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Date of lodgement: 8-August-2008

Title: Open Briefing®. Minara. MD on Profit & Outlook

Record of interview:

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Minara Resources Limited announced a net profit after tax for the half year to 30 June 2008 of \$50.9 million (2007: \$245.9 million). Can you explain the major influences on profit relative to the previous corresponding period?

MD Peter Johnston

Obviously, the major impact on our business remains the nickel price which has been extremely volatile over the last 12 months. There has been a sharp decline in the last three months from approximately US\$29,000 per tonne to US\$18,000 per tonne.

The other factor has been the dramatic increase in sulphur costs. Sulphur is our major input cost and is tied directly to our acid production. Sulphur on the spot market has risen dramatically from approximately US\$100 per tonne in December 2007 to US\$700-800 per tonne currently.

The third major impact has been the strengthening of the Australian dollar during the half year to the point where it almost reached parity before the end of June 2008. However, it's interesting to note that it has now declined 10% in the last few weeks.

Finally in June, we had the major impact of the gas explosion from Apache's Varanus Island facility. That not only increased our gas input costs, but it also severely disrupted production for June.

Despite the interruption to gas supply, production for the first half was approximately 15,000 tonnes of nickel, which we think was a reasonable effort in a challenging environment. Our production forecast for the second half of the year remains unchanged and we expect to produce 31,000 to 35,000 tonnes of nickel metal for 2008.

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Clearly margins were squeezed in the half year to 30 June 2008. Can you give some more detail on the cost pressures experienced in the half year?

MD Peter Johnston

The major cost pressure as previously noted was the sudden and rapid increase in sulphur prices. Sulphur for the last 10 years has averaged approximately US\$100 per tonne or less, but we noticed some cost increases in the last quarter of 2007 and, in 2008, the spot sulphur price increased dramatically to the current US\$700-800 per tonne. Sulphur is predominantly used in the fertiliser market and China has been buying increasing amounts for their fertiliser production. Minara has long-term sulphur contracts and as such does enjoy some protection from movements in the spot price.

In Western Australia, there have been cost increases across all of our major inputs, particularly labour, materials, freight and fuel and these have added to the operating costs of Minara but also for all resources companies. The strength of the Australian dollar has also hurt all exporters but as I have said, there has recently been a strong turnaround with the dollar, which underlines the volatility of the current tough economic climate.

As previously reported, the gas supply disruption from Apache's Varanus Island facilities had a significant impact on production in June. We had no production for five days and partial production for the rest of the month after we sourced gas from alternative suppliers. We didn't return to full production until the first week in July.

So in all areas there have been significant cost pressures. Despite that we were pleased with our overall performance for both production and costs for the first half of 2008.

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Why isn't Minara paying a dividend for the half year?

MD Peter Johnston

We paid a substantial dividend to our shareholders in February/March and the current market pressures were such that the Board felt it prudent to adopt a conservative financial approach not to pay an interim dividend. With the volatile nickel market and the continuing cost pressures, this was a sensible decision and will be reviewed in 2009.

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What was the overall unit operating cost performance? How competitive is that? What is the outlook for your major cost inputs?

MD Peter Johnston

C1 cash operating costs for the 6 months were US\$5.24/lb nickel metal (2007: US\$4.93/lb) and we again thought that was a reasonable effort in a difficult operating period. We initiated a cost reduction program several months ago and we have been reducing our discretionary expenditure in all areas across the business.

At current nickel prices, we remain competitive and the focus going forward is to improve our production profile, reduce our costs and deliver a stronger operating margin.

We anticipate a softening in the price of sulphur, particularly in the second half of 2009. As production returns to normal at Varanus Island, the price for our gas will reduce as we transition back to our normal long term gas contracts from the current short term contracts.

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Can you comment generally on the recent performance of the Murrin Murrin plant? How can you further optimise its performance?

MD Peter Johnston

We are pleased with production in the first half of 2008. Notwithstanding June which was a particularly difficult month, we remain focused on a large number of initiatives to stabilise our production profile. Following our major maintenance shutdown at the end of 2007, the acid plant has reached its design capacity, which is a significant improvement to our operating environment.

We have also recently been reducing our contractor workforce, particularly as we have been focusing on reducing our capital program. We have also reduced our own workforce where appropriate to reduce costs and this has been achieved through natural attrition and some retrenchments. We have kept retrenchments to a minimum and these retrenchments are part of the overall cost reduction program.

The business plan for Minara is to produce a stable production profile, focused on cost reduction and reducing discretionary expenditure. We are involving the workforce in project teams examining all aspects of the plant to improve performance and reduce costs.

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As at 30 June 2008, Minara is debt free and has a cash balance of \$66.0 million. Is the company currently cash flow positive at the operating level? What is the state of the balance sheet?

MD Peter Johnston

Yes, Minara is operating cash flow positive. However, we must acknowledge the tough operating environment that we're currently in – not just for Minara, but for many resource companies. The growth in the sulphur price will increase our working capital requirements given that the operation needs a substantial sulphur stockpile to ensure a smooth production profile. We still require some capital

expenditure in the second half of 2008 to complete a number of existing projects. Our cash balance was drawn down during the period because we paid a significant dividend in the first half of the year, and we were still investing in a number of major capital projects. Our cost reduction program underway reflects our strong desire to maintain a strong balance sheet going forward.

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You've described the investment in the heap leach as delivering a second, low cost, low risk production source. It is clearly a major potential growth project for Minara. Why then have you deferred major capital expenditure on the project? How will you progress the project in the meantime?

MD Peter Johnston

We felt it prudent to defer the heap leach expansion project because of the significant increase in sulphur prices and the fall in the nickel price.

We will continue to run the existing heap leach operation over the next 12 months, focusing on optimising the operation to improve our recoveries. We will then review the project in 2009. In the future we believe the heap leach project will be one of Minara's growth options.

As previously announced, Minara has been investigating stand-by funding facilities for some time but is not intending to use those facilities on the heap leach expansion project.

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The nickel prices have fallen significantly in recent months. What is your view on the outlook for nickel and cobalt prices?

MD Peter Johnston

The nickel market fundamentals remain sound and we believe that the outlook is positive longer term. The major driver of nickel production in the world is the stainless steel market, which is still forecast to grow significantly in 2009. That growth should underpin a reasonable nickel price outlook. However, there has been softening of the stainless steel market, particularly in Europe in the last 3-6 months, although Chinese demand remains strong.

There has been a view in the market about Chinese demand for stainless steel reducing. However, the impact of that sentiment is difficult to determine. Also, market analysts believe that some of the Chinese pig iron nickel production, which has had a major market impact in the last two years, will become uneconomic at current prices and production at some of those operations will be reduced as a result of current market conditions.

On a positive note, cobalt has performed very strongly in 2008. Minara is a significant cobalt producer and it has been a valuable by-product credit, adding a second revenue stream and offsetting some of our other cost pressures. However, we do expect increased volatility in the cobalt market.

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What is the longer term growth outlook for Minara?

MD Peter Johnston

We believe there is still enormous untapped growth potential for Minara. We have developed a new business plan as a direct result of the fundamental changes in the nickel market. Our current focus is on production, cash flow and margins.

Minara's focus remains on optimising high pressure acid leach production. We are also focused on fine-tuning and enhancing the heap leach technology.

In summary, we are in a tough operating environment which calls for prudent financial management and cost restraint. Our focus is on optimising our current production profile and cost reduction programs, whilst continuing to evaluate growth opportunities.

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Thank you Peter.

For more information about Minara Resources Limited, visit <http://www.minara.com.au> or call David Pile (CFO) on (08) 9212 8400 or David Griffiths on 0419 912 496.

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