



Mincor Resources BUY

Current Price: **\$1.44**
Valuation: **\$1.67**

Ticker: **MCR**
Sector: **Materials**

Shares on Issue (m): **199.0**
Market Cap (\$m): **286.6**
Net Cash (\$m): **58.7**
Enterprise Value (\$m): **228.0**

52 wk High/Low: **\$3.50** **\$0.46**
12m Av Daily Vol (m): **1.33**

Key Metrics

	08A	09F	10F
P/E (x)	4.5	-25.7	8.2
EV/EBITDA (x)	1.5	5.8	2.2

Financials:

	08A	09F	10F
Revenue (\$m)	321.0	204.4	238.7
EBIT (\$m)	92.5	-18.5	50.3
NPAT (\$m)	64.0	-11.2	35.1

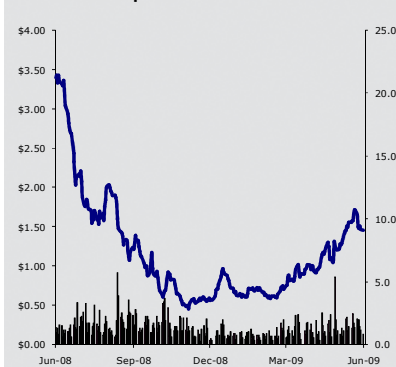
Net Assets (\$m) 238.5 297.7 403.5

Op CF (\$m) 93.8 54.0 123.0

Per Share Data:

	08A	09F	10F
EPS (cps)	31.6	-5.1	16.1
DPS (cps)	12.0	2.0	2.0
Div Yield	8.3%	1.4%	1.4%
CFPS (cps)	46.3	24.8	56.4

Share Price Graph



Analysts:
Troy Irvin
Tim Serjeant

24 June 2009

More fish in the sea at Mariners

Nimble nickel miner Mincor Resources (MCR) has demonstrated its Mariners nickel mine in Kambalda is far from "fished out" with some excellent drill results below the existing mine workings (Figure 1).

Results include (all true widths):

- 6.4m @ 7.0% Ni
- 3.8m @ 5.1% Ni
- 3.3m @ 1.8% Ni

The new intersections highlight the potential existence of the N10 ore body, directly below the currently producing N09. Although the new hits are >1000m below surface, MCR has proven it can operate deep underground mines consistently and profitably.

Following the collapse in metal markets late last year, MCR swiftly instigated a Management Plan to mitigate cash outflows and ensure the Company was well placed to weather the storm. Management suspended the higher cost operations and focused output on three core higher grade mines - Otter Juan, Mariners and Carnilya Hill.

MCR is on track to achieve revised FY09 production guidance of 16.5 – 17.5kt Ni in ore (from ~20kt). The Management Plan has already achieved its primary purpose with the Company generating free cash flow since November.

With the storm subsiding, MCR is getting serious again on the exploration front. The Company is currently operating six underground exploration drill rigs, has recently completed three major geophysical surveys (results to be reported) and will recommence surface exploration drilling in July.

Argonaut remains an unabashed fan of MCR's track record of maintaining reserves ahead of production (Figure 2).

MCR represents a clear value proposition given its:

- Operational nous – Ability to generate free CF in a low nickel price environment
- Disciplined management team prepared to make the 'tough' decisions
- Diversity and flexibility of production
- Energetic but considered exploration effort
- Inexpensive on all metrics (see Figures 3-7)

Argonaut has conservatively modelled an additional 1 year mine life at Mariners. Assuming flat US\$7.00/lb nickel and flat 0.78 AUD:USD MCR is valued at \$1.67.

With latent production capacity from a re-set cost base MCR offers near unparalleled leverage to an improving nickel price.

BUY

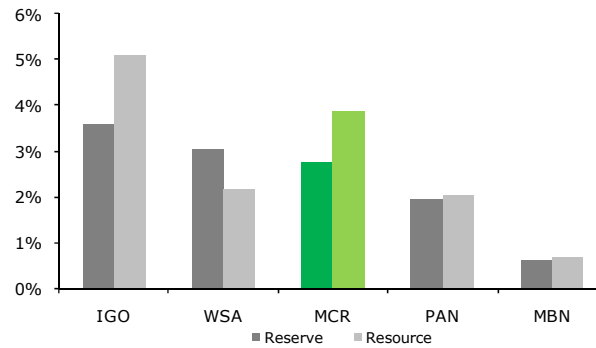
Value story

Despite offering high grades...

Despite having the second highest resource grade within the nickel sulphide peer group (only IGO is higher), and the third highest reserve grade MCR is inexpensive on all valuation metrics.

Figure 3: Nickel grades (% Ni)

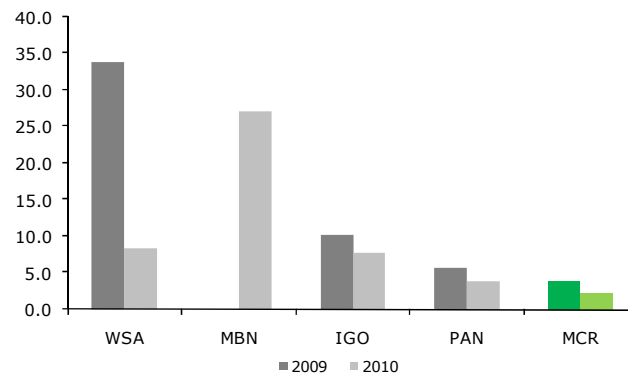
...MCR is inexpensive on all valuation metrics



Source: Argonaut

Cheapest EV/EBITDA

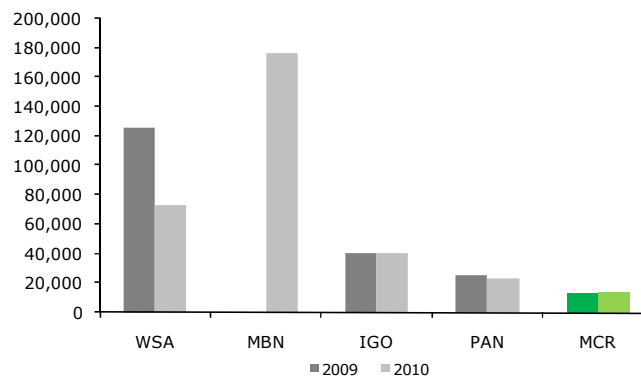
Figure 4: EV/EBITDA (x)



Source: Argonaut

Cheapest EV/Production t

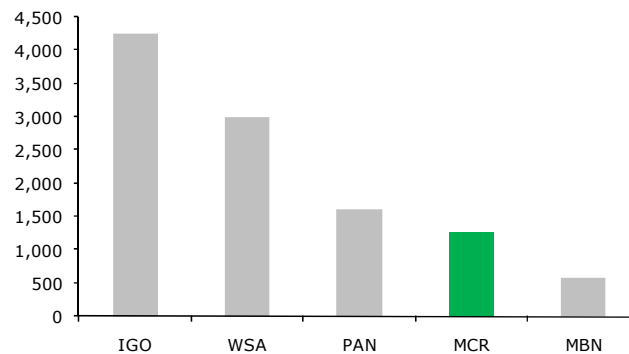
Figure 5: EV/Production (\$/t)



Source: Argonaut

**Second lowest EV / Resource t
(beaten only by MBN's
disseminated nickel base)**

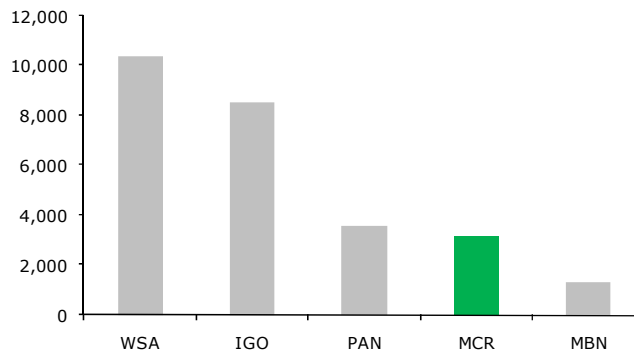
Figure 6: EV/Resources (\$/t)



Source: Argonaut

Second lowest EV / Reserve t

Figure 7: EV/Reserves (\$/t)



Source: Argonaut

**Terrific leverage to improving
nickel prices**

When nickel prices recover, MCR offers near unparalleled leverage to a proven performer with latent production capacity from a re-set cost base.

BUY

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