

Mincor Resources (MCR)

Equities Research

Date: 20 February 2008

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Current Share Price	A\$3.20
Valuation	A\$3.60
Recommendation	BUY

Market Statistics

ASX Code	MCR
Sector	Materials
Ordinary Shares on Issue	197.8m
Capitalisation	A\$633.0m
Cash (31 December 2007)	A\$110.8m
Year High	A\$5.19
Year Low	A\$2.39

Half on half results

	DEC H 07	JUN H 07	% VAR
KEY FINANCIALS (A\$m)			
NPAT	31.3	64.1	-51
Operating Cash Flow	34.1	125.4	-73
Free Cash Flow	-47.1	92.4	-151
Cash At End	110.8	169.6	-35
PRODUCTION			
Nickel (kt)	8.2	6.0	37
Cash costs (A\$/lb Ni)	6.26	6.42	-2

Source: Argonaut

12 month MCR price (blue) and LME nickel price (green)



Source: IRESS

DECEMBER HALF RESULTS

MCR has reported a 51% decrease in NPAT for the 6 months ended 31 December 2007. This was despite record half-yearly production of 8.2kt contained nickel and improved cash costs of A\$6.26/lb. A steady interim dividend of 6cps was announced.

The profit was impacted by:

- Lower nickel prices (average received A\$14.05/lb)
- Larger than anticipated \$30.4m D&A charge
- Aggressive \$6.3m exploration expense

MCR continues to demonstrate prowess in finding and building nickel sulphide mines in the Kambalda district. Last quarter production commenced at the company's seventh mine - Carnilya Hill. First ore from an eighth nickel mine (McMahon) is expected in late FY08 and should lift MCR's FY09 production towards 20,000t of contained nickel.

Nickel sulphide producers are currently generating significant amounts of cash from robust nickel prices. MCR's targeted production rate of >20,000tpa contained nickel (Appendix A) will result in payable nickel production of approximately 7mlb per quarter. Assuming operating margins of A\$7/lb MCR is capable of delivering operating cash flows of towards \$50m per quarter.

Aggressive exploration is expected to continue focusing on a number of earlier stage projects including:

- North Kambalda Dome
- Bluebush Line exploration
- South Miitel extensions
- Widgie Regional
- West Kambalda Regional
- Carnilya Regional

The stock is attractively priced at 4.6x FY09 earnings.

BUY



Recommendation	BUY
Current Price	\$3.20
Valuation	\$3.60
All Ords (XAO)	5,669

Sector	Metals & Mining
Issued Capital (m)	197.8
Market Cap (m)	\$633.0
Date	20-February-2008

Profit & Loss (\$m) 30 June	2007A	H1/08E	2008E	2009E	2010E
Sales Revenue	334.5	159.8	337.6	449.1	401.6
Other Income	0.0	5.1	7.5	8.8	17.1
Operating Costs	125.7	78.2	163.1	190.5	191.8
Deprn & Amort	35.0	30.4	48.2	45.5	46.2
Exploration Expensed	10.3	6.3	12.1	10.1	10.3
Corporate/Admin	12.5	5.0	10.0	10.1	10.3
Foreign Exchange Loss	5.6	0.0	0.0	0.0	0.0
EBIT	145.4	45.1	111.7	201.7	160.1
Interest Paid	0.4	0.1	0.3	0.3	0.3
Operating Profit	145.0	45.0	111.5	201.5	159.9
Tax Expense	43.7	13.6	33.6	60.4	48.0
Minorities	0.0	0.0	0.0	0.0	0.0
NPAT	101.3	31.3	77.9	141.0	111.9
Normalised NPAT	101.3	31.3	77.9	141.0	111.9

Financial Summary	2007E	2008E	2009E	2010E
Reported Earnings				
Net Profit (\$m)	101.3	77.9	141.0	111.9
EPS (cents)	49.9	38.6	69.8	55.4
PER (x)	6.4	8.3	4.6	5.8
Normalised Earnings				
Net Profit (\$m)	101.3	77.9	141.0	111.9
EPS (cents)	49.9	38.6	69.8	55.4
EPS Growth (%)	230.2	(22.7)	81.1	(20.6)
PER (x)	6.4	8.3	4.6	5.8
Cashflow				
Gross (Op.) Cashflow (\$m)	192.1	102.6	245.1	204.4
GCFPS (cents)	94.6	50.8	121.3	101.2
PCF (x)	3.4	6.3	2.6	3.2
Dividend				
Dividend (cents)	12.0	12.0	16.0	12.0
Yield (%)	3.8	3.8	5.0	3.8
Franking %	100	100	100	100

Cash Flow (\$m)	2007A	H1/08E	2008E	2009E	2010E
Operating Cashflow	192.1	34.2	102.6	245.1	204.4
- Capex	28.8	25.5	49.0	32.2	25.3
- Exploration	9.4	5.4	12.4	12.2	12.4
- Asset Purchases (+ Asset Sales)	14.2	50.3	72.8	0.0	0.0
Free Cashflow	139.8	(47.1)	(31.6)	200.7	166.7
- Dividends	17.6	11.8	23.7	27.7	27.7
+ Equity Raised	2.2	0.7	0.7	0.0	0.0
+ Debt Drawdown (Repaid)	0.0	(0.5)	(0.5)	0.0	0.0
Net Change in Cash	124.4	(58.7)	(55.1)	173.0	139.0
Cash at End Period	169.6	110.9	114.5	287.5	426.5

Financial Ratios	2007E	2008E	2009E	2010E
Balance Sheet Ratios				
Total Debt / Equity (%)	2	1	1	1
Interest Cover (x)	380.7	410.2	804.0	638.3
Acid test ratio (x)	1.8	1.4	2.2	3.3
Profitability Ratios				
Net Profit Margin (%)	30.3	23.1	31.4	27.9
Return on Assets (%)	103.0	77.8	131.7	128.7
Return on Equity (%)	67.4	38.0	44.3	27.8

Balance Sheet (\$m)	2007A	2008E	2009E	2010E
Total Assets	310.8	258.1	440.7	550.9
Total Debt	3.4	2.9	2.9	2.9
Total Liabilities	160.5	52.9	122.2	148.2
Shareholders Funds	150.3	205.2	318.5	402.7

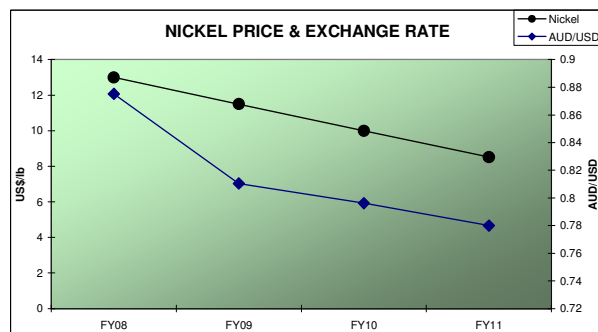
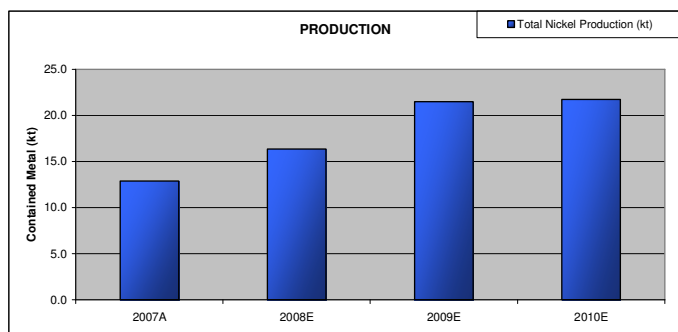
Valuation Summary	A\$m	A\$/sh
Mittel	80.2	0.40
Wannaway	4.4	0.02
Redross	49.1	0.24
Mariners	75.6	0.37
Carnilya Hill (70%)	149.4	0.74
McMahon / Durkin / Ken / Otter Juan	149.7	0.74
Forward Sales	1.2	0.01
Corporate	-25.3	-0.13
Exploration	130.0	0.64
Unpaid Capital	4.3	0.02
Cash (31 December 2007)	110.8	0.55
Debt	-2.9	-0.01
Total @ 10% discount rate	727	3.60

Production Summary	2007A	2008E	2009E	2010E
Total Nickel Production (kt)	12.9	16.3	21.5	21.7
Ni Cash Cost - net of credits (US\$/lb)	5.19	5.46	4.72	4.65
Ni Total Cost (US\$/lb)	7.81	8.72	6.74	6.61
Ni Price Realised (US\$/lb)	13.44	12.96	11.53	9.99

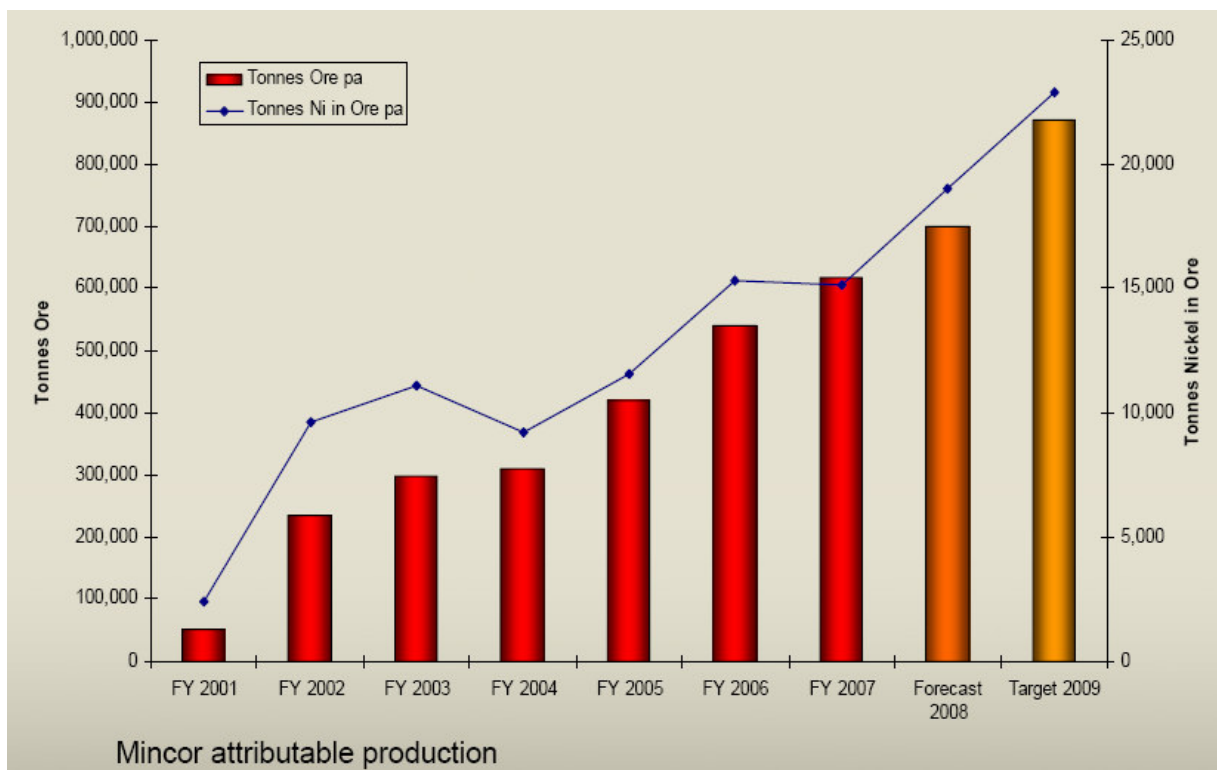
Reserves & Resources Estimate June 2007						
Nickel	Reserves			Resources		
	mt	Grade (%)	Ni (kt)	mt	Grade (%)	Ni (kt)
Mariners	0.39	2.7	10.6	0.78	4.0	31.1
Redross	0.18	2.9	5.3	0.28	3.7	10.3
Mittel	0.97	2.5	24.7	1.10	3.6	39.9
Wannaway	0.03	2.3	0.8	0.07	2.6	1.9
North Dordie	0.04	1.2	0.5	0.15	1.5	2.2
Carnilya Hill	0.34	2.9	9.8	0.23	4.9	11.3
Otter-Juan	0.29	3.9	11.1	0.40	4.9	19.8
McMahon / Ken				0.39	4.0	15.7
Durkin				0.29	4.6	13.2
Gellatly				0.03	3.4	1.0
Total	2.24	2.8	62.8	3.72	3.9	146.4

Directors	
Name	Position
David Humann	Non-Executive Chairman
David Moore	Managing Director
Jack Gardener	Non-Executive Director
Ian Burston	Non-Executive Director

Substantial Shareholders	
Shareholder	%
Barclays	10.3
AXA Group	5.1



APPENDIX 1 – Production growth (Source: MCR)



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