

# QUARTERLY REPORT

## 30 June 2010



### ABOUT MINARA

Minara Resources Limited is a leading Australian resources company based in Perth, Western Australia.

Minara Resources owns and operates the Murrin Murrin nickel cobalt joint venture project (60% Minara, 40% Glencore International AG).

The Murrin Murrin operation is located near Leonora in Western Australia's historic northern goldfields region.

Murrin Murrin is a world-class nickel/cobalt hydrometallurgical project which offers significant environmental benefits compared to traditional smelting processes.

ASX CODE: MRE



## SIGNIFICANT EVENTS

- Proposed \$111 million return of capital to shareholders
- Cash on hand at 30 June 2010 of \$363 million
- Production of 6,680 tonnes nickel
- Commissioning of High Density Slurry (HDS) project
- Investigation into pipeline failure complete

## MURRIN MURRIN OPERATIONS

	Quarter Ended 30 June 2010	Quarter Ended 31 March 2010	Quarter Ended 30 June 2009
Nickel Production (tonnes)	6,680	7,832	7,842
Cobalt Production (tonnes)	459	549	634
<b>Minara's Equity (60%)</b>			
Nickel (tonnes)	4,008	4,699	4,705
Cobalt (tonnes)	275	329	380

Total production of 6,680 tonnes of packaged nickel and 459 tonnes of packaged cobalt was achieved at Murrin Murrin for the three months to 30 June 2010. Minara's share is 60 percent. The previous corresponding three month period saw 7,842 tonnes of packaged nickel and 634 tonnes of packaged cobalt produced.

Production was impacted by the pipeline failure in one of the four ore-leach autoclave circuits on 25 May 2010. A comprehensive investigation ensued which established the root cause of the failure as a 'steam collapse' event. A number of rectification activities have been effected to address the root cause. Once these were completed a safe restart of the autoclave circuit occurred.

During June commissioning of the \$90 million high density slurry (HDS) project commenced. The project is designed to debottleneck the neutralisation circuit which in turn will enable an increase in ore-leach autoclave throughput.

The Murrin Murrin production guidance for the 2010 calendar year remains unchanged and is at the lower end of 30,000 – 34,000 tonnes of nickel (Minara's share 60%). This guidance range takes into account the impact of the pipeline failure and the budgeted triennial major plant shut scheduled for late 2010.

Autoclave feed for the quarter was 561,309 tonnes of ore grading 1.25% nickel.

## CORPORATE / FINANCIAL

### Capital Return

On 7 July 2010 the directors announced that they will propose to shareholders a return of capital of 9.5 cents per share, which will result in a total of \$111 million to be returned to shareholders.

The Australian Taxation Office has issued a Class Ruling in favour of Minara shareholders that no part of the 9.5 cents per share returned to shareholders will be deemed a taxable dividend. As previously announced, the return of capital will reduce the capital gains tax cost base of the shares held in Minara. However, shareholders should obtain independent tax advice to obtain certainty in relation to the tax effect of the return of capital.

An extraordinary general meeting of shareholders of Minara will be held on Tuesday, 17 August 2010, at which a resolution will be put to shareholders to approve the return of capital.

The record date for determining the Minara shareholders entitled to participate in the return of capital will be Wednesday, 25 August 2010. If approved, the return of capital is expected to be paid to shareholders on Monday, 6 September 2010.

### C1 Costs

The operation's direct cash costs (Brook Hunt C1) for the six months ended 30 June 2010 was US\$5.76 per lb nickel (net of by-product credits). The increase in unit costs is attributed to the negative impact on production of the pipeline failure incident (approximately 2,000 tonnes lost nickel production), compounded by the cost of associated rectification and modification works, all of which has been expensed and therefore included in C1 costs. An insurance claim relating to the pipeline failure is being prepared for submission.

<b>C1 costs for six months ended 30 June 2010</b>	<b>US\$5.76/lb nickel</b>
C1 costs for six months ended 31 December 2009	US\$4.95/lb nickel
C1 costs for six months ended 30 June 2009	US\$4.99/lb nickel
C1 costs for 12 months ended 31 December 2009	US\$4.97/lb nickel

### Cash on hand

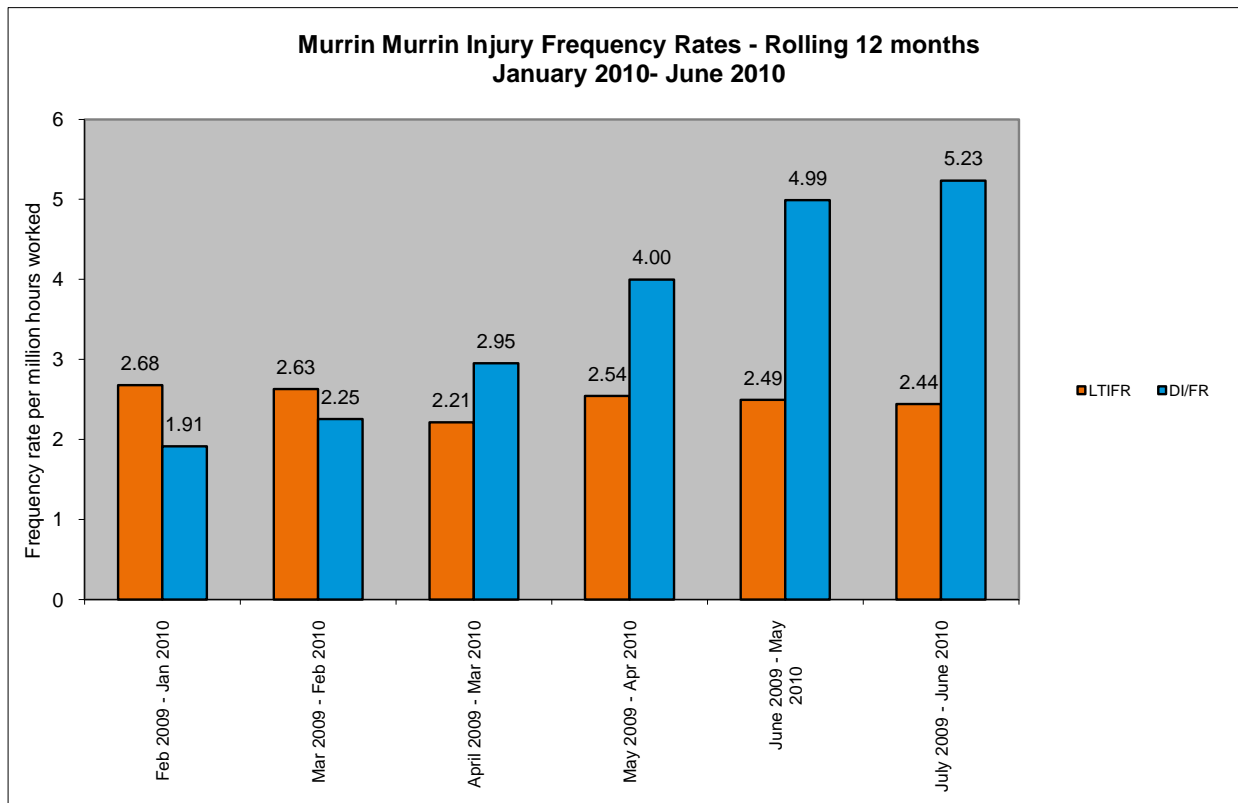
Minara was cash flow positive for the quarter ended 30 June 2010. Cash on hand at 30 June 2010 was \$363 million (\$274 million 31 March 2010).

Minara's sales position remains unhedged in both currency and price.

## HEALTH AND SAFETY

The LTI/FR 12 month rolling average is 2.44.

The DI/FR 12 month rolling average is 5.23.



## ENVIRONMENT

There were no reportable environmental incidents for the quarter.

## EXPLORATION

### *Bardoc Nickel Project (Minara Resources 100%)*

Drill planning continued in the June quarter.

### *Marshall Pool (Mt Margaret) (Murrin Murrin JV 100%)*

Scoping studies assessing the viability of processing a portion of Marshall Pool material at the Murrin Murrin operation continued during the quarter. These studies are focusing on the upgradability of this significant nickel laterite mineralisation. Initial assessments show that a beneficiated product may be possible for delivery to the Murrin Murrin processing plant as an additional ore feed source. Further studies will focus on the metallurgical and economic viability of this concept.

## COMMUNITY

In May 2010 the Minara Community Foundation under the trusteeship of Western Australian Community Foundation announced the support of community projects in the Northern Goldfields of Western Australia. The four successful applicants will receive \$180,000 in grants.

The 2010 grants follow on from last year's fund distribution of approximately \$88,000 in grants and the 2008 distribution of \$250,000 to nine successful local applicants.

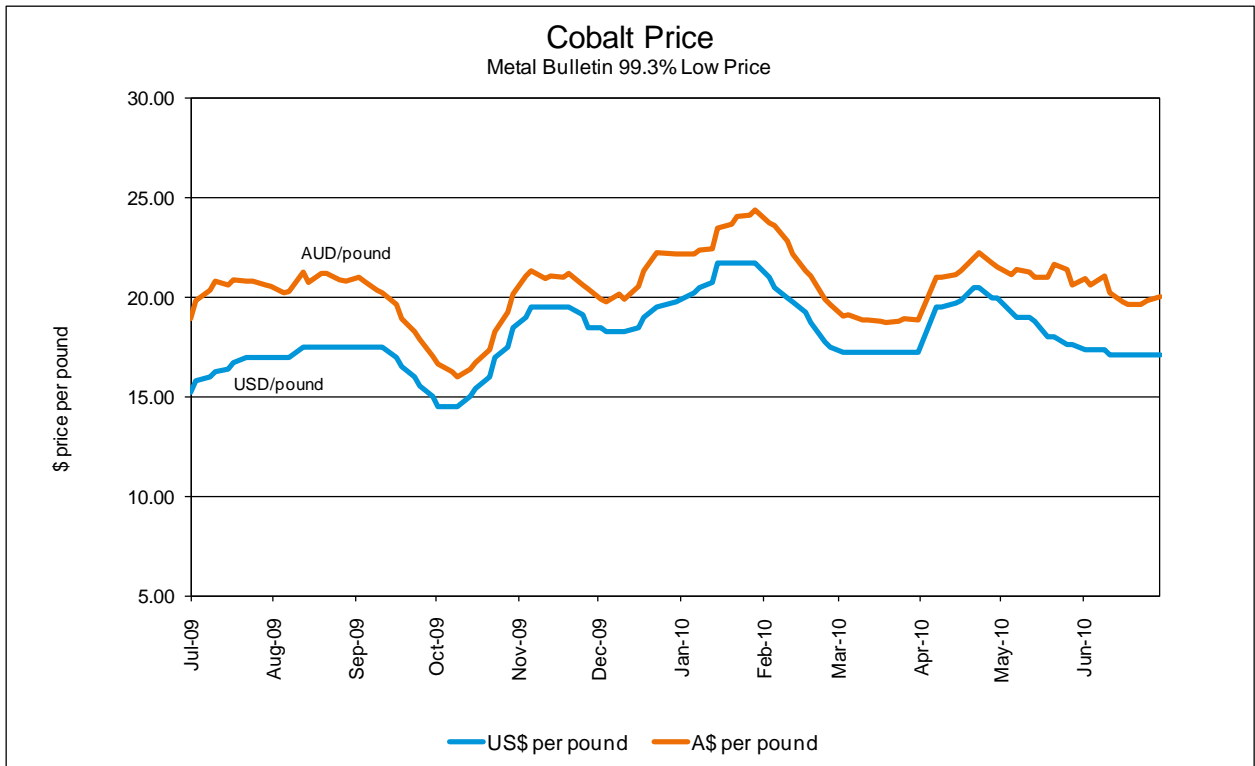
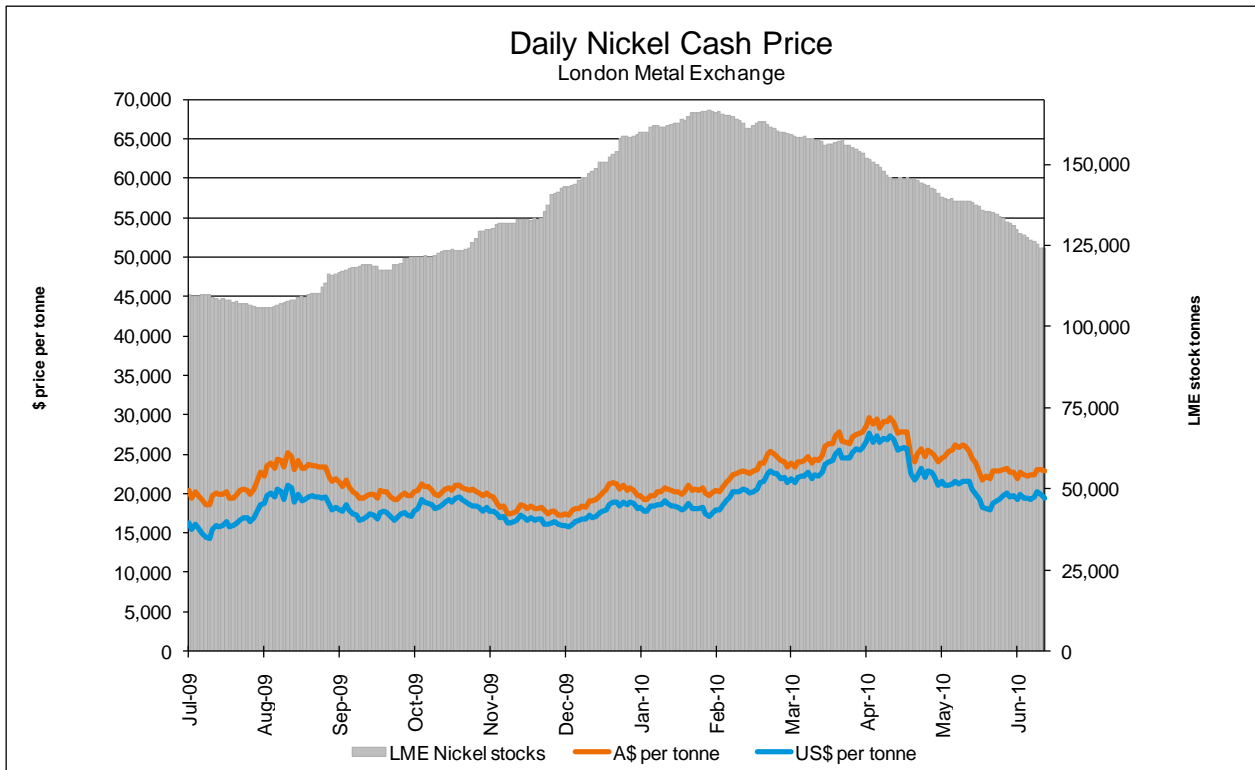
## METAL MARKETS

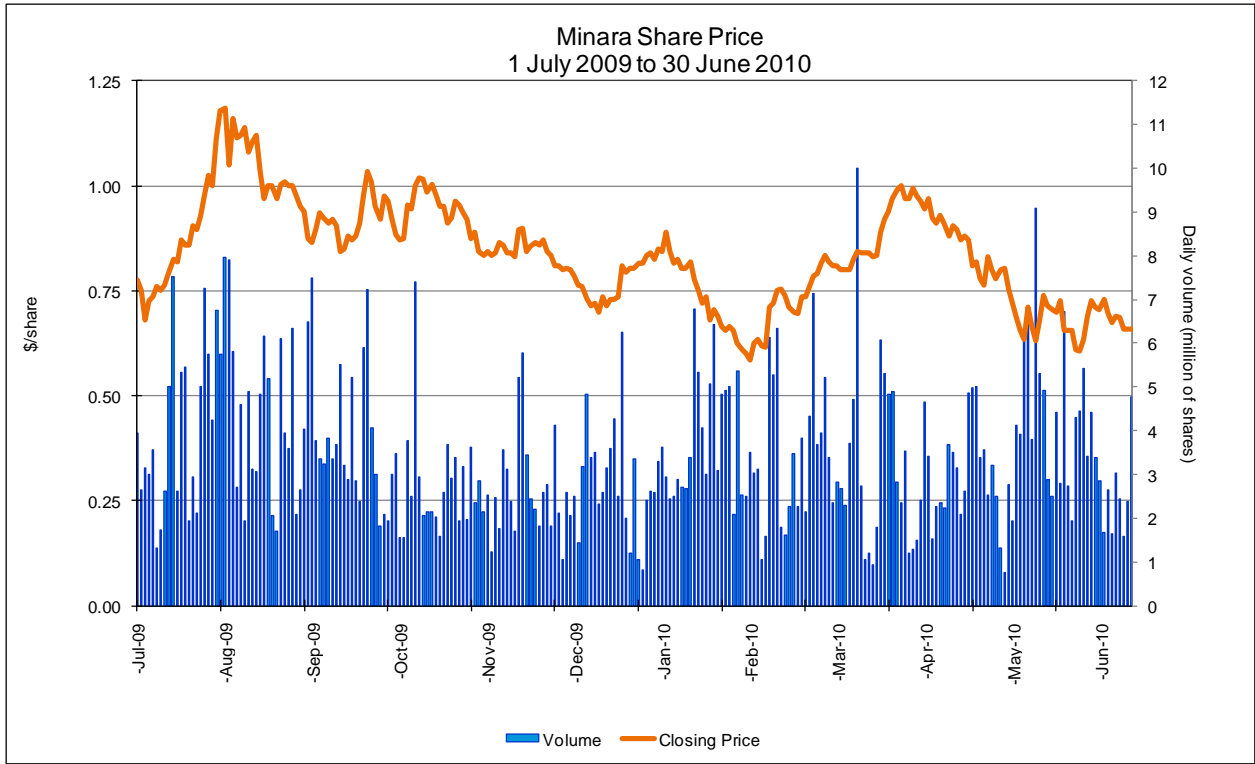
The London Metal Exchange (LME) nickel spot prices increased early in the quarter to US\$27,600 per tonne on 16 April 2010. The price declined to US\$17,955 per tonne on 8 June 2010 and recovered closing the reporting period at US\$19,430 per tonne.

The LME nickel stock levels decreased steadily across the quarter from a peak of 157,512 tonnes to 124,026 tonnes of nickel at 30 June 2010.

The cobalt price was volatile during the quarter. The price was US\$17.25 per lb at the start of the reporting period and reached US\$20.50 per lb in late April. The price then decreased closing the reporting period at \$US17.10 per lb.

Commodity Prices	Prices as at 30 June 2010	Average for quarter ending 30 June 2010	Average for quarter ending 31 March 2010	Average for quarter ending 30 June 2009
<b>LME Nickel</b> Cash Seller & Settlement				
US\$ per tonne	19,430	22,382	20,078	12,992
US\$ per lb	8.81	10.15	9.11	5.89
AUD\$ per tonne	22,797	25,368	22,195	17,099
<b>Cobalt</b>				
US\$ per lb	17.10	18.46	19.20	13.90
Exchange rate AUD:USD	0.8523	0.8823	0.9046	0.7598





## CEO'S COMMENTS

"I am pleased that we can return \$111 million to all eligible shareholders in a tax effective manner. This reflects our confidence in the current financial position of the company and in our production capability going forward. Because of our strong balance sheet the proposed return of capital does not diminish the company's pursuit of growth opportunities.

"The negative impact of the pipeline incident on production has been reflected in an increase to our unit cost of production. The incident contrasts with a preceding sustained period of consistent production at the Murrin Murrin facility. Establishing the root cause involved a technically challenging investigation. Once identified, corrective actions were implemented and a safe restart occurred.

"During this period we also began commissioning the \$90 million HDS project which is designed to increase throughput capacity and deliver a more robust operating environment.

"We anticipate the nickel price to remain volatile in the short to medium term. However, it is worth noting that over the last few months we have witnessed the first significant decrease in LME nickel stocks since 2009.

"The focus of the company is to re-establish a steady production profile at Murrin Murrin."



**Peter Johnston**  
Managing Director and CEO  
13 July 2010

### Contact

Andrew Bantock, Chief Financial Officer  
Minara Resources Limited  
+ 61 8 9212 8400  
[www.minara.com.au](http://www.minara.com.au)

or

David Griffiths, Gryphon Management Australia  
0419 912 496

### Minara Resources Limited

Level 4, 30 The Esplanade PERTH WA 6000  
PO Box Z5523, St Georges Terrace  
PERTH WA 6831 AUSTRALIA  
[www.minara.com.au](http://www.minara.com.au)

The information in this report that relates to Metallurgical Results is based on information compiled by Mr John O'Callaghan. The information in this report relating to Exploration Results is based on information compiled by Mr David Selfe. Both Mr O'Callaghan and Mr Selfe are Members of the Australasian Institute of Mining and Metallurgy. Mr O'Callaghan and Mr Selfe are full time employees of Minara Resources Limited. Mr O'Callaghan and Mr Selfe have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which each 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 O'Callaghan and Mr Selfe consent to the inclusion in the report of the matters based on the information each has provided in the form and context in which it appears.