



## Mincor Resources BUY

Current Price: **\$1.64**  
Valuation: **\$2.22**

Ticker: MCR  
Sector: Materials

Shares on Issue (m): 200.2  
Market Cap (\$m): 327.3  
Net Cash (\$m): 97.9  
Enterprise Value (\$m): 229.4

52 wk High/Low: \$2.92 \$1.03  
12m Av Daily Vol (m): 1.25

### Key Metrics

	09A	10F	11F
P/E (x)	-98.5	11.6	6.4
EV/EBITDA (x)	4.7	2.5	1.7

### Financials:

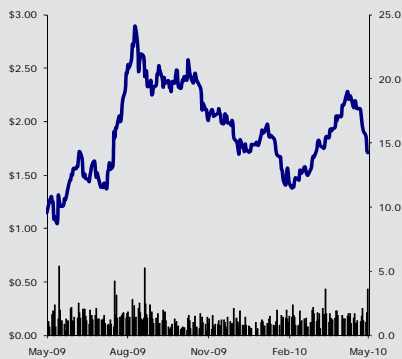
	09A	10F	11F
Revenue (\$m)	186.7	186.1	251.5
EBIT (\$m)	-8.4	52.1	94.5
NPAT (\$m)	-16.8	36.3	66.1

	09A	10F	11F
Net Assets (\$m)	199.3	231.1	326.1
Op CF (\$m)	39.8	108.3	159.9

### Per Share Data:

	09A	10F	11F
EPS (cps)	-2.0	16.8	30.5
DPS (cps)	2.0	7.0	7.0
Div Yield	1.2%	4.3%	4.3%
CFPS (cps)	18.3	49.9	73.7

### Share Price Graph



Analysts:  
Troy Irvin  
Tim Serjeant

7 May 2010

## Miitel swing factor to kick back in

In the March Q Mincor Resources (MCR) produced 2,408t of nickel-in-concentrate. Q-on-Q variances were:

- Nickel output down 15% (3% less ore milled, at a 10% lower grade of 2.9% Ni)
- Cash costs 18% higher at A\$6.12/lb payable

This was a soft Q with lower production and higher costs due to low grades and poor equipment productivity. With 8,020t YTD MCR needs a blinder in the June Q to achieve FY10 production guidance of 12-13kt. Argonaut's forecast is 11.1kt.

Recent highlights can be found in the exploration arena including new discoveries at both North and South Miitel – 5.8m @ 2.9% Ni in a new position at South Miitel, and 2.7m @ 4.9% nickel at North Miitel (both estimated true width).

Further intersections at Mariners confirmed a substantial zone of mineralisation in the postulated N11 ore surface, with intersections now defining a dip extent of 150m.

The reinvigorated exploration effort (6 underground drill rigs, 3 surface rigs, annual budget \$16m) will translate into increased resources and reserves, and ultimately mine life. MCR has consistently maintained reserves ahead of production since starting mining in 2001.

MCR is also focusing on Company-changing exploration opportunities. During the current June Q a long underground hole is expected to intersect a high priority "Ultra-Sized Nickel Ore Body" target from a position in the Otter Juan mine. The potential prize is >100kt Ni.

The March Q featured a rare production slip for a disciplined class outfit. Despite the lower production and higher cash costs the Company reported a Q operating surplus of \$19m.

The idled Miitel mine is a ~4-5ktpa swing factor that will kick back into production from next month. Re-start costs are less than \$1m with ~100kt ore already fully developed. Argonaut forecasts nickel production of 15kt in FY11.

After incorporating the implications under the proposed Resource Super Profit Tax (RSPT) MCR is trading at a 26% discount to Argonaut's valuation of \$2.22 (was \$2.62).

**BUY**



**Recommendation** BUY  
**Current Price** \$1.64  
**Valuation** \$2.22  
**All Ords (XAO)** 4,558

**Sector** Materials  
**Issued Capital (m)** 200.2  
**Market Cap (m)** \$420.3  
**Updated** 07-May-2010

Profit & Loss (\$m) 30 June	2009A	2010E	2011E	2012E
<b>Sales Revenue</b>	<b>186.7</b>	<b>186.1</b>	<b>251.5</b>	<b>275.9</b>
Other Income	5.1	4.6	8.3	6.3
Operating Costs	125.0	84.3	112.5	129.9
Exploration Expensed	10.1	6.0	7.6	7.7
Corporate/Admin	8.0	8.0	8.1	8.3
<b>EBITDA</b>	<b>48.7</b>	<b>92.3</b>	<b>131.6</b>	<b>136.4</b>
Depn & Amort	57.1	40.3	37.1	37.0
<b>EBIT</b>	<b>-8.4</b>	<b>52.1</b>	<b>94.5</b>	<b>99.3</b>
Interest Paid	0.2	0.1	0.1	0.0
Impairment	17.9	0.0	0.0	0.0
<b>Operating Profit</b>	<b>-26.4</b>	<b>51.9</b>	<b>94.4</b>	<b>99.3</b>
Tax Expense	-9.7	15.6	28.3	29.8
Minorities	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>-16.8</b>	<b>36.3</b>	<b>66.1</b>	<b>69.5</b>
<b>Normalised NPAT</b>	<b>-4.3</b>	<b>36.3</b>	<b>66.1</b>	<b>69.5</b>

Financial Summary	2009A	2010E	2011E	2012E
<b>Reported Earnings</b>				
Net Profit (\$m)	(16.8)	36.3	66.1	69.5
EPS (cents)	(7.7)	16.8	30.5	32.0
PER (x)	(25.1)	11.6	6.4	6.0
<b>Normalised Earnings</b>				
Net Profit (\$m)	(4.3)	36.3	66.1	69.5
EPS (cents)	(2.0)	16.8	30.5	32.0
EPS Growth (%)	(106.2)	(955.0)	81.8	5.2
PER (x)	(98.5)	11.6	6.4	6.0
<b>Cashflow</b>				
Gross (Op.) Cashflow (\$m)	39.8	108.3	159.9	168.6
GCFPS (cents)	18.3	49.9	73.7	77.7
PCF (x)	9.0	3.3	2.2	2.1
<b>Dividend</b>				
Dividend (cents)	2.0	7.0	7.0	7.0
Yield (%)	1.2	4.3	4.3	4.3
Franking %	100	100	100	100

Cash Flow (\$m)	2009A	2010E	2011E	2012E
<b>Operating Cashflow</b>	<b>39.8</b>	<b>108.3</b>	<b>159.9</b>	<b>168.6</b>
- Capex	43.7	24.9	18.2	18.6
- Exploration	9.6	15.0	15.2	15.5
- Asset Purchases (+ Asset Sales)	6.6	0.0	0.0	(2.0)
<b>Free Cashflow</b>	<b>(20.1)</b>	<b>68.4</b>	<b>126.5</b>	<b>136.5</b>
- Dividends	16.0	10.0	14.0	14.0
+ Equity Raised	0.1	0.0	0.0	0.0
+ Debt Drawdown (Repaid)	(0.9)	0.0	0.0	0.0
<b>Net Change in Cash</b>	<b>(36.8)</b>	<b>58.4</b>	<b>112.5</b>	<b>122.5</b>
Cash at End Period	75.7	134.1	246.6	369.2

Financial Ratios	2009A	2010E	2011E	2012E
<b>Balance Sheet Ratios</b>				
Total Debt / Equity (%)	0.7	0.6	0.5	0.4
Interest Cover (x)	-44.4	401.6	1457.4	0
Acid test ratio (x)	4.9	2.5	3.3	4.3
<b>Profitability Ratios</b>				
Net Profit Margin (%)	-2.3	19.5	26.3	25.2
Return on Assets (%)	-4.8	39.3	74.5	87.9
Return on Equity (%)	-8.4	15.7	20.3	17.0

Balance Sheet (\$m)	2009A	2010E	2011E	2012E
Total Assets	251.2	266.6	373.4	482.1
Total Debt	1.5	1.5	1.5	1.5
Total Liabilities	51.9	35.5	47.4	74.0
Shareholders Funds	199.3	231.1	326.1	408.1

Valuation Summary	A\$m	A\$/sh
South Kambalda Operations	179.1	0.83
North Kambalda Operations	110.9	0.51
Bluebush	25.0	0.12
Forward Sales	-1.4	-0.01
Corporate	-11.1	-0.05
Exploration	80.0	0.37
Unpaid Capital	1.4	0.01
Cash Estimate	99.4	0.46
Debt	-1.5	-0.01

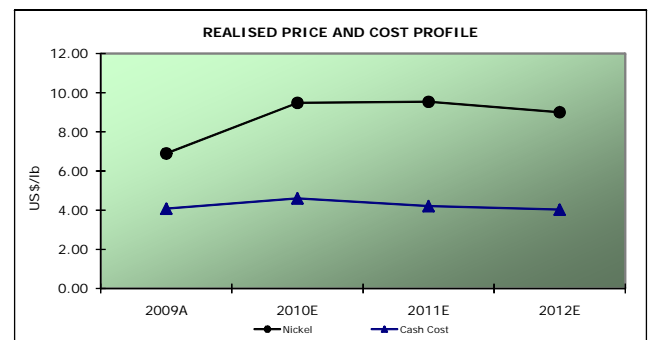
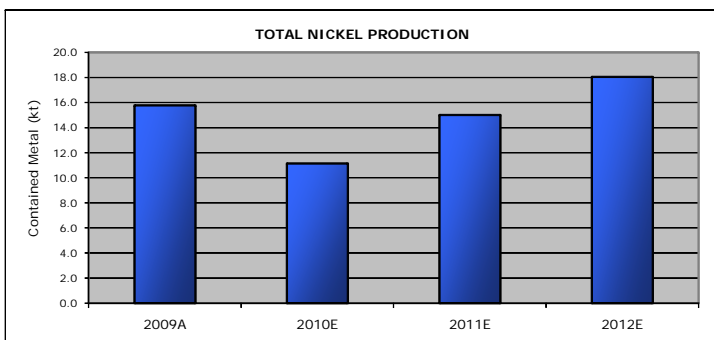
Production Summary	2009A	2010E	2011E	2012E
Total Nickel Production (kt)	15.8	11.1	15.0	18.0
Ni Cash Cost - net of credits (US\$/lb)	4.08	4.60	4.21	4.03
Ni Price Realised (US\$/lb)	6.90	9.48	9.54	9.00

**Total @ 10% discount rate** 482 2.22

Reserves & Resources (30 June 2009)						
Nickel	Reserves			Resources		
	Mt	% Ni	Ni (kt)	Mt	% Ni	Ni (kt)
Mariners	0.34	2.7	9.0	0.71	3.9	27.2
Redross	0.03	3.5	1.2	0.24	3.2	7.5
Mittel	0.47	2.7	12.4	0.82	3.6	29.1
Wannaway	0.04	2.9	1.1	0.14	3.0	4.2
Carnliya Hill	0.13	3.2	4.1	0.17	4.5	7.6
Otter-Juan	0.31	3.4	10.5	0.58	3.7	21.7
McMahon / Ken	0.29	2.4	7.1	0.39	4.0	15.6
Durkin				0.38	5.1	19.4
Gellatly				0.03	3.4	1.0
Stockwell				0.56	3.1	17.1
Cameron				0.10	3.3	3.2
<b>Total</b>	<b>1.61</b>	<b>2.8</b>	<b>45.4</b>	<b>4.10</b>	<b>3.8</b>	<b>153.7</b>

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

Substantial Shareholders	
Blackrock	5.3
Macquarie Group	5.2



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