

21 August 2008

Moore Cash

Robust performance

- MCR has reported a \$64M NPAT for FY08 and declared a final dividend of 6cps bringing the FY dividend to 12cps putting it on a 6.9% fully franked yield. It has built its cash reserves to \$112M and remains debt free. Based on the current forward curve for nickel and forex we forecast a FY09 NPAT of \$43.9M. We expect continued steady production performance from MCR's operations on its way to 20 years at 20ktpa nickel in ore. With the nickel price on the improve, our price target is \$2.75/sh and we re-iterate our BUY recommendation.
- Patersons Otter-Juan site visit following Diggers and Dealers:** We were again reminded how astute the GMM acquisition was. Following a 9-month payback, the main orebody at Otter Juan looks to have another 5 years before it reaches the tenement boundary with BHP, beyond which the only one who can mine it is MCR. Also part of the package were the McMahon (+20kt) and Durkin (+20kt) orebodies. We believe this ground is some of the most prospective in Australia for defining further nickel mineralisation and were impressed with the upcoming programs and the team behind them.
- Bluebush:** We are particularly bullish on the prospects of the newly acquired Bluebush line of tenements. 3,500-4,000m will be drilled over the next 6-8 weeks before a resource announcement which could lead very quickly to studies and a decision to mine.
- Carnilya Hill JV (MCR 70%):** Production from Carnilya Hill has commenced and will continue to ramp up by year end. We believe Carnilya will be an important production source over the next +5 years with its known down dip extent mineralised but not yet included in resources.
- Mariners:** The 09 orebody at Mariners is shaping up as one of MCR's most important discoveries yet (largest and highest grade).
- Sensitivities:** A 10% decrease in forex adds 18% to our price target while a 10% increase in nickel adds 19%.

Company

Stock code:	MCR
Share price:	\$1.75
Recommendation:	BUY

\$2.48 \$3.03



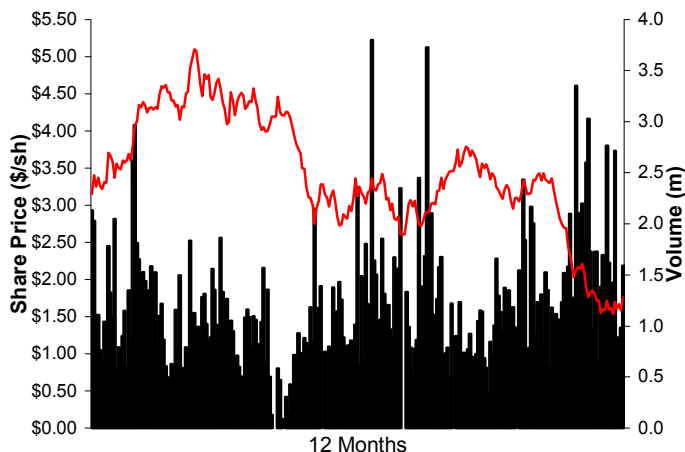
S&P/ASX 300 = 4876

Analyst

Analyst: Levi Spry
Phone: (+61 8) 9263 1610
Email: lspry@psl.com.au

Company Statistics & Performance

Shares on Issue	202.6m	Daily Vol.	1,123,000
Market Cap.	\$354.5m	Debt	\$0.0m
52 Week Range	\$1.54 - \$5.10	Cash est.	\$112.5m



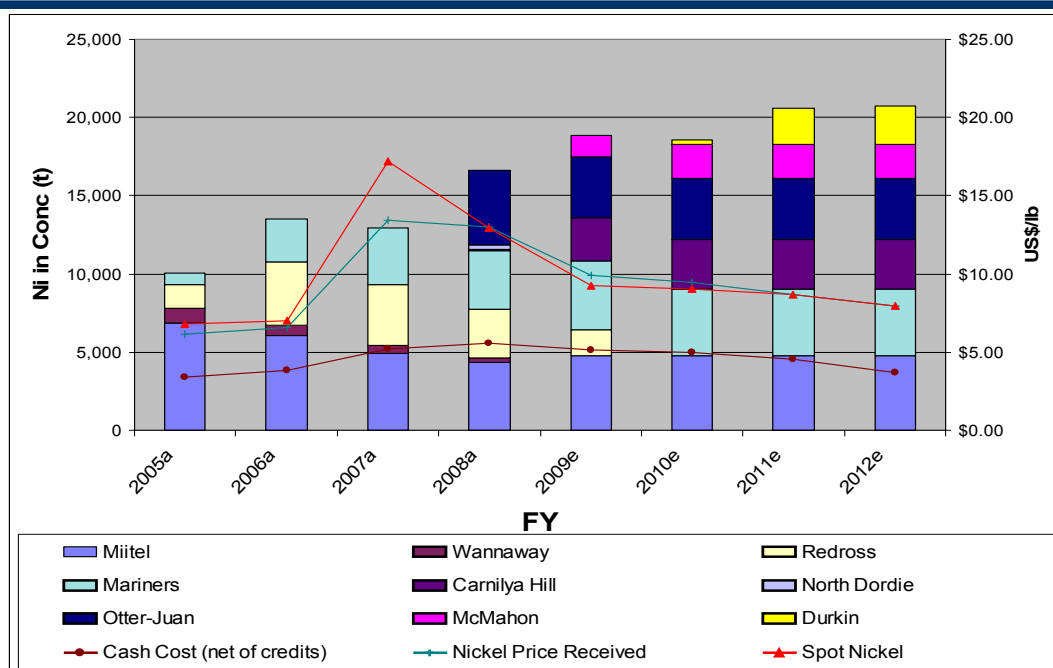
Investment Summary

Year End June 30	2007A	2008A	2009F	2010F
Reported Earnings				
Net Profit (\$m)	101.4	63.5	43.9	50.7
EPS (cents)	50.1	31.3	21.7	25.0
EPS growth (%)	236.0	(37.4)	(30.8)	15.5
PER (x)	3.5	5.6	8.1	7.0
EBITDA				
EBITDA (\$m)	180.5	147.6	107.3	105.5
EV/EBITDA (x)	1.0	1.6	2.2	2.0
Cashflow Multiples				
Gross Cashflow (\$m)	167.5	87.5	85.6	81.2
GCFPS (cents)	84.8	44.3	43.0	40.8
PGCF (x)	2.1	4.0	4.1	4.3
Free Cashflow (\$m)	140.1	(34.7)	29.4	49.6
FCFPS (cents)	70.9	(17.6)	14.8	24.9
PFCF (x)	2.5	(10.0)	11.8	7.0
Dividend				
Dividend (cents)	12.0	12.0	12.0	16.0
Yield (%)	6.9	6.9	6.9	9.1
Franking (%)	100	100	100	100

Production

- **New production sources in FY09:** With Wannaway exhausted and Redross due to run out by year end, production from Carnilya Hill and McMahon will ensure production growth for MCR.
- **More sources = more consistent:** MCR has a large number of production sources (up to 6 will be operational in FY09) which de-risks and makes production more consistent.
- **Hedgebook in-the-money:** Based on our nickel price forecast the 4,150t of nickel hedged at \$35,854/t has an NPV of \$20M.
- **Whats next?:** The MCR team continues to deliver with a minimum of fuss and not only are they in the box seat for any consolidation of the Kambalda district, already controlling 60% of production, but they seem to be developing a strong relationship with BHP. This relationship has already yielded the very prospective Bluebush tenements, which we believe will yield MCR's next mine and may also deliver the extension of the Otter-Juan orebody. It could become even more fruitful with BHP continuing to spend significant amounts on exploration drilling nearby to ensure the longevity of its smelting operations and supply/blend for Mt Keith concentrates. But with the typical Kambalda discovery unlikely to meet BHP's hurdle rates, MCR may well receive another 'free kick'.

Figure 1: MCR Production Profile



Source: Patersons Estimate

- A short mine life is often pushed as a weakness of MCR when compared with its peers but MCR is targeting 20 years at 20ktpa nickel and given its track record we believe that is achievable though mostly through incremental additions from its suite of ore shoots.

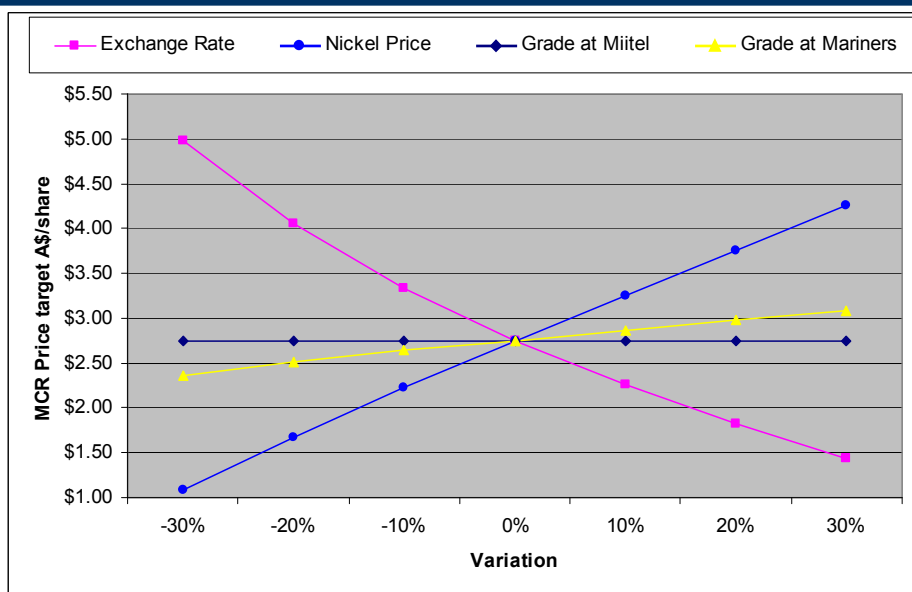
Exploration

- MCR has one of the most active and prospective exploration programs of its peers and newsflow is expected to be regular. Targets for the \$20M program include:
 - **North Kambalda:** Priorities here include Otter-Juan extensions (BHP is drilling 1.5km holes to test for it on their side), Durkin and Durkin Deepes (which may in fact be the extension of IGO's Long orebody).
 - **Bluebush tenements:** With an existing historic resource of 20,800t nickel, some of which is open-pitabile, remaining open along strike and at depth, this looks to be MCR's next mine. Drilling begins this Q.
 - **Carnilya Hill JV:** Now that production activities are underway, exploration will soon become a priority again with down dip reserve and resource increases certain.
 - **Mariners 09:** The drill out of Mariners 09 continues and the orebody is shaping as one of MCR's most significant discoveries to date.
 - **Wannaway:** The recent high tenor mineralisation at Wannaway represents a major new target and a drilling program this Q may extend its life.
 - **Outside of nickel:** MCR also has work planned for the Tottenham copper project in NSW, the Georgina and Bonaparte lead-zinc projects in the NT, the Gascoyne tungsten/uranium project in WA and the Tipperary zinc project in Ireland.

Sensitivity

- With 4,150t of payable nickel hedged (in-the-money) at an average price of A\$35,854/t out to May 2010, (10% of payable production) MCR remains highly leveraged to the nickel price with every 10% increase in the nickel price adding 19% (50cps) to our price target.
- Grade at MCR's two bell-weather operations, Miitel and Mariners are also important drivers for its profits going forward.

Figure 2: MCR Price Target sensitivity



Source: Patersons Estimate

Mincor Resources NL

\$1.75

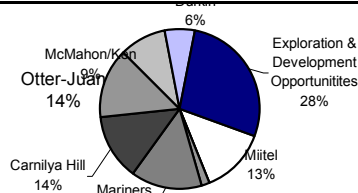
Year End June 30

Valuation	A\$m	A\$/sh
Miitel	43	0.21
Wannaway	0	0.00
Redross	6	0.03
Mariners	46	0.23
Carnilya Hill	43	0.22
Otter-Juan	45	0.23
McMahon/Ken	30	0.15
Durkin	20	0.10
Bluebush line	40	0.20
Forward Sales	20	0.10
Corporate	(52)	(0.26)
Exploration & Development Opportunitites	88	0.44
Unpaid Capital	3	0.02
Cash	112	0.56
Debt	0	0.00
NPV	446	2.21
Price Target	558	2.75

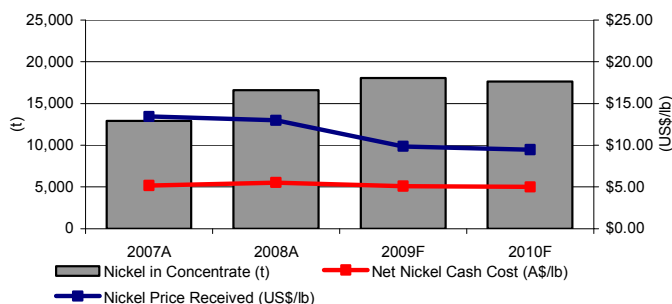
@ 8% Discount Rate

Sensitivity Price Target	+10%	0	-10%
Nickel Price	\$3.26	\$2.75	\$2.23
A\$: \$US	\$2.26	\$2.75	\$3.33

Valuation Summary of Operating Assets



Nickel Production Summary



Reserves & Resources

	Mt	Ni %	Ni kt
Reserves			
Miitel	0.97	2.5	24.4
North Dordie	0.04	1.2	0.5
Wannaway	0.03	2.3	0.8
Redross	0.18	2.9	5.3
Mariners	0.39	2.7	10.5
Carnilya Hill	0.34	2.9	9.8
Otter-Juan	0.29	3.9	11.2
Total	2.24	2.28	62.4
Resources			
Mariners	0.78	4.0	31.4
Redross	0.28	3.7	10.2
North Dordie	0.15	1.5	2.3
Miitel	1.10	3.6	39.5
Wannaway	0.07	2.6	1.9
Carnilya Hill JV	0.23	4.9	11.3
Otter-Juan	0.40	4.9	19.8
McMahon/Ken	0.39	4.0	15.7
Durkin	0.37	5.0	18.7
Gellatly	0.03	3.4	1.0
Bluebush	0.63	3.3	20.8
Total	4.44	3.88	172.4

Directors

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

Substantial Shareholders

	Shares (m)	%
Barclays Global Investors	21.30	10.30

Commodity Assumptions	2007A	2008A	2009F	2010F
A\$:US\$	\$0.79	\$0.90	\$0.91	\$0.85
Copper (US\$/lb)	\$3.21	\$3.53	\$3.61	\$3.43
Lead (US\$/lb)	\$0.77	\$1.31	\$0.88	\$0.80
Zinc (US\$/lb)	\$1.67	\$1.18	\$0.86	\$0.89
Nickel (US\$/lb)	\$17.21	\$12.93	\$9.22	\$9.04
Cobalt (US\$/lb)	\$21.92	\$45.41	\$40.36	\$27.57

Production Summary	2007A	2008A	2009F	2010F
South Kambalda Operations	12,927	11,782	10,808	9,044
Miitel	4,901	4,361	4,794	4,794
Wannaway	519	271	0	0
Redross	3,891	3,120	1,658	0
Mariners	3,616	3,704	4,356	4,250
North Dordie	0	326	0	0
North Kambalda Operations	0	4,816	7,248	8,596
Carnilya Hill	0	49	1,929	2,205
Otter-Juan	0	4,767	3,897	3,897
McMahon/Ken	0	0	1,422	2,188
Durkin	0	0	0	306

Nickel in Concentrate (t)	12,927	16,598	18,056	17,640
Copper in Concentrate (t)	1,175	1,429	1,370	1,331
Cobalt in Concentrate (t)	256	324	308	296

Per Pound of Payable Metal

Net Nickel Cash Cost (A\$/lb)	\$6.57	\$6.18	\$5.63	\$5.86
Net Nickel Cash Cost (US\$/lb)	\$5.17	\$5.54	\$5.11	\$4.98
Nickel Price Received (US\$/lb)	\$13.45	\$12.97	\$9.88	\$9.48
Spot Nickel Price (US\$/lb)	\$17.21	\$12.93	\$9.22	\$9.04

Profit & Loss (A\$m)	2007A	2008A	2009F	2010F
Sales Revenue	334.6	321.0	294.8	292.2
Other Income	0.0	8.3	6.2	7.3
Operating Costs	127.2	151.6	158.4	158.0
Exploration Exp.	10.3	12.8	17.1	17.5
Corporate/Admin	16.6	17.3	18.1	18.5
EBITDA	180.5	147.6	107.3	105.5
Depn & Amort	35.0	55.6	44.5	33.0
EBIT	145.5	91.9	62.8	72.5
Interest	0.4	0.5	0.1	0.0
Operating Profit	145.1	91.4	62.8	72.5
Tax expense	43.7	27.9	18.8	21.7
Abnormal Losses / Minorities	0.0	0.0	0.0	0.0
NPAT	101.4	63.5	43.9	50.7

Normalised NPAT

Normalised NPAT	101.6	64.0	43.9	50.7
Cash Flow (A\$m)	2007A	2008A	2009F	2010F
Adjusted Net Profit	101.4	63.5	43.9	50.7
+ Interest/Tax/Expl Exp	54.4	41.3	36.0	39.2
- Interest/Tax/Expl Inc	23.4	72.9	38.9	41.7
+ Depn/Amort	35.0	55.6	44.5	33.0
+/- Other	0.0	0.0	0.0	0.0
Operating Cashflow	167.5	87.5	85.6	81.2
- Capex (+asset sales)	42.9	127.9	56.2	31.7
- Working Capital Increase	(15.5)	(5.6)	0.0	0.0
Free Cashflow	140.1	(34.7)	29.4	49.6
- Dividends (ords & pref)	17.6	23.7	23.8	27.8
+ Equity raised	2.2	1.8	0.0	0.0
+ Debt drawdown (repaid)	0.0	(0.5)	(2.3)	0.0
Net Change in Cash	124.6	(57.2)	3.3	21.7
Cash at End Period	169.7	112.5	115.8	137.5
Net Cash/(LT Debt)	169.7	110.2	115.8	137.5

Balance Sheet (A\$m)	2007A	2008A	2009F	2010F
Cash/Bullion	169.7	112.5	115.8	137.5
Total Assets	310.9	329.0	345.1	367.6
Total Debt	3.4	2.3	0.0	0.0
Total Liabilities	160.5	90.5	107.1	106.6
Shareholders Funds	150.4	238.5	238.0	260.9

Ratios

Net Debt/Equity (%)	na	na	na	na
Interest Cover (x)	349.0	167.8	1229.1	na
Return on Equity (%)	67.5	26.6	18.5	19.4

Research

Mark Simpson – Head of Research Phone: (+61 8) 9263 1678 Email: msimpson@psl.com.au
Andrew Quin - Research Strategy Coordinator Phone: (+61 8) 9263 1152 Email: aquin@psl.com.au

Resources

Andrew Harrington – Coal Analyst Phone: (+61 2) 8238 6214 Email: aharrington@psl.com.au
Alex Passmore – Head of Metals & Mining Phone: (+61 8) 9263 1239 Email: apassmore@psl.com.au
Mark Savich – Resources Analyst Phone: (+61 8) 9263 1144 Email: msavich@psl.com.au
Scott Simpson – Oil & Gas Analyst Phone: (+61 8) 9263 1679 Email: ssimpson@psl.com.au
Levi Spry – Resources Analyst Phone: (+61 8) 9263 1610 Email: lspry@psl.com.au
Josh Welch – Resources Analyst Phone: (+61 8) 9263 1668 Email: jwelch@psl.com.au

Industrials

John Deniz – Senior Industrial Analyst Phone: (+61 3) 8803 0160 Email: jdeniz@psl.com.au
Allan Franklin Phone: (+61 8) 9263 1151 Email: afranklin@psl.com.au
David Gibson – Industrial Analyst Phone: (+61 8) 9263 1664 Email: dgibson@psl.com.au
Jonathan Kriska – Property Analyst Phone: (+61 2) 8238 6245 Email: jkriska@psl.com.au
Mark Topy – Banking & Finance Analyst Phone: (+61 3) 8803 0117 Email: mtopy@psl.com.au
Russell Wright - Retail Analyst Phone: (+61 2) 8238 6219 Email: rwright@psl.com.au

Institutional Dealing

Phil Schofield Phone: (+61 2) 8238 6223 Email: pschofield@psl.com.au
Michael Brindal Phone: (+61 2) 8238 6274 Email: mbrindal@psl.com.au
Dan Bahen Phone: (+61 2) 8238 6237 Email: dbahen@psl.com.au
Tina Clark Phone: (+61 2) 8238 6264 Email: tclark@pls.com.au
Paul Doherty Phone: (+61 3) 8803 0108 Email: pdoherty@psl.com.au
Trent Foxe Phone: (+61 2) 8238 6265 Email: tfoxe@pls.com.au
Andrew Frazer Phone: (+61 8) 9263 1241 Email: afrazer@psl.com.au
Jason Lal Phone: (+61 2) 8238 6276 Email: jlal@psl.com.au
Ben McIlvride Phone: (+61 2) 8238 6253 Email: bmcilvride@psl.com.au
Jeremy Nugara Phone: (+61 3) 8803 0166 Email: jnugara@psl.com.au
Trevor Pike Phone: (+61 3) 8803 0110 Email: tpike@psl.com.au
Nicholas Whiteley Phone: (+61 2) 8238 6244 Email: nwhiteley@psl.com.au
Sandy Wylie Phone: (+61 8) 9263 1232 Email: swylie@psl.com.au

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Participant of ASX Group
Securities & Derivatives Industry Association Principal Member
Financial Planning Association Principal Member



Western Australia

Perth - Head Office: Level 23, Exchange Plaza, 2 The Esplanade, Perth, Western Australia 6000
Ph: (+61 8) 9263 1111 Fax: (+61 8) 9325 6452 Email: patersons@psl.com.au

West Perth Office: Level 2, 34 Colin Street, West Perth Western Australia 6005
Ph: (+61 8) 9482 0900 Fax: (+61 8) 9482 0999 Email: patersons@psl.com.au

Albany Office: Level 2, Middleton Centre, 184 Aberdeen Street, Albany, Western Australia 6330
Ph: (+61 8) 9842 4700 Fax: (+61 8) 9841 4211 Email: albany@psl.com.au

Bunbury Office: Unit 3, 53 Victoria Street Bunbury, Western Australia 6230
Ph: (+61 8) 707 2000 Fax: (+61 8) 9721 1840 Email: bunbury@psl.com.au

Busselton Office: Suite 1, 72 Duchess Street, Busselton Western Australia 6280
Ph: (+61 8) 9754 0700 Fax: (+61 8) 9754 4333 Email: busselton@psl.com.au

Kalgoorlie Office: 63 Hannan Street, Kalgoorlie, Western Australia 6430
Ph: (+61 8) 9021 1422 Fax: (+61 8) 9021 8133 Email: kalgoorlie@psl.com.au

New South Wales

Sydney Office: Level 27, 264 George Street, Sydney New South Wales 2000
Ph: (+61 2) 8238 6222 Fax: (+61 2) 8238 6266 Email: sydney@psl.com.au

Victoria

Melbourne Office: Level 18, 90 Collins Street, Melbourne Victoria 3000
Ph: (+61 3) 8803 0100 Fax: (+61 3) 8803 0199 Email: melbourne@psl.com.au

Queensland

Brisbane Office: Level 37, 123 Eagle Street, Brisbane Queensland 4000
Ph: (+61 7) 3737 8000 Fax: (+61 7) 3737 8100 Email: brisbane@psl.com.au

ACT

Canberra Office: Level 4, 53 Blackall Street, Barton ACT 2600
Ph: (+61 2) 6120 2222 Fax: (+61 2) 6273 3433 Email: canberra@psl.com.au