but the survey is adding a whole new dimension to our knowledge, it's a completely new database. What's fascinating is that all our existing mines are highlighted as being along gravity anomalies – these represent the thickened packages of ultra-mafic rocks generally associated with sulphide mineralisation in the Kambalda District. The beauty of it is that the gravity survey has discovered other gravity anomalies that look like packages of thickened ultra-mafics. These are entirely new target areas, not recognised by any previous explorer. We still need to do more work, because the gravity won't pinpoint the actual ore body – we use different techniques for that. But we have at least three new target areas to work on.

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Mincor recently confirmed its production forecast of 11,000 tonnes of nickel in concentrate for FY05 and 15,000 tonnes of nickel in concentrate for FY06. You've overcome mining contract issues and manpower shortages but you're still ramping up the new Redross Nickel Mine and Mariners Nickel Mine is due to come into production in January 2005. How conservative is the forecast? On the other hand, what are the main risks to achieving it?

MD David Moore

I don't think that the forecast is particularly conservative. It's a realistic estimate of our production for this year and next year. The low production we experienced during July and August, due to the ramp-up of our new contractor, has possibly made the FY05 forecast a trifle less robust. But if we don't get 11,000 tonnes we'll get close. The important thing is that we are now producing, and will continue to produce, at a *rate* of around 11,000 tonnes per annum.

This December quarter our production will exceed 2,700 tonnes of nickel in concentrate for the first time in two years. We expect to ramp up from that level to over 3,500 tonnes per quarter in FY06. This is a massive increase over past production levels, and I don't think the market has really come to grips with that yet.

Looking at risks, I guess the main threat to FY05 production is the rate of production ramp-up we achieve at Mariners. We expect to see first production in January, but we have not yet inspected the actual ore body. There may be delays if initial ground conditions are worse than expected, which would slow the ramp-up and impact overall FY05 production. But the downside is not huge – to put it in perspective, under the worst case scenario perhaps around 500 tonnes of nickel metal would be shifted from FY05 into FY06.

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Are you on track with your operating cost expectations for FY05? What about operating cash flow and earnings relative to FY04?

MD David Moore

Even during the low production months of July and August our operating costs were much better than the previous 6 months, in fact down by over 10%. So costs have been good so far and we expect them to improve.

We're tracking reasonably close to our earnings and cash flow expectations, because high nickel prices and record production in September, October and November has made up for the lower than budgeted production in July and August. But we don't give earnings forecasts, simply because they are so dependent on the nickel price and exchange rate.

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Can you outline some of the changes you've made to overcome the mining contract issues and manpower shortages? What are the tangible benefits?

MD David Moore

The main changes were implementing a new shift and roster structure and the engagement of the new mining contractor. These have produced very significant productivity gains. We've extended our shifts, moved to a continuous roster and we've introduced a fly-in, fly-out option.

Mining costs have come down, productivities across the board have increased sharply. Jumbo productivities, for example, are up by between 35% and 55%. Manning issues have been largely resolved, though in common with probably all

other mining operations in Western Australia today, we could use a few more jumbo operators and airleg miners.

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Can you achieve further productivity gains or general improvements at the mines?

MD David Moore

Yes we can. We're currently constructing an accommodation village and that will bring very strong additional safety, productivity and cost benefits. The village will be operational from about mid February and, until we open it, our workforce will continue to endure two hours travel time to get to work and we will continue to incur significant extra costs within our mining contract. Once the village is open, we would expect productivity benefits of around 10% and further cost improvements of around 10-15%. That is pretty significant when you add it up. Most important of all, our workforce will have a much more attractive and convenient lifestyle, and we would expect staff retention and safety improvements because of that.

There will also be ongoing improvements in costs and productivities as we get more familiar with our new mines through the ramp-up phase. Incrementally we will find better ways of doing lots of things at these new operations – this always happens in well-managed new mines.

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You've stated that implementing Mincor's Nickel Expansion Strategy has been made more difficult by the severe constraints under which the mining industry is operating. Are there ongoing constraints Mincor will have to deal with? What about wage, fuel price and exchange rate pressures and the availability of drilling rigs for exploration?

MD David Moore

Mincor has to deal with most of those issues but I think all mining companies in Western Australia are in the same boat. The shortage of skilled manpower is probably the biggest constraint – but once our village is completed we will, at least, be able to compete on equal terms with any other operation in Australia.

The mining boom does make everything harder. It takes longer to get equipment, to get repairs done, to get specialist maintenance and things like that, but these are fairly small in the scheme of things and they're not issues that significantly affect safety or production. Wages are up across the board, this is a common phenomenon in times like this – but when you see how hard everyone works, I don't think shareholders can begrudge them that.

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The Wannaway Nickel Mine has the shortest mine life of all your mines. Why is it that it continues to outperform expectations? How much additional ore could be mined if nickel prices remain high?

MD David Moore

Wannaway has operated well beyond expectations. It should have closed 18 months ago, so every extra month of production is a gift. All the capital has been paid off, so its all essentially profit.

We've been able to keep it going because we discovered more ore and because of the high nickel price. Basically the strategy up to now has been to mine small amounts of relatively high grade ore using hand-held mining methods, and blend that with larger amounts of low grade ore which we mine using high-productivity mechanised methods. That strategy has worked pretty effectively but we are now running out of the low grade ore. So Wannaway will go through a transition phase over the next month or so, and move to being an entirely airleg operation, that is, mined entirely by hand-held mining methods. Production will be lower but grades will be reasonable. If it all works out, and if nickel prices stay strong, it is possible that Wannaway could continue to turn out 80 to 100 tonnes of nickel metal every month for the next two years. That would be the upside case.

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Deep drilling at South Miitel has intersected nickel sulphides around 500 metres south of the mine. What are the best near-mine site exploration targets that you're currently developing within the 'extensional arm' of your exploration strategy?

MD David Moore

If I was ranking them, I'd have to say that South Miitel looks very good. We recently announced an intersection of 5.4 metres @ 3.1% nickel. Although it was 745 metres down hole it is quite close to existing underground infrastructure. Although we only have one ore grade intersection so far, it is right on the mineralised trend of a significant ore body. We believe that there's a good chance that further drilling could prove up a new discovery.

Perhaps the near-mine area with greatest potential apart from South Miitel is Mariners. We can't start drilling there until we start operating the mine but there's tremendous potential. Both the O7 and the O8 ore bodies, particularly the latter, are wide open.

The work that we're doing at Redross is also very exciting. A bigger picture is beginning to emerge there, with the main Redross ore body only one of several lenses developed on a number of parallel structural repetitions of the basal contact. Jeremy Dee, the West Vein, and Bradley could all form part of this picture. My gut feeling is that Redross will be a significant mining centre long after the current five-year ore reserve is depleted. The main Redross ore body itself is also still open at depth.

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In summing up the year, in which areas has Mincor met its strategic objectives and in which areas have you fallen short?

MD David Moore

At the start of the calendar year we had just concluded the process of buying out our joint venture partners. That was the key thing – nothing we have achieved

since then would have been possible otherwise. With that done, we were able to implement our Nickel Expansion Strategy, and that has been a massive achievement when you consider that we have developed two new mines and one major mine expansion during a period of severe industry-wide capacity constraints. Most importantly of all, we have done this safely, and have maintained our excellent safety record.

At the same time as doing all that we implemented fundamental changes to our shift, roster and contract structures. So I have to say that Mincor has got to have one of the best operational teams in the business – the market has not really understood it yet, but our guys have worked wonders this year.

I guess the biggest single issue we had to deal with during the year was the immensely costly and unnecessary delays, first political and then bureaucratic, in getting our accommodation village built. Anyway, it is now under construction, some six months late.

As a result of the close focus on operational matters through the year, our regional exploration work never got going at an effective pace. But a lot of preparatory work has been done, and from January we will move ahead very rapidly, and look forward to making a major discovery in the New Year.

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Thank you David.

For further information on Mincor Resources please visit www.mincor.com.au or call David Moore on (08) 9321 7125.

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