



COMPANY UPDATE | COMMENT

JANUARY 25, 2012

Mincor Resources NL (ASX: MCR)
A Weaker Dec Q, But First Half Beats Guidance

Outperform
Average Risk

Price:	0.78	Price Target:	1.00
NAVPS:	1.18	Implied All-In Return:	36%
BVPS:	0.85	Market Cap (MM):	156
ROE:	(14.0)%	Yield:	7.7%
Float (MM):	200.2	P/NAVPS:	0.7x
Debt to Cap:	0%	P/BVPS:	0.9x
		Enterprise Val. (MM):	81
		Avg. Daily Volume (MM):	1.09

Share price as at close on the ASX on 25 January 2012.

Event

Dec Q: 2.1kt of Ni @ A\$6.70/lb below expectations after a very strong Sept Q. Maintaining Outperform and A\$1.00 price target.

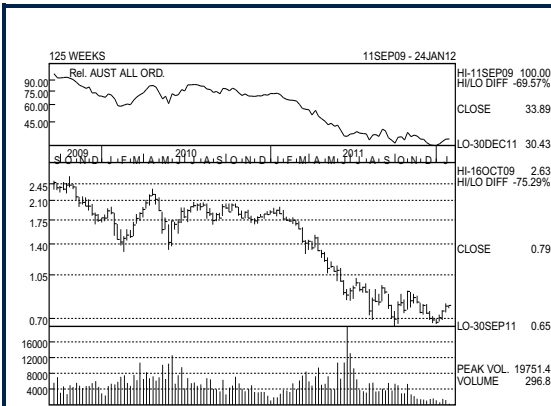
Investment Opinion

Mincor delivered a slightly weaker than expected quarter but rounded off a solid half, beating guidance for production and costs for 1H FY12 thanks to a strong Sept Q. We believe Mincor remains a good leveraged play on increasing nickel prices, and the stock is up ~20% this month, coinciding with stronger nickel prices.

- **A Weaker Dec Q:** MCR produced 2.1kt of Ni-in-ore vs. RBCe of 2.5kt at higher cash costs than our forecast at A\$6.70/lb vs. RBCe A\$6.22/lb.
- **Mariners Mine Now Owner-Operator:** Following the success of Miitel, Mariners transitioned to owner-operator during the quarter with all of Mincor's mines now running on an owner-operator basis. This transition has contributed to the 28% reduction in cost per tonne of ore mined over the quarter.
- **Miitel Reserves Increased by 48%:** The company has increased reserves from 5.6kt to 8.6 kt (48%) and M+I resources from 15.5kt to 18.8kt, adding ~2.7kt to our recoverable Ni.
- **Extensional exploration results at McMahon:** Drill results have intercepted promising mineralisation close to existing mine development and the company has indicated it will focus on further drilling in the Mar Q to quantify potential. Results included 3.14m @ 4.78% Ni, 2.0m @ 5.27% Ni, and 5.0m @ 5.57% Ni.
- **PNG Exploration:** An airborne survey was completed at May River during the quarter with the VTEM survey targeting VMS-style copper-gold deposits. At present, only preliminary results are available and we expect the company to announce its exploration targets based on the results in due course.
- **Cash flow:** Cash was A\$75m at year-end, down from \$79m at end Sept. Mincor spent A\$6.4m on capex and exploration with share buyback expenses of A\$0.34m. The company would have been essentially cash neutral but for a A\$5.1m negative provisional pricing adjustment.
- **Valuation:** We maintain our Outperform rating and A\$1.00 price target based on an unchanged ~0.8–0.9x multiple to NAV, broadly in line with comparable peers. Maintaining Average risk qualifier.

Priced as of prior trading day's market close, EST (unless otherwise noted).

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 4.



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FY Jun	2010A	2011A	2012E	2013E
EPS (Op) - FD	0.14	(0.12)	0.00	0.00
Prev.			0.04	
P/E	5.6x	NM	NM	NM
CFPS - FD	0.34	0.11	0.19	0.12
Prev.			0.23	
P/CFPS	2.3x	7.1x	4.1x	6.5x
DPS	0.09	0.04	0.06	0.06
Payout Ratio - FD	64%	NM	NM	NM
Div. Yield	11.5%	5.1%	7.7%	7.7%
Prod.	11	9	9	7

All values in AUD unless otherwise noted.

Exhibit 1: Mincor Production and Financial Forecasts

Mincor Resources														
ASX: MCR	Share Price: (A\$)	0.78	All-In-Return	33%	Stock Rating:	Outperform								
Issued Shares (m)	Mkt Cap: (A\$MM)	156	Ent Value (A\$MM)	81	Risk Qualifier:	Average								
					Price Target:	A\$1.00								
					NAV:	A\$1.18								
Fiscal Year Ended June														
ASSUMPTIONS		FY10	FY11	FY12E	FY13E	FY14E								
Exchange Rate	A\$/US\$	0.88	0.99	1.00	0.96	0.93								
Spot Nickel Price	US\$/lb	8.80	10.88	8.70	8.63	9.50								
Spot Nickel Price	A\$/lb	9.97	10.98	8.66	9.00	10.28								
Realised Nickel Price	US\$/lb	8.98	10.90	9.61	9.03	9.50								
Realised Nickel Price	A\$/lb	10.17	11.00	9.57	9.41	10.28								
Cobalt Price	US\$/lb	20.79	19.80	14.24	12.54	12.21								
Realised Cobalt Price	US\$/lb	20.79	19.80	14.24	12.54	12.21								
Realised Cobalt Price	A\$/lb	23.56	20.03	14.15	13.06	13.19								
Hedged Sales	tonnes	1,383	2,040	1,410	0	0								
Hedged % of Sales	%	13%	23%	16%	0%	0%								
Hedged Price	US\$/lb	9.89	10.96	12.46	0.00	0.00								
RATIO ANALYSIS		FY10	FY11	FY12E	FY13E	FY14E								
Shares outstanding	MM	200	200	200	200	200								
EPS	A¢	14.1	(11.7)	(0.2)	0.0	1.7								
P/E	x	5.5x	n.m.	-394.8x	8994.3x	44.9x								
CFPS	A¢	34.1	11.1	19.3	12.0	13.7								
P/CF	x	2.3x	7.0x	4.0x	6.5x	5.7x								
Dividend per share	A¢	9.0	4.0	6.0	6.0	6.0								
Dividend yield	%	11.5%	5.1%	7.7%	7.7%	7.7%								
Franking Level	%	100%	100%	100%	100%	100%								
Payout Ratio	%	64%	n.m.	n.m.	n.m.	300%								
Effective Tax Rate	%	30%	30%	30%	30%	30%								
Book value per share	A\$	1.02	0.85	0.81	0.75	0.71								
P/Book value	x	0.8x	0.9x	1.0x	1.0x	1.1x								
R.O.E	%	14%	-14%	0%	0%	2%								
R.O.A	%	11%	-11%	0%	0%	2%								
EBITDA per share	A\$	0.39	-0.04	0.17	0.10	0.13								
EV/EBITDA	x	1.0x	-9.3x	2.3x	4.0x	3.2x								
EV/EBIT	x	1	(1.9)	(14.7)	0.0	0.0								
EBITDA Margin	%	43%	-6%	29%	19%	24%								
PROFIT & LOSS		FY10	FY11	FY12E	FY13E	FY14E								
Revenue	A\$MM	180	147	122	106	105								
Operating costs	"	(83)	(103)	(70)	(69)	(65)								
Mine Operating Profit	"	97	44	52	37	40								
Exploration Expense	"	(6)	(10)	(9)	(9)	(9)								
Corporate & Other Costs	"	(13)	(43)	(8)	(8)	(6)								
EBITDA	"	78	-9	35	20	25								
DD&A	"	(40)	(28)	(39)	(24)	(24)								
Operating Income (EBIT)	"	38	(37)	(4)	(4)	1								
Net Interest Income	"	2	3	4	4	4								
Pre Tax Profit	"	40	(33)	(1)	0	5								
Tax Expense	"	(12)	10	0	(0)	(1)								
Reported NPAT	A\$MM	28	(23)	(0)	0	3								
Significant Items after tax	"	0	(17)	0	0	0								
Underlying Net Profit	A\$MM	28	(6)	(0)	0	3								
CASH FLOWS		FY10	FY11	FY12E	FY13E	FY14E								
Operating Cash Flow	A\$MM	99	26	44	29	34								
Net Interest	"	0	0	4	4	4								
Tax Paid	"	0	0	0	(0)	(1)								
Retained Op. Cash Flow	A\$MM	99	26	48	33	36								
Exploration	"	(5)	(10)	(12)	(12)	(12)								
Capital Expenditure	"	(28)	(39)	(20)	(9)	(1)								
Loan Repayments	"	0	0	0	0	0								
Funding Surplus/(Deficit)	A\$MM	66	(23)	16	12	23								
Dividends Paid	"	(14)	(16)	(8)	(12)	(12)								
Borrowings	"	0	0	0	0	0								
Equity Issues	"	1	0	0	0	0								
Other	"	(2)	(1)	0	0	0								
Total Funds Provided	A\$MM	(15)	(17)	(8)	(12)	(12)								
Net change in cash	"	51	(39)	8	(0)	11								
Cash at start of year	"	76	127	87	95	95								
Cash at end of year	A\$MM	127	87	95	95	107								
BALANCE SHEET		FY10	FY11	FY12E	FY13E	FY14E								
Cash & equivalents	A\$MM	127	87	95	95	107								
Other current assets	"	31	38	38	38	38								
PP&E & Other Mining Assets	"	96	81	65	53	33								
Other Non Current Assets	"	6	4	11	27	43								
Total assets	A\$MM	260	211	209	213	221								
Total liabilities	"	55	40	47	63	79								
Total Net Assets	A\$MM	205	171	162	150	142								
Total Debt	"	1	0	0	0	0								
Net Debt (Cash)	A\$MM	(126)	(87)	(95)	(95)	(107)								
Gearing (net debt:nd+equity)	%	-159%	-105%	-142%	-173%	-303%								
Gearing (net debt:equity)	%	-61%	-51%	-59%	-63%	-75%								
ATTRIBUTABLE MINE STATS		FY10	FY11	FY12E	FY13E	FY14E								
Attrib Ni in Conc Production														
Miitel	tonnes	-	2,529	1,777	1,720	1,720								
Wannaway	"	-	-	-	-	-								
Redross	"	-	-	-	-	-								
Mariners	"	3,651	2,043	3,408	3,216	3,216								
Carnilya Hill (70%)	"	2,541	1,500	765	-	-								
Otter-Juan	"	3,769	2,883	1,703	-	-								
McMahon / Coronet	"	712	103	1,204	2,321	1,624								
Total Nickel in Conc	tonnes	10,673	9,057	8,856	7,257	6,561								
Cash Costs (incl credits)														
Miitel	A\$/lb	-	8.31	7.24	6.79	6.82								
Wannaway	"	-	-	-	-	-								
Redross	"	-	-	-	-	-								
Mariners	"	6.38	9.45	5.55	6.10	6.13								
Carnilya Hill	"	4.95	6.27	6.32	-	-								
Otter-Juan	"	5.38	6.25	5.28	-	-								
McMahon / Coronet	"	6.36	8.24	8.63	7.29	8.35								
Average Cash Costs	A\$/lb	5.66	7.95	6.32	6.65	6.86								
Average Cash Costs	US\$/lb	4.99	7.88	6.34	6.38	6.35								
Cash Margin	A\$/lb	4.52	3.05	3.25	2.76	3.42								
Cash Margin	US\$/lb	3.99	3.02	3.26	2.65	3.16								
Reserves & Resources - Contained Nickel						June 2011								
* Resources are inclusive of Reserves														
		P+P Reserve	%Ni	M+I Resource	%Ni									
Miitel	kt	8.6	3.0	18.8	3.8									
Wannaway	kt	1.1	2.9	3.2	2.6									
Redross	kt	1.2	3.5	5.6	3.3									
Mariners	kt	13.9	3.7	24.5	4.5									
Carnilya Hill	kt	1.1	3.3	3.5	3.4									
Otter Juan	kt	2.0	3.6	6.8	4.3									
McMahon, Coronet, McCloy, etc	kt	5.6	2.4	47.9	3.6									
Total		33.6	3.0	110.4	3.8									
Contained Nickel (mlbs)		74		243										
Enterprise Value / tonne (A\$'000/t)		2.4		0.7										
Enterprise Value / tonne (US\$'000/t)		2.7		0.8										
NICKEL PRODUCTION PROFILE - 100%														
	tonne					US\$/l								
		FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E
		Miitel												
		Carnilya Hill (70%)												
		Wannaway												
		Redross												
		Mariners												
		Otter-Juan												
		MacMahon / Coronet												
		Cash Costs												
REALISED NICKEL PRICE VS CASH COST														
	US\$/lb													
		FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12E	FY13E	FY14E	
		Realised Nickel Price												
		Cash Costs												
SHARE VALUATION														
Projects	% Ownership	A\$MM	A\$/Shr	%										
Miitel	100%	23	0.11	17%										
Mariners	100%	90	0.45	66%										
Otter-Juan	100%	8	0.04	6%										
Carnilya Hill	70%	4	0.02	3%										
McMahon / Coronet	100%	11	0.05	8%										
Total Operating Assets		135	0.67	100%										
Exploration & Other		53	0.27											
Debt		0	0.00											
Cash		75	0.38											
Corporate		(27)	(0.14)											
Net Asset Value		236	1.18	0.66x										

Source: Company reports, RBC Capital Markets estimates



Valuation

We maintain our Outperform rating and A\$1.00 price target based on an unchanged ~0.8-0.9x multiple to NAV, broadly in line with comparable peers and current market conditions. Maintaining Average risk qualifier.

Price Target Impediment

Earnings are most sensitive to the nickel price and the A\$/US\$ exchange rate. Ore is processed through BHP's Kambalda concentrator under a ~65% profit sharing agreement, so it is not susceptible to operating plant failures. The main operational risk is mining, but we do not believe head grade is high risk because of the district's long history of mining. However, a mine life based on reserves of only 3–4 years is a risk. Finally, a severe downturn in global economies, especially in China, would cause the nickel price to fall and hurt Mincor's earnings.

Company Description

Mincor is a relatively small Australian nickel sulphide producer with four modest-sized, underground mines, and sizable acreage around the Widgiemooltha Dome, south of Kambalda, Western Australia. It is the largest supplier of nickel ore to BHP Nickel West's concentrator at Kambalda and has an off-take agreement with the company. Mincor owns the Miitel, Redross, Mariners and Wannaway mines. The company has a substantial exploration program. Mines were first purchased in 2001 for A\$54m and production began in 2002. In April 2006, Mincor increased its share of Carnilya Hill to 100%. In May 2006 it paid A\$68.5m cash to private group GMM for the 3.6ktpa Otter-Juan mine and former mines McMahon & Durkin.

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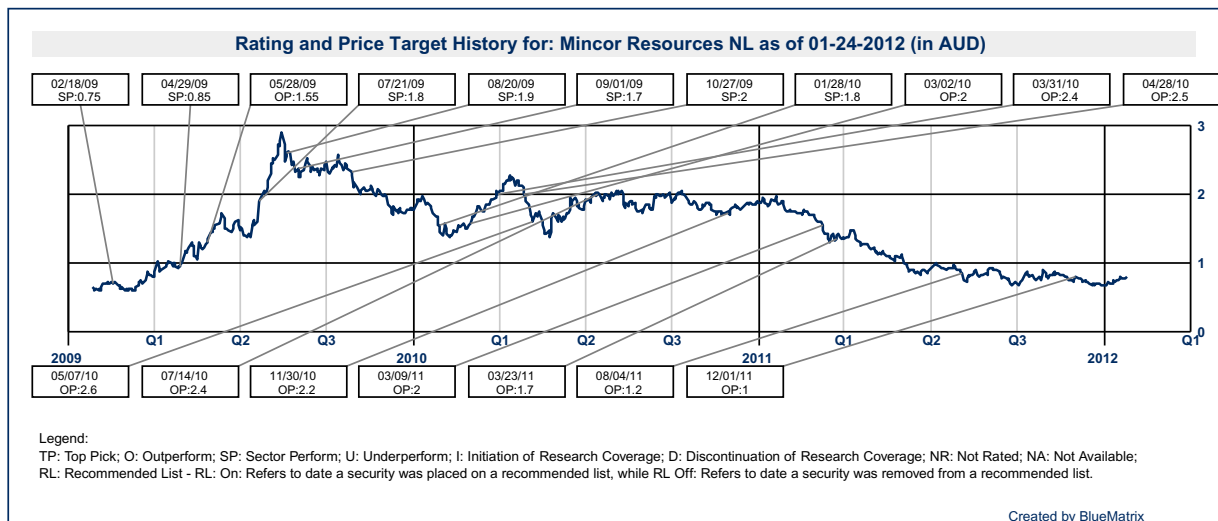
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