



PRICE TARGET REVISION | COMMENT

AUGUST 20, 2009

Mincor Resources NL (ASX: MCR)
A\$29m Turnaround

Sector Perform
Above Average Risk

Price:	2.60	Price Target:	1.90 ↑ 1.80
Shares O/S (MM):	199.0	Implied All-In Return:	(25%)
Dividend:	0.06	Market Cap (MM):	517
NAVPS:	1.74	Yield:	2.3%
BVPS:	1.00	P/NAVPS:	1.5x
ROE:	(8.0%)	P/BVPS:	2.6x
Float (MM):	199.0	Enterprise Val. (\$MM):	442.0
Debt to Cap:	0%	Avg. Daily Volume (MM):	1.35

Price: 2.60
 Priced at market close as on August 20, 2009 (Australian Eastern Standard time)

Event

A\$17m reported loss, but strong cashflow and balance sheet. Increase target to A\$1.90 (from A\$1.80) and retain Sector Perform rating.

Investment Opinion

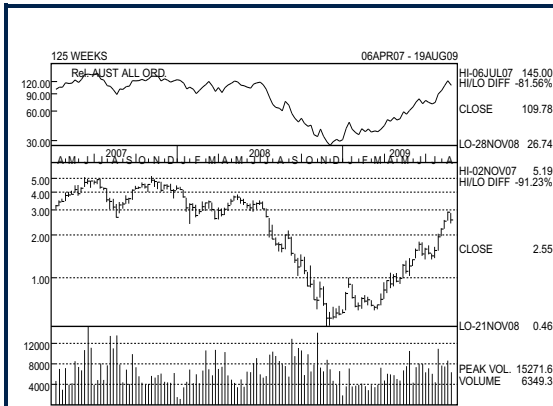
The headline A\$17m loss was no surprise, although the A4¢ final dividend was much better than our forecast of A2¢. The feature was the strength of 2H and the improving outlook for nickel. Reported profit turned around by A\$29m from a loss of A\$23m in 1H to a surplus of A\$6m. The company has A\$76m cash and no debt with reduced operating costs.

Mincor offers strong leverage to the nickel price, with the ability to quickly restart the idled Miitel mine, which has 3-4 months of pre-developed ore ready to go. We continue to consider Mincor highly, but near-term believe that nickel shares as a group have run hard and need to consolidate.

- **A\$29m Turnaround:** The reported A\$6m profit in 2H09 was turned around by A\$29m from 1H. The headline loss of A\$17m for FY09, was broadly in line with our estimate of a A\$14m loss. Mine operating surplus for the year was a robust A\$67m.
- **Guidance:** Production is set to decline slightly to 13-14kt Ni in ore in FY10, and exploration is to ramp back up to A\$12m. Capex spend is to be A\$19m, down from A\$34m in FY09.
- **Exploration:** Exploration has been reinitiated with a A\$12m budget this year and 7 rigs. Mincor has a proven record of discovery which is very likely to continue in our view. The company is particularly excited with its potential. Given the reduced budget last year we expect only a modest reserve/resource upgrade in September.
- **Outlook:** The outlook of modest reported earnings disguises the strength of Mincor's cashflow. We forecast \$62m mine operating profit this year at US\$6/lb Ni and yet underlying profit is forecast at a mere A\$7m. Guidance is for ~20% drop in Ni production and we forecast similar cash costs in A\$ terms.
- **Dividends:** We increase annual dividends from A4c to A6c.
- **Valuation:** We raise our price target to A\$1.90 (A\$1.80) based on 1.1x P/NAV (1.0x) on a more buoyant outlook. This method aligns with other company valuations in this sector. We retain Sector Perform and our Above Average Risk rating.

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

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 8.



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FY Jun	2008E	2009A	2010E	2011E
EPS (Op) - FD	0.29	(0.08)	0.03	(0.02)
Prev.		0.02	0.02	
P/E	9.0x	NM	NM	NM
CFPS - FD	0.57	0.27	0.24	0.18
Prev.				0.19
P/CFPS	4.6x	9.6x	10.8x	14.4x
Annual Div. - FD	0.12	0.06	0.06	0.06
Prev.		0.04	0.04	0.04
Payout Ratio - FD	41%	-75%	200%	-300%
Prod.	17	16	13	13
Prev.			14	14

All values in AUD unless otherwise noted.

A\$29m Turnaround in 2H09

Mincor reported a headline net loss of A\$17m in FY09, compared to a net profit of A\$57m in FY08, reflecting the impact of the sharply lower nickel prices. The result included an A\$17m non-cash impairment charge from 1H09 and a further A\$0.6m charge plus the non-cash write-off of exploration properties of A\$2.5m. Adjusting for these 3 items totaling A\$20m, the underlying result was a A\$2m loss. There was also a negative provisional pricing adjustment of A\$9m in the result. The A\$17m loss was not far from our estimate of A\$14m and the cash margin fell by 58%, despite a 20% reduction in cash costs to A\$5.37/lb (FY08 A\$6.71/lb).

The profit was inclusive of A\$8m exploration costs written off. Affirming the company's positive outlook, despite low earnings, the final dividend was 4¢, fully franked, compared to 2¢ for the FY09 interim and 6¢ for both halves in FY08. Mincor remains very healthy with A\$76m cash in hand and no debt and has re-established, fully, its exploration program to A\$12m this year.

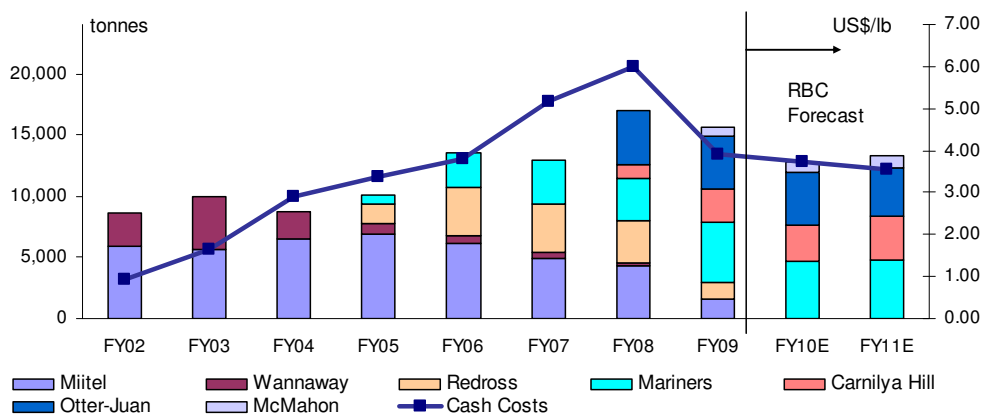
Cash flow and the trend in half years was the feature of this result. **The 2H reported profit of A\$6m was a \$29m turnaround from the 1H loss of A\$23m.** Cash operating surplus from the mines was a robust A\$67m prior to PP adjustments. In our view, there was nothing wrong with this set of results and investors should focus on the 2H09 profit and cash flow.

RBC Comment

The trend in cash flow and unit costs is very encouraging and Mincor has come out of the last difficult 12 months in much better shape than most companies. It is cash rich, has lower costs and has restarted a sizeable exploration program within its mining district and can quickly turn back on idled nickel production. The company has tended to incrementally increase its reserves and resources and seems assured of continuing this trend.

The closure of many global nickel operations including Ravensthorpe and the temporary closure of majors such as Vale's operations in Canada are positive developments supportive of the nickel price. However, Mincor has rallied hard, up 386%, from A\$0.60 in mid-March to a recent peak of A\$2.92. **We continue to consider the company positively but believe that nickel shares as a group are overbought over the past few months and a period of consolidation is warranted.**

Exhibit 1: Nickel in Concentrate Production - FY02 though FY11E



Source: Company reports and RBC Capital Markets estimates

Report Highlights

- **The turnaround of A\$29m** generated a net profit of A\$6m for 2H09 on operating earnings of A\$38m.
- **Cash margins** almost double to A\$4.32/lb in 2H09 as cash costs fell to A\$4.83/lb; EBITDA was up by 191% over 1H.
- **The headline net loss of \$16.7m** for FY09 (1HFY09: net loss of \$22.7M) was after \$37.3m in one-off non-cash charges, exploration write-offs and negative provisional pricing adjustments.
- Strong underlying FY09 operating earnings of \$67m (FY08: \$171m) equals revenue less cash costs pre-PP adjustments.
- **Final fully franked dividend of 4 cents** per share declared maintained Mincor's unbroken dividend payment record since 2003.
- **Impairment** charges of A\$17m related mainly to Miitel at A\$9.3m and McMahan at A\$7.1m.
- **Cash of \$76m** or A38¢/share, working capital of \$94m and no debt at June 30 2009.

- **Sales revenue** fell 42% from A\$329m to A\$192m, dividends of A\$16m were paid in FY09 and tax of A\$4m was paid.
- **Production:** Mincor achieved nickel production of 17.6kt of nickel in ore, down from 19.0kt.
- **Outlook:** The company said its operations are “lean and efficient”, its finances are in “great shape” and it has a “fabulous series of exploration opportunities ahead.”
- **Guidance for FY10:** 13-14kt of Ni in ore, A\$19m capex mostly mine development, A\$12m exploration, 7 rigs.

Exhibit 2: Nickel Price Since June 08

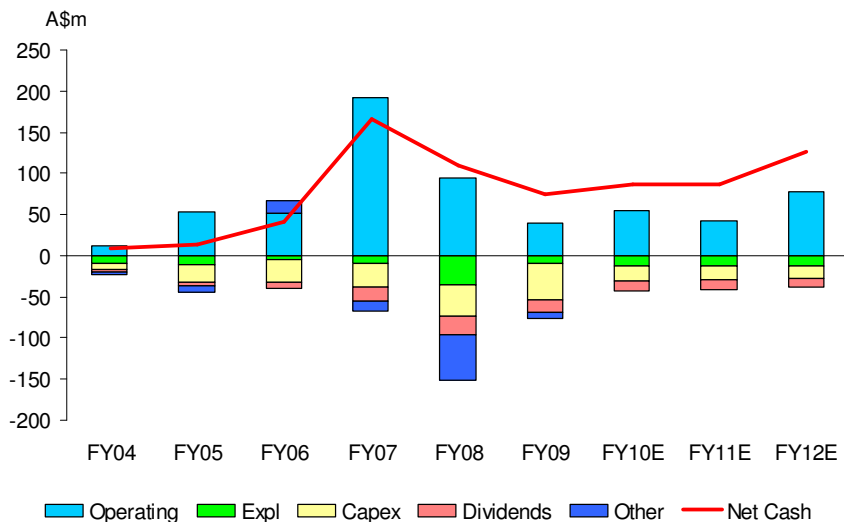


- Nickel averaged under US\$5.00/lb for 6 months in the Dec 08 & March 09 Qs
- The price jumped about ~US\$1.00/lb in the June Q 09
- In the Sept Q to date, nickel has averaged a rosy US\$7.86/lb and spot is up around US\$1.00 above this average.
- Nickel has averaged US\$5.86/lb year-to-date CY09

Robust Cash Flow the Key

In the following exhibit we demonstrate the health of Mincor. Cash on hand through FY12E remains not less than its current level on our forecasts and the operating surplus remains robust, more than offsetting cash outlays.

Exhibit 3: Mincor Cash Flow Analysis

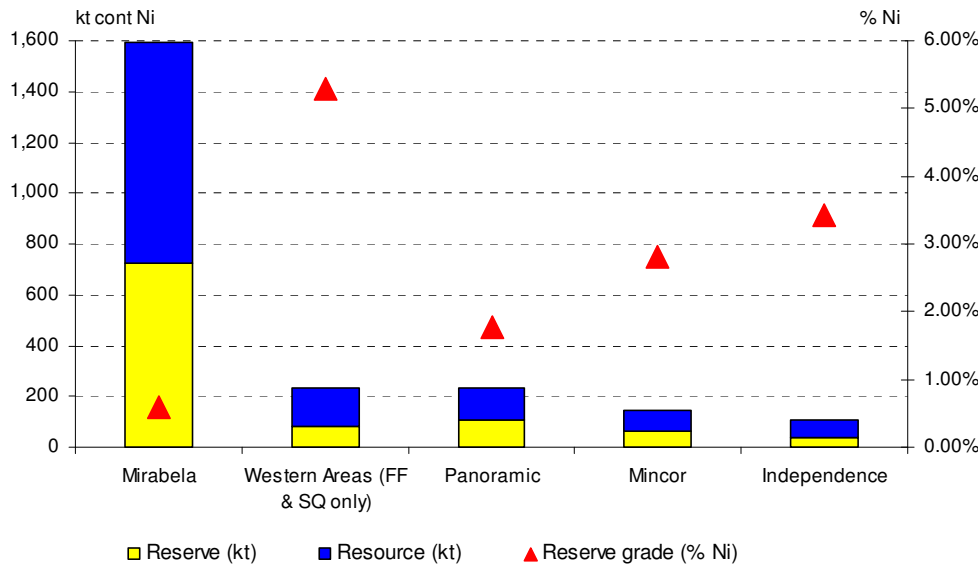


Source: Company data, RBC Capital Markets estimates

Comparative Nickel Valuation

In the next series of exhibits, we compare the relative merits of each of our ASX-listed nickel coverage and focus on the features of Mincor.

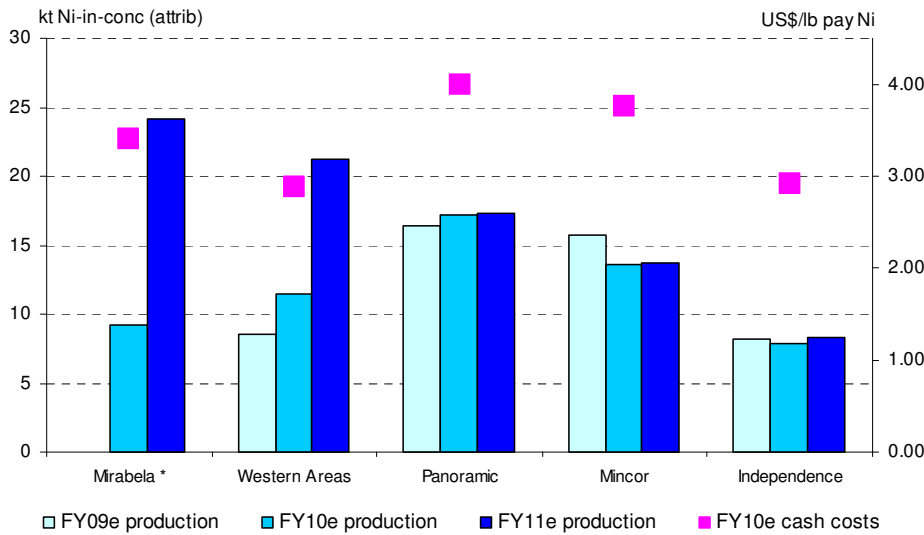
Exhibit 4: Reserve & Resource Nickel Tonnage vs. Reserve Grade



- Mirabela is the outlier as a very large but low-grade open pit approaching the commissioning phase
- Western Areas is the standout re grade of >5% nickel
- PNA, MCR, & IGO have more “normal” Kambalda grades of ~2-3% and modest reported reserves that tend to incrementally grow

Source: Company data, RBC Capital Markets estimates

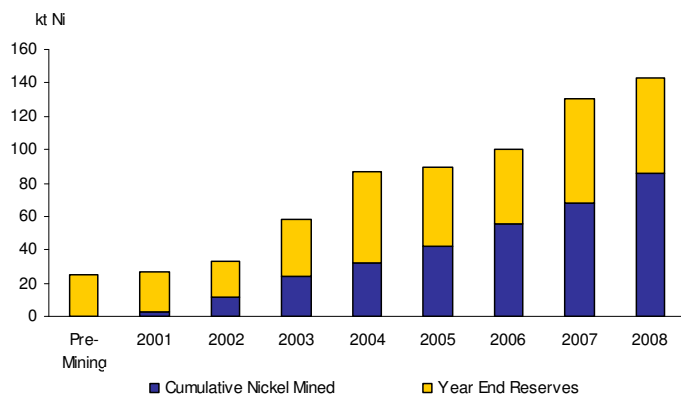
Exhibit 5: Nickel Production FY09 - 11 vs. Unit Cash Costs



- Cash costs are relatively similar for all producers at between US3-4/lb of payable nickel
- WSA has the lowest cash costs due to its superior head grade
- The production outlook for Mincor is likely to be conservative should the nickel price trend higher into FY11

Source: Company data, RBC Capital Markets estimates

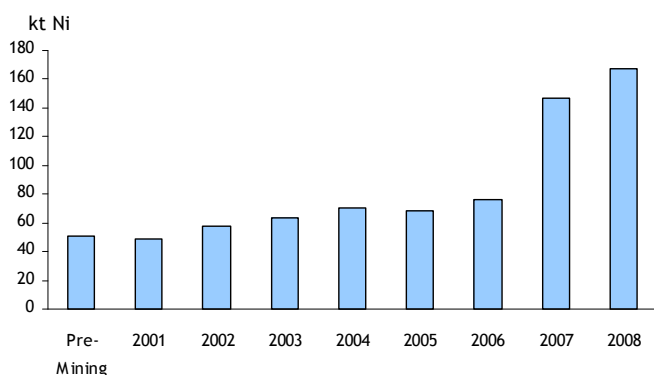
Exhibit 6: Mincor Nickels Reserves & Cumulative Nickel Mined



- Reserves have been relatively constant for the last 5 years, and were 57kt at 30 June 08
- We expect 2009 reserves to be only moderately replenished given the greatly reduced exploration program in FY09

Source: Company data, RBC Capital Markets estimates

Exhibit 7: Mincor Nickel Resources



- Resources surged 93% in 2007 when Mincor purchased the GMM assets and also began to develop the Carnilya Hill project. "N09" was delineated at Mariners at this time
- The addition of a maiden resource for "N10" at Mariners may be included this year.

Source: Company data, RBC Capital Markets estimates

Earnings Revisions

We have made few changes to our earnings outlook given that the FY09 result was broadly as expected.

- The higher 4 cent final DPS for FY09 allows us to raise future dividends to 6 cents per annum from 4 cents previously.
- FY10E production is trimmed 6% to the high end of the guidance of 13-14kt of Ni in ore.
- Reduced FY10E capex by A\$2m to A\$19m, in line with guidance.
- We have added an estimate of A\$5m for a positive PP adjustment in the current half given the recovery in the Ni price since 30 June 09.

Exhibit 8: Mincor Resources Estimate Revisions

		Fiscal 2010E			Fiscal 2011E		
		Rev.	Prev.	%	Revised	Revised	%
Underlying Net Profit	A\$m	6.6	3.2	107%	(4.4)	(4.5)	(2%)
EPS	¢	3.3	1.6	103%	(2.2)	(2.3)	(4%)
DPS	¢	6.0	4.0	0%	6.0	4.0	0%
Gross Cash flow	A\$m	47.1	48.0	(2%)	35.5	37.8	(6%)
Cash flow/share	¢	23.7	24.1	(2%)	17.9	19.0	(6%)
Nickel Production	kt	12.8	13.6	(6%)	13.3	13.7	(3%)
Cash Costs	US\$/lb	3.73	3.80	(2%)	3.57	3.63	(2%)
Realised Nickel Price	US\$/lb	6.90	6.88	0%	5.99	6.00	(0%)
Valuation (A\$/sh)		1.74	1.82	(5%)			

Source: RBC Capital Markets estimates

Exhibit 9: Mincor Resources Forecast Financial & Operating Summary

Mincor Resources										
ASX: MCR	Share Price: (A\$)	2.60			Stock Rating:	Sector Perform	Price Target:		A\$1.90	
Issued Shares (m)	Mkt Cap: (A\$MM)	517.5	Return	-27%	Risk Qualifier:	Above Average	NAV:		A\$1.74	
Fiscal Year Ended June										
ASSUMPTIONS										
Exchange Rate	A\$/US\$	0.79	0.90	0.75	0.72	0.66				
Spot Nickel Price	US\$/lb	17.37	12.92	5.94	6.03	6.00				
Spot Nickel Price	A\$/lb	21.97	14.45	7.84	8.46	9.09				
Realised Nickel Price	US\$/lb	14.28	12.69	6.95	6.90	5.99				
Realised Nickel Price	A\$/lb	18.12	14.17	9.39	9.64	9.08				
Cobalt Price	US\$/lb	23.39	39.32	22.41	12.61	12.00				
Realised Cobalt Price	US\$/lb	23.39	39.32	22.41	12.61	12.00				
Realised Cobalt Price	A\$/lb	29.64	43.51	29.46	17.70	18.17				
Hedged Sales	tonnes	2,994	3,450	1,890	1,974	450				
Hedged % of Sales	%	23%	21%	12%	15%	3%				
Hedged Price	US\$/lb	0.00	12.41	10.78	8.93	5.86				
RATIO ANALYSIS										
Shares outstanding	MM	195	196	197	199	199				
Reported Net profit	A\$MM	101	57	(17)	7	(4)				
Significant Items	A\$MM	0	0	(14)	0	0				
Underlying Net Profit	A\$MM	101	57	(2)	7	(4)				
EPS	A¢	51.9	29.3	(8.4)	3.3	(2.2)				
P/E	x	5.0x	8.9x	nm	nm	nm				
CFPS	A¢	68.5	56.6	27.5	23.7	17.9				
P/CF	x	3.8x	4.6x	9.5x	11.0x	14.6x				
Dividend per share	A¢	12.0	12.0	6.0	6.0	6.0				
Dividend yield	%	4.6%	4.6%	2.3%	2.3%	2.3%				
Franking Level	%	100%	100%	100%	100%	100%				
Payout Ratio	%	23%	41%	-71%	181%	-270%				
Effective Tax Rate	%	30%	33%	-37%	30%	30%				
Book value per share	A\$	0.75	1.20	1.00	0.94	0.86				
P/Book value	x	3.4x	2.2x	2.6x	2.8x	3.0x				
R.O.E	%	67%	24%	-8%	4%	-3%				
R.O.A	%	33%	17%	-7%	2%	-2%				
EBITDA	A\$MM	176	134	48	48	32				
EBITDA per share	A\$	0.90	0.68	0.24	0.24	0.16				
EV/EBITDA	x	2.0	3.0	9.3	9.0	13.6				
EV/EBIT	x	2.5	5.2	(14.9)	57	(51.2)				
EBITDA Margin	%	53%	41%	25%	26%	18%				
PROFIT & LOSS										
Revenue	A\$MM	330	323	188	183	172				
Operating costs	"	(124)	(170)	(119)	(120)	(126)				
Mine Operating Profit	"	206	152	70	62	47				
Exploration Expense	"	(10)	(13)	(8)	(8)	(8)				
DD&A	"	(35)	(55)	(77)	(40)	(40)				
Corporate & Other Costs	"	(20)	(6)	(14)	(6)	(7)				
Operating Income (EBIT)	A\$MM	141	78	(30)	8	(8)				
Net Interest Income	"	4	7	3	2	2				
Pre Tax Profit	"	145	85	(26)	9	(6)				
Tax Expense	"	(44)	(28)	10	(3)	2				
Net profit - as reported	A\$MM	101	57	(17)	7	(4)				
Significant Items after tax	"	0	0	(14)	0	0				
Underlying Net Profit	A\$MM	101	57	(2)	7	(4)				
EPS	A¢	51.9	29.3	(8.4)	3.3	(2.2)				
DPS	A¢	12.0	12.0	6.0	6.0	6.0				
CASH FLOWS										
Operating Cash Flow	A\$MM	201	94	40	56	40				
Net Interest	"	0	0	0	2	2				
Tax Paid	"	(8)	0	0	(3)	0				
Retained Op. Cash Flow	A\$MM	192	94	40	55	42				
Exploration	"	(9)	(35)	(10)	(12)	(12)				
Capital Expenditure	"	(29)	(37)	(44)	(19)	(18)				
Loan Repayments	"	0	0	(1)	0	0				
Funding Surplus/(Deficit)	A\$MM	154	21	(14)	24	13				
Dividends Paid	"	(18)	(24)	(16)	(12)	(12)				
Borrowings	"	0	0	0	0	0				
Equity Issues	"	2	2	0	0	0				
Other	"	(14)	(56)	(7)	(0)	(0)				
Total Funds Provided	A\$MM	(30)	(78)	(22)	(12)	(12)				
Net change in cash	"	124	(57)	(37)	12	1				
Cash at start of year	"	45	170	112	76	88				
Cash at end of year	A\$MM	170	112	76	88	89				
Net Op. CFPS	A\$	1.03	0.48	0.20	0.28	0.20				
BALANCE SHEET										
Cash & equivalents	A\$MM	170	112	76	88	89				
Other current assets	"	77	55	65	65	65				
PP&E & Other Mining Assets	"	58	145	108	91	72				
Other Non Current Assets	"	7	17	2	24	38				
Total assets	A\$MM	311	329	251	268	264				
Total liabilities	"	161	90	52	80	92				
Total Net Assets	A\$MM	150	238	199	188	172				
Total Debt	"	3	2	1	1	1				
Net Debt (Cash)	A\$MM	(166)	(110)	(74)	(87)	(87)				
Gearing (net debt : nd+ equity)	%	1044%	-86%	-59%	-86%	-103%				
Gearing (net debt:equity)	%	-111%	-46%	-37%	-46%	-51%				
ATTRIBUTABLE MINE STATS										
Nickel Production (100% ownership)										
Miitel	tonnes	4,901	4,174	1,817	0	0				
Wannaway	"	519	265	25	0	0				
Redross	"	3,891	3,325	1,550	0	0				
Mariners	"	3,616	3,445	5,123	4,637	4,791				
Carnilya Hill (70%)	"		1,023	2,128	3,004	3,634				
Otter-Juan	"		4,417	4,261	4,273	3,895				
McMahon + Coronet	"			864	934	934				
Total Nickel in Conc	tonnes	12,927	16,648	15,768	12,848	13,254				
Cash Costs (including Credits):										
Miitel	A\$/lb	6.77	8.37	7.20	0.00	0.00				
Wannaway	"	9.64	9.49							
Redross	"	5.24	6.43	7.65	0.00	0.00				
Mariners	"	7.35	7.56	5.23	5.13	5.14				
Carnilya Hill	"		3.94	4.47	5.24	5.52				
Otter-Juan	"		5.04	4.77	5.31	5.59				
McMahon	"			5.00	5.11	5.58				
Average Cash Costs	A\$/lb	6.59	6.71	5.37	5.21	5.41				
Average Cash Costs	US\$/lb	5.18	6.02	4.05	3.73	3.57				
Cash Margin	A\$/lb	11.54	7.46	4.02	4.43	3.67				
Cash Margin	US\$/lb	9.07	6.69	3.01	3.17	2.42				
Reserves & Resources - Contained Nickel										
<i>* Reserves are inclusive of Reserves</i>										
	Reserves Ni	%Ni	Rscs Ni*	%Ni						
Miitel	24.7	2.5	39.9	3.8						
Wannaway	0.8	2.3	1.9	3.2						
Redross	5.3	2.9	10.3	4.2						
Mariners	10.6	2.7	31.1	4.5						
Carnilya Hill	7.7	2.4	11.3	4.6						
Otter Juan	11.1	3.9	19.8	4.9						
McMahon/Durkin +	0.0	0.0	29.9	4.3						
Reserves - Contained Nickel	60.2	2.8	144.2	4.3						
Reserves - Contained Nickel (mlbs)	133		318							
Enterprise Value/tonne Reserve	6,763		2,825							
Enterprise Value/tonne Reserve	5,275		2,203							
EARNINGS SENSITIVITY										
Nickel Price US\$/oz	+10%	29	18%							
	-10%	(29)	-18%							
Exchange Rate	+10%	(26)	-16%							
	-10%	32	20%							
NICKEL PRODUCTION PROFILE - 100%										
REALISED NICKEL PRICE VS CASH COST										
SHARE VALUATION										
Projects	% Ownership	A\$MM	A\$/Shr	%						
Miitel	100%	26	0.13	10%						
Redross	100%	4	0.02	2%						
Mariners	100%	121	0.61	46%						
Carnilya Hill	100%	64	0.32	24%						
Otter-Juan	100%	67	0.33	25%						
McMahon	100%	-18	-0.09	-7%						
Total Operating Assets		264	1.33							
Exploration & Other		50	0.25							
Debt		0	(0.01)							
Cash		76	0.38							
Corporate		(43)	(0.22)							
Net Asset Value - \$A		345	1.74	150%						

Source: Company Reports and RBC Capital Markets estimates



Valuation

We raise our price target to A\$1.90 (A\$1.80) based on 1.1x P/NAV (1.0x) on a more buoyant outlook. This method aligns with other company valuations in this sector. We retain Sector Perform and our Above Average Risk rating.

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 4-5 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. Mines are moderate cost.

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. It is debt-free and at June 2006 had resources of 2Mt grading 3.8% for 75.8kt of contained nickel metal, and reserves of 1.7Mt grading 2.7% for 44.7kt nickel. The company has a substantial exploration program. Mines were first purchased in 2001 for A\$54m and production began in 2002. Beginning April 2006, Mincor is increasing its share of Carnilya Hill to 100%, which is scheduled to be in production in January 2008. It paid A\$2m to farm into RAV 8 by spending A\$5m over three years for 80%. 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, which have 29kt nickel resources.

Required Disclosures

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An analyst's 'sector' is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Ratings

Top Pick (TP): Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations.

Outperform (O): Expected to materially outperform sector average over 12 months.

Sector Perform (SP): Returns expected to be in line with sector average over 12 months.

Underperform (U): Returns expected to be materially below sector average over 12 months.

Risk Qualifiers (any of the following criteria may be present):

Average Risk (Avg): Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid.

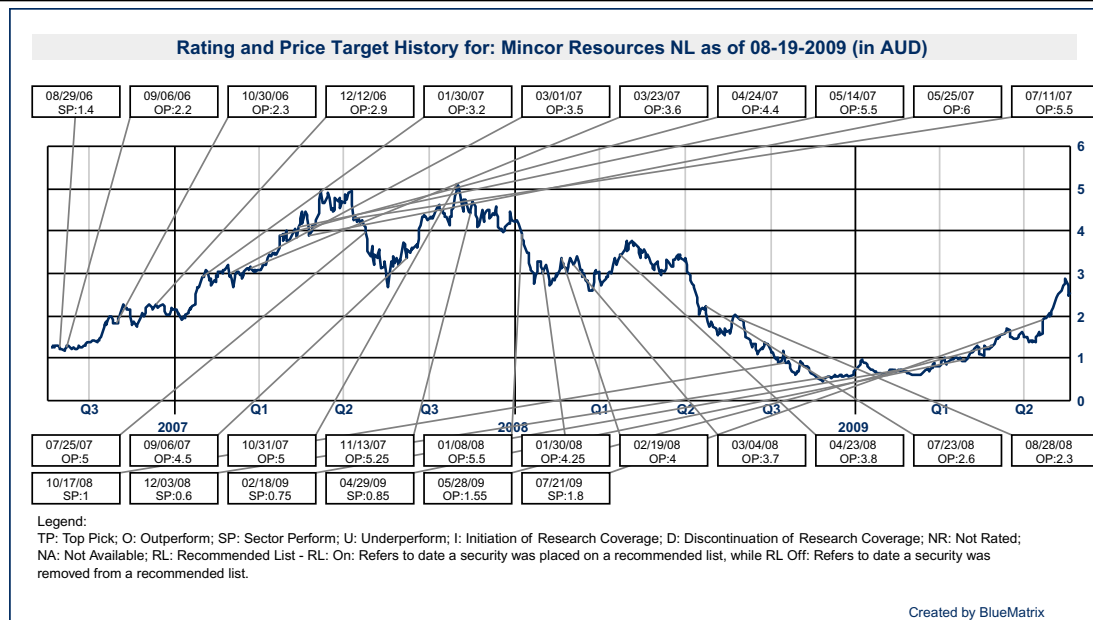
Above Average Risk (AA): Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float.

Speculative (Spec): Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

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