



## ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2006

### SIGNIFICANT EVENTS

- 7,302 tonnes nickel produced in the quarter
- Solid performance in autoclave availability
- Production impacted by acid plant issues in the quarter and gas limitations due to cyclone at end of March
- 5c dividend paid 24 March 2006
- Cash on hand of \$71 million at end of March

### MURRIN MURRIN OPERATIONS

#### Production

	Quarter Ended 31 March 2006	Quarter Ended 31 December 2005	Quarter Ended 31 March 2005
<b>Nickel</b> (tonnes)	7,302	7,790	8,620
<b>Cobalt</b> (tonnes)	498	501	538
<b>Minara's Equity (60%)</b>			
Nickel (tonnes)	4,381	4,674	5,172
Cobalt (tonnes)	299	301	323

The steady improvement in the overall production capability in the HPAL circuit at the front end continued in the quarter however production was constrained by maintenance requirements in the acid plant. As reported in the December quarterly report, the maintenance focus at the Murrin Murrin plant has shifted to the utilities area, particularly the acid plant and hydrogen sulphide plant. During the quarter the hydrogen sulphide plant has performed well and met all production demand.

The major focus for the quarter has been maintenance in the acid plant. The design of the 1B super heater remains the one major legacy issue with the vessel suffering from stress cracking. As previously advised this is not a new issue, however it does restrict acid production and subsequently slows down the front end of the plant. There are also some remedial maintenance issues on other parts of the acid plant, notably in a series of expansion bellows and heat exchange units.

Minara has been working on both a short term and a long term solution to these acid plant issues. The short term solution is to install a temporary gas collection system which then passes through a mist eliminator before recycling into the process. Minara is confident that this interim measure will reduce a lot of the unplanned downtime in the acid plant.

The long term solution to replace the 1B super heater with a new design is under way with engineering and procurement well advanced. The new vessel will be built in 2007 and final tie-ins will occur in the next statutory shutdown in September 2007. The cost and installation of the new super heater vessel will be approximately \$7-8 million.

There is a ten day planned shutdown in April, originally for line changeovers in the mixed sulphides area, but which will also incorporate the additional remedial maintenance work on the acid plant. During this shutdown a new maintenance philosophy will see the plant continuing to be partially operational right through the entire shutdown period. The last major job is a partial replacement of acid plant catalyst to eliminate any deterioration in performance of that section of the plant over the next fifteen months. Finally acid imports will ensure the plant continues to run at optimal rates wherever possible.

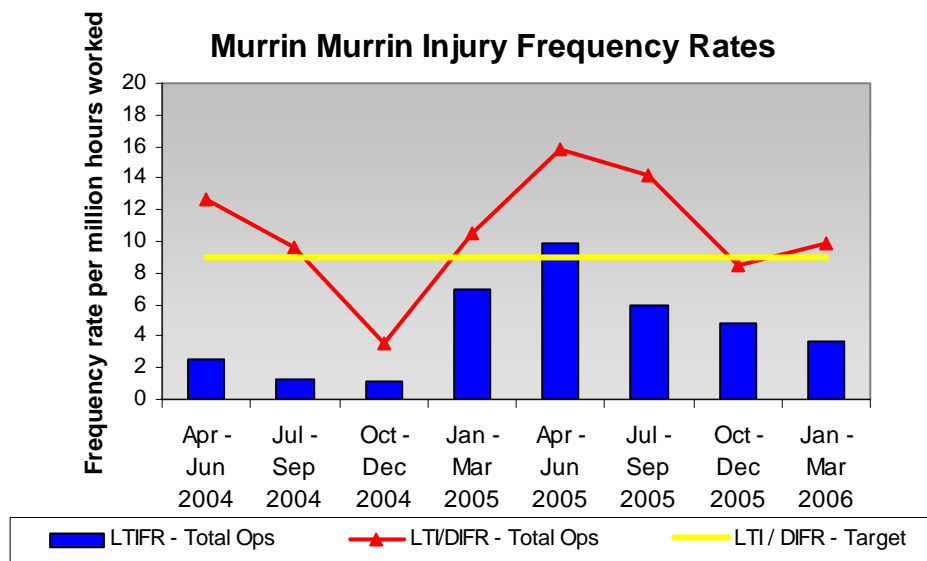
The maintenance issue in the acid plant resulted in a loss of throughput of approximately 1,000 tonnes in the quarter. The acid plant issues are well understood. Both the short and long term solutions are now well advanced in planning, engineering and procurement and will involve only modest capital expenditure. With the continued improvement in the availability of the front end, once repairs are effected in the acid plant, plant performance will be unconstrained.

Production was further reduced at the end of the quarter by the interruption to gas supplies (from Apache Energy's field in the Pilbara region) due to Cyclone Glenda. This resulted in a loss of 500 tonnes over the quarter end.

Minara's objective for 2006 is to build successively on each quarter throughout the year and the original target was to produce 36,000 tonnes of nickel, however production is now likely to be in the range of 34,000 to 36,000 tonnes.

Overall mining output was below budget during the quarter, with 3.88 million cubic metres of material moved, due to a number of days lost due to weather throughout the quarter, and notably eight days of heavy rain in March. The Mill Feed for the quarter was 642,315 dry tonnes grading 1.27%Ni (excluding supplementary residue feed). The grade was lower than budget due to blend reconfiguration to maximise nickel production with the lower acid production capability. The new fleet has delivered the expected uplift in productivity.

### Safety & Health



The lost time injury frequency rate for the first quarter of 2006 has continued to trend downwards. However, the disabling injury frequency rate has increased during this quarter due mainly to the reclassification of a number of injuries sustained in 2005.

During the quarter, there were 18 incidents reported as required under the Mines Safety and Inspection Act.

## **Environment**

There were no significant or reportable environmental incidents recorded during the quarter.

## **Heap Leach Project**

The engineering and procurement for the 200,000tpa Heap Leach Demonstration plant to treat scats is underway. The preliminary focus has been key long lead time items and the final contract negotiations are underway for the last long lead item - the agglomerator, conveying and stacking package. Geotechnical site investigations for construction were completed and a revised pad/pond layout design completed. Civil construction will commence in mid April and will last for approximately three months.

The Demonstration Plant project is on budget and on schedule with project completion and first nickel production due mid December 2006.

Completion of the current phase of the Heap Leach R&D to treat ore is due end December 2006 and the project remains on budget. A successful iron removal pilot trial was completed with key process targets achieved.

## **Business Processes**

The current increase in mining activity in Western Australia is placing pressure on all companies throughout the state in all areas including raw materials, supplies, labour and engineering. The Minara business improvement program, now operating for twelve months, has involved six teams operating throughout the plant focusing on production improvements and cost reductions which has partially offset the increased pressure on the company. The program will continue in 2006 focusing on both production volume and costs. With the high fixed cost regime at the Murrin Murrin plant, any increase in volume has a significant impact on unit costs. At the targeted production level of 36,000 tonnes annualised, unit costs below US\$3.50/lb after by-product credits, are expected.

## **MINARA CORPORATE**

Minara paid a dividend of 5c per share on 24 March with cash on hand of \$71 million remaining at the end of the quarter.

Mr David Pile was appointed Chief Financial Officer during the quarter. Mr Pile is a Chartered Accountant with comprehensive experience in a variety of industries including mining, pulp and paper, forest products, agricultural and the automotive industries. Mr Pile commences at Minara on 1 May 2006.

The Company Secretary, Mr John Quayle, will leave the company, following the AGM, on 31 May 2006 after almost 4<sup>1</sup>/<sub>2</sub> years service. Ms Cassandra Walsh will assume the role of Company Secretary in addition to her duties as Legal Counsel.

**NEW BUSINESS**

**Exploration**

**Irwin Hills – Cogleia Well JV (Murrin Murrin JV 60%)**

The first stage laterite resource drilling program was completed and a new indicated and inferred resource calculated for the project of 12.3 million tonnes at 1.07%Ni and 0.14%Co at a 0.8%Ni cut-off, including 4.5 million tonnes at 1.29%Ni and 0.19%Co at a 1.1%Ni cut-off. Further infill drilling commenced in February with the aim of increasing the resource base and improving orebody confidence. Metallurgical testwork began in March for cobalt upgrade, HPAL and Heap Leach investigations. A proposed diamond drill program will provide samples in the June quarter for bulk density determinations and further Metallurgical testwork. Drilling on nickel sulphide targets will commence upon sourcing a suitable drill rig.

**Gryphon JV (Minara Resources earning up to 70%)**

No exploration work was undertaken on the Joint Venture during the period as the Company has focussed its available resources on other projects.

**Bardoc Nickel JV (Minara Resources 51%)**

Exploration on priority targets commenced including drilling, downhole TEM, infill ground TEM and Mobile Metal Ion (MMI) sampling. Results from this round of exploration will determine the next phase of the program. A number of targets remain to be drill tested in the form of downhole offhole conductors and positions proximal to previous nickel sulphide intercepts.

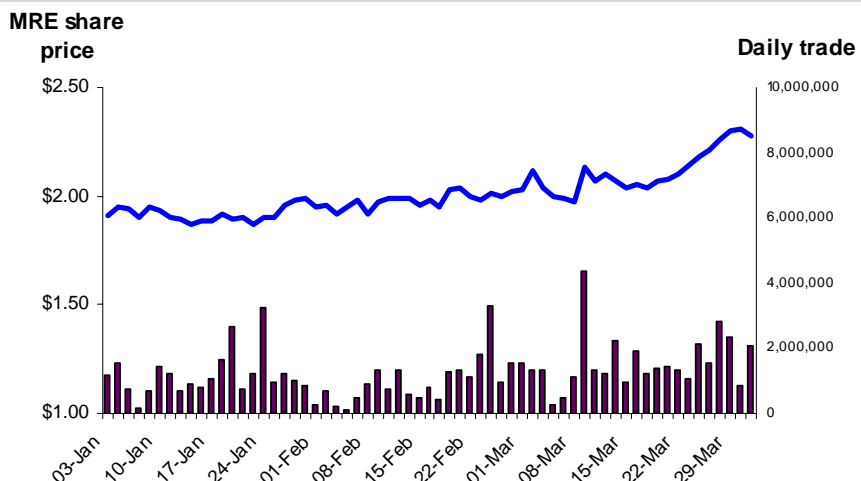
**Mt Margaret (Murrin Murrin JV 100%)**

Rehabilitation activities continued on drill sites. A review of the Geophysics data is planned for the June quarter in order to provide further nickel sulphide exploration targets for the ongoing exploration program.

**Weld Range JV (Minara Resources 75%)**

The joint venture completed a review of the geophysical data in conjunction with the drill data on the Weld Range project. This has resulted in definition of high priority exploration targets for nickel sulphides within the ultramafic complex and will be followed up with a ground TEM program with the aim of providing drillable targets later in the year. Minara is also finalising the acquisition of further equity in this project from the administrators of Sons of Gwalia.

**MINARA SHARE PRICE**



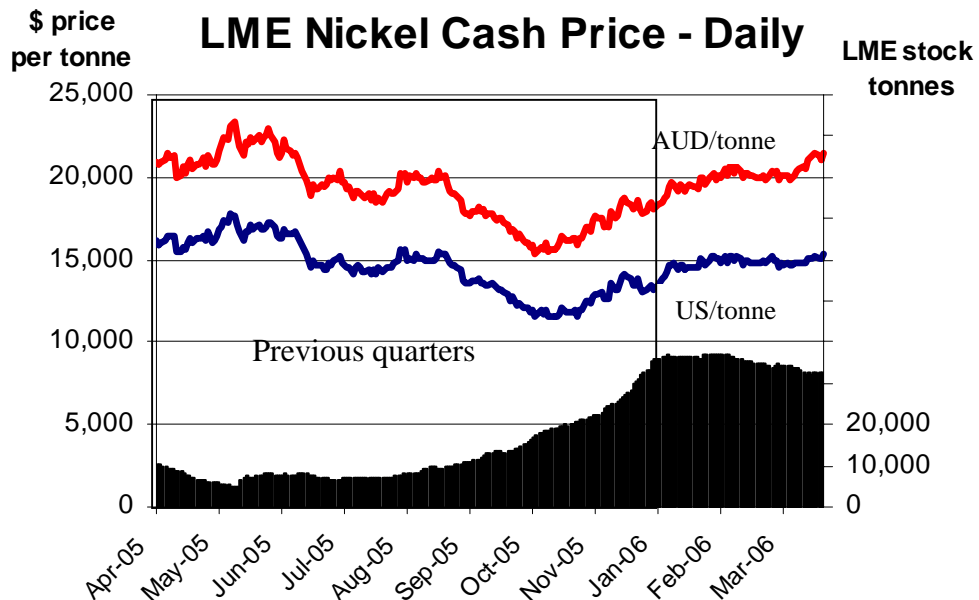
**MARKET CONDITIONS**

Commodity Prices	Prices at 31 March 2006	Average For Quarter Ended 31 March 2006	Average For Quarter Ended 31 December 2005	Average For Quarter Ended 31 March 2005
LME Nickel US\$ per tonne	15,340	14,811	12,649	15,348
US\$ per lb	6.96	6.72	5.74	6.96
AUD\$ per tonne	21,410	20,047	17,001	19,730
Cobalt US\$ per lb	12.90	11.87	11.91	16.97
Exchange Rate AUD:USD	0.7165	0.7391	0.7440	0.7779

**Nickel**

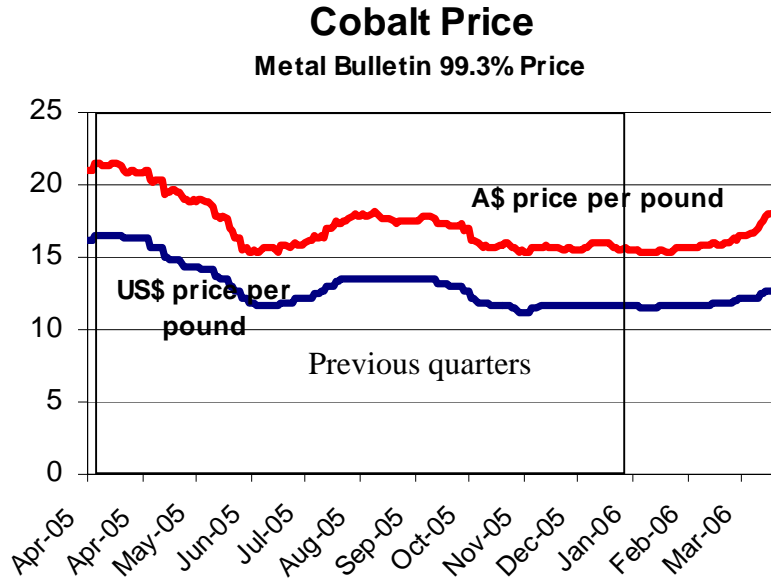
Official LME cash settlement prices increased modestly in the quarter in response to falling nickel stocks following from renewed demand from Asian markets, where inventories are now low. During the March quarter, the low for the nickel price occurred at the start of the quarter at US\$13,505/t and the high of US\$15,340/t was reached at the end of the quarter.

LME nickel stocks decreased by over 5,000 tonnes during the quarter, to end at 32,100 tonnes.



**Cobalt**

The cobalt price for 99.3% cobalt increased slightly over the quarter, opening at US\$11.70/lb and ending at US\$12.90/lb with signs of improving demand but no major fundamental developments.



Further updates will be provided to the ASX as appropriate and posted on Minara's website [www.minara.com.au](http://www.minara.com.au).

**P.B. JOHNSTON**  
Chief Executive Officer & Managing Director  
21 April 2006