



COMPANY UPDATE | COMMENT

JULY 22, 2010

**Mincor Resources NL (ASX: MCR)**  
**June Q Meets Expectations, Strong A\$26m Cash Build**

**Outperform**  
**Average Risk**

Price:	1.99	Price Target:	2.40
Shares O/S (MM):	199.0	Implied All-In Return:	24%
Dividend:	0.06	Market Cap (MM):	396
NAVPS:	2.16	Yield:	3.0%
BVPS:	1.00	P/NAVPS:	0.9x
ROE:	1.0%	P/BVPS:	2.0x
Float (MM):	199.0	Enterprise Val. (\$MM):	270.0
Debt to Cap:	0%	Avg. Daily Volume (MM):	1.37

Share price as at close on the ASX on 22 July 2010.

**Event**

June Q: 2.65kt Ni-in-conc in line with our forecast. New guidance provided for FY11 & FY12. Maintain A\$2.40 target, Outperform.

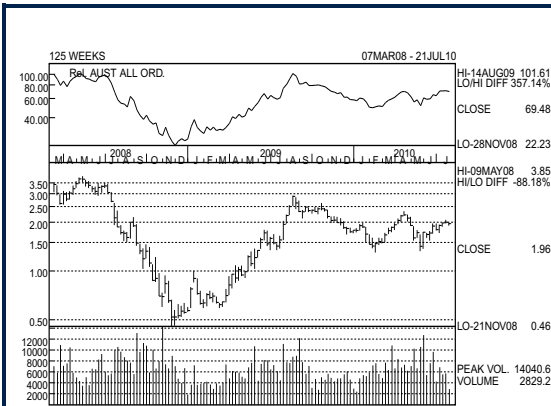
**Investment Opinion**

Mincor's June Q production of 2.65kt of Ni-in-conc was in line with our forecast and one of the highlights was a strong cash build of A\$26m during the quarter. The company now has A\$127m in cash, or A64c per share, and in our view remains an attractive investment with strong nickel leverage and above average exploration upside.

- **June Q in line:** Production of 2.65kt of Ni-in-conc was in line with our 2.66kt forecast. Cash costs of A\$6.13/lb were 8% higher than our estimate of A\$5.63/lb in part due to higher costs at Otter Juan resulting from the need for additional ground support. FY10 production of 11.8kt of Ni-in-ore came in a touch below guidance of 12kt.
- **New Guidance for FY11 & FY12:** The company provided new production guidance for FY11 of 13.5-14.5kt of Ni-in-ore and for FY12 of 15-16kt of Ni-in-ore. FY11 guidance was essentially in line with our estimates, however FY12 guidance was ~15% lower and we have trimmed our forecasts by about the same margin. Mincor also revealed an A\$35m capital and mine development budget for FY11 to fund the production ramp up, as well as an exploration budget of A\$15m.
- **Operational Highlights:** The Miitel ramp up is proceeding on budget and ahead of schedule and the company is forecasting 180kt at 2.7% during FY11. Mariners had a seismic event in July and the company expects production could be halted for up to a month. This was a rare event for the company and in our view, does not change our outlook for the company. FY11 guidance of 130kt at 2.5% for Mariners factors in a one month delay.
- **Earnings Changes:** The primary change to our earnings was a ~15% reduction in FY12 production, which reduced EPS from A\$0.26 per share to A\$0.20. The impact on NAV was largely offset by a A\$26m increase in cash during the quarter, with our resulting NAV only down 1% to A\$2.16 per share.
- **Valuation:** We retain our Outperform rating and A\$2.40 target on an unchanged ~1.1x multiple to NAV, a small premium to comparable peers to accommodate superior leverage and exploration upside. Maintain Average Risk.

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

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 4.



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FY Jun	2009A	2010E	2011E	2012E
EPS (Op) - FD	(0.08)	0.14	0.10	0.20
Prev.			0.11	0.26
P/E	NM	14.2x	19.9x	10.0x
CFPS - FD	0.37	0.36	0.36	0.44
Prev.		0.35		0.49
P/CFPS	5.4x	5.5x	5.5x	4.5x
Annual Div. - FD	0.06	0.08	0.08	0.08
Payout Ratio - FD	-75%	57%	80%	40%
Prod.	16	11	12	14
Prev.			13	17

All values in AUD unless otherwise noted.

Exhibit 1: Mincor Production & Financial Forecasts

Mincor Resources															
<b>ASX: MCR</b>	Share Price: (A\$)	<b>1.99</b>	All-in-Return	<b>25%</b>	Stock Rating:	<b>Outperform</b>	Price Target:	<b>A\$2.40</b>							
Issued Shares (m)	199.0	Mkt Cap: (A\$MM)	<b>396</b>	Ent Value (A\$MM)	<b>270</b>	Risk Qualifier:	<b>Average</b>	NAV:	<b>A\$2.16</b>						
<b>Fiscal Year Ended June</b>															
<b>ASSUMPTIONS</b>															
Exchange Rate	A\$/US\$	FY09	FY10E	FY11E	FY12E	FY13E	<b>ATTRIBUTABLE MINE STATS</b>			FY09	FY10E	FY11E	FY12E	FY13E	
Spot Nickel Price	US\$/lb	6.04	8.80	8.25	8.00	8.25	<b>Attrib Ni in Conc Production</b>								
Realised Nickel Price	US\$/lb	6.95	8.98	8.47	8.23	8.25	Midtel	tonnes	1,817	-	4,180	5,108	5,108		
Realised Nickel Price	A\$/lb	7.95	9.97	9.79	9.82	10.45	Wannaway	"	25	-	-	-	-		
Realised Cobalt Price	US\$/lb	22.55	20.79	13.96	11.50	11.50	Redross	"	1,550	-	-	-	-		
Realised Cobalt Price	A\$/lb	29.65	23.56	16.52	14.12	14.56	Mariners	"	5,123	3,616	2,795	4,128	4,162		
Hedged Sales	tonnes	1,890	1,383	1,950	960	0	Carnilya Hill (70%)	"	2,128	2,541	1,552	478	-		
Hedged % of Sales	%	12%	13%	16%	7%	0%	Otter-Juan	"	4,261	3,769	3,418	2,930	3,255		
Hedged Price	US\$/lb	10.80	9.89	9.15	10.25	0.00	McMahon / Coronet	"	864	712	393	1,529	2,730		
<b>RATIO ANALYSIS</b>															
Shares outstanding	MM	197	199	199	199	199	<b>Total Nickel in Conc</b>			<b>tonnes</b>	<b>15,768</b>	<b>10,638</b>	<b>12,337</b>	<b>14,172</b>	<b>15,256</b>
Reported Net profit	A\$MM	2	27	21	40	57	<b>Cash Costs (incl credits)</b>			A\$/lb	6.20	-	5.83	5.57	5.57
Significant Items	A\$MM	(14)	0	0	0	0	Midtel	"	-	-	-	-	-		
Underlying Net Profit	A\$MM	16	27	21	40	57	Wannaway	"	5.84	-	-	-	-		
EPS	Ac	(8.4)	13.7	10.5	19.9	28.8	Redross	"	5.48	6.38	6.51	5.47	5.43		
P/E	x	n.m.	14.5x	19.0x	10.0x	6.9x	Mariners	"	4.62	4.95	5.48	4.91	-		
CFPS	Ac	36.9	35.7	35.6	44.0	49.9	Carnilya Hill	"	4.36	5.38	5.53	5.54	5.55		
P/CF	x	5.4x	5.6x	5.6x	4.5x	4.0x	Otter-Juan	"	5.00	6.36	7.71	5.83	4.69		
Dividend per share	Ac	6.0	8.0	8.0	8.0	8.0	McMahon / Coronet	"	5.00	6.36	7.71	5.83	4.69		
Dividend yield	%	3.0%	4.0%	4.0%	4.0%	4.0%	<b>Average Cash Costs</b>			A\$/lb	5.37	5.68	5.92	5.54	5.37
Franking Level	%	100%	100%	100%	100%	100%	<b>Cash Margin</b>			A\$/lb	4.02	4.49	4.13	4.55	5.08
Payout Ratio	%	547%	58%	76%	40%	28%	<b>Cash Margin</b>			US\$/lb	3.01	3.97	3.48	3.71	4.01
Effective Tax Rate	%	-129%	29%	30%	30%	30%	<b>Reserves &amp; Resources - Contained Nickel</b>								
Book value per share	A\$	1.00	1.03	1.05	1.17	1.38	<i>* Resources are inclusive of Reserves</i>								
P/Book value	x	2.0x	1.9x	1.9x	1.7x	1.4x	Reserves Ni	%Ni	Reserves Ni	%Ni					
R.O.E	%	1%	13%	10%	17%	21%	Midtel	kt	16.4	2.7	34.0	3.6			
R.O.A	%	1%	10%	7%	13%	16%	Wannaway	kt	1.1	2.9	4.2	3.0			
EBITDA per share	A\$	0.34	0.40	0.38	0.49	0.58	Redross	kt	1.2	3.5	7.5	3.2			
EV/EBITDA	x	4.1x	3.4x	3.6x	2.7x	2.3x	Mariners	kt	9.0	2.7	27.2	3.9			
EV/EBIT	x	(29.7)	8	10.3	4.0	0.0	Carnilya Hill	kt	4.1	3.2	7.6	4.5			
EBITDA Margin	%	35%	44%	38%	44%	47%	Otter Juan	kt	10.5	3.4	21.7	3.7			
<b>PROFIT &amp; LOSS</b>															
Revenue	A\$MM	188	183	195	222	247	McMahon, Coronet, McCloy, etc	kt	7.1	2.4	56.3	4.0			
Operating costs	"	(100)	(86)	(104)	(107)	(117)	<b>Reserves - Contained Nickel (kt)</b>			49.4	2.8	158.6	3.8		
Mine Operating Profit	"	88	98	90	115	129	<b>Reserves - Contained Nickel (mlbs)</b>			109	-	349	-		
Exploration Expense	"	(8)	(7)	(11)	(11)	(9)	<b>Enterprise Value / tonne (A\$'000/t)</b>			5.5	-	1.7	-		
Corporate & Other Costs	"	(14)	(11)	(5)	(5)	(5)	<b>Enterprise Value / tonne (US\$'000/t)</b>			4.8	-	1.5	-		
EBITDA	"	67	80	75	99	115	<b>EARNINGS SENSITIVITY</b>								
DD&A	"	(77)	(44)	(50)	(48)	(42)	Nickel Price US\$/oz								
Operating Income (EBIT)	"	(11)	36	25	51	73	+10%						29	18%	
Net Interest Income	"	3	3	5	6	8	-10%						(29)	-18%	
Pre Tax Profit	"	(7)	39	30	57	82	Exchange Rate								
Tax Expense	"	10	(11)	(9)	(17)	(25)	+10%						(26)	-16%	
Reported NPAT	A\$MM	2	27	21	40	57	-10%						32	20%	
Significant Items after tax	"	(14)	0	0	0	0	<b>NICKEL PRODUCTION PROFILE - 100%</b>								
Underlying Net Profit	A\$MM	16	27	21	40	57	tonnes								
EPS	Ac	(8.4)	13.7	10.5	19.9	28.8	US\$/lb								
DPS	Ac	6.0	8.0	8.0	8.0	8.0	FY02								
<b>CASH FLOWS</b>															
Operating Cash Flow	A\$MM	40	107	85	110	124	FY03								
Net Interest	"	0	2	5	6	8	FY04								
Tax Paid	"	0	(6)	(9)	(17)	(25)	FY05								
Retained Op. Cash Flow	A\$MM	40	103	81	99	108	FY06								
Exploration	"	(10)	(16)	(15)	(15)	(12)	FY07								
Capital Expenditure	"	(44)	(21)	(35)	(15)	(9)	FY08								
Loan Repayments	"	(1)	0	0	0	0	FY09								
Funding Surplus/(Deficit)	A\$MM	(14)	66	31	69	87	FY10E								
Dividends Paid	"	(16)	(14)	(16)	(16)	(16)	FY11E								
Borrowings	"	0	0	0	0	0	FY12E								
Equity Issues	"	0	1	0	0	0									
Other	"	(7)	(2)	0	0	0									
Total Funds Provided	A\$MM	(22)	(15)	(16)	(16)	(16)									
Net change in cash	"	(37)	51	16	53	71									
Cash at start of year	"	112	76	127	142	196									
Cash at end of year	A\$MM	76	127	142	196	267									
Net Op. CFPS	A\$	0.20	0.54	0.43	0.55	0.63									
<b>BALANCE SHEET</b>															
Cash & equivalents	A\$MM	76	127	142	196	267	<b>SHARE VALUATION</b>								
Other current assets	"	65	45	45	45	45	<b>Projects</b>								
PP&E & Other Mining Assets	"	108	95	84	54	25	<b>% Ownership</b>								
Other Non Current Assets	"	2	12	14	14	14	<b>A\$MM</b>								
Total assets	A\$MM	251	278	286	309	351	<b>A\$/Shr</b>								
Total liabilities	"	52	74	77	77	77	<b>%</b>								
Total Net Assets	A\$MM	199	204	209	233	274	Midtel								
Total Debt	"	1	1	1	1	1	Mariners								
Net Debt (Cash)	A\$MM	(74)	(126)	(141)	(195)	(266)	Otter-Juan								
Gearing (net debt:nd+equity)	%	-59%	-160%	-208%	-510%	-3226%	Carnilya Hill								
Gearing (net debt:equity)	%	-37%	-62%	-68%	-84%	-97%	McMahon / Coronet								
<b>REALISED NICKEL PRICE VS CASH COST</b>															
US\$/lb															
FY03															
FY04															
FY05															
FY06															
FY07															
FY08															
FY09															
FY10E															
FY11E															
FY12E															
Realised Nickel Price															
Cash Costs															
<b>SHARE VALUATION</b>															
<b>Projects</b>															
<b>% Ownership</b>															
<b>A\$MM</b>															
<b>A\$/Shr</b>															
<b>%</b>															
Midtel															
Mariners															
Otter-Juan															
Carnilya Hill															
McMahon / Coronet															
<b>Total Operating Assets</b>															
Exploration & Other															
Debt															
Cash															
Corporate															
<b>Net Asset Value</b>															
430															
2.16															
0.92x															

Source: Company, RBC Capital Markets estimates



## Valuation

We retain our Outperform rating and A\$2.40 target on an unchanged ~1.1x multiple to NAV, a small premium to comparable peers to accommodate superior leverage and exploration upside. Maintain Average Risk.

## 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 3-4 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.

## 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. In April 2006, Mincor increased its share of Carnilya Hill to 100%. 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 McMahan & Durkin, which have 29kt nickel resources. The decision to open Miitel was made on 7 May - 4.5-55kt at A\$5.50-6.00/lb is forecast by the company.

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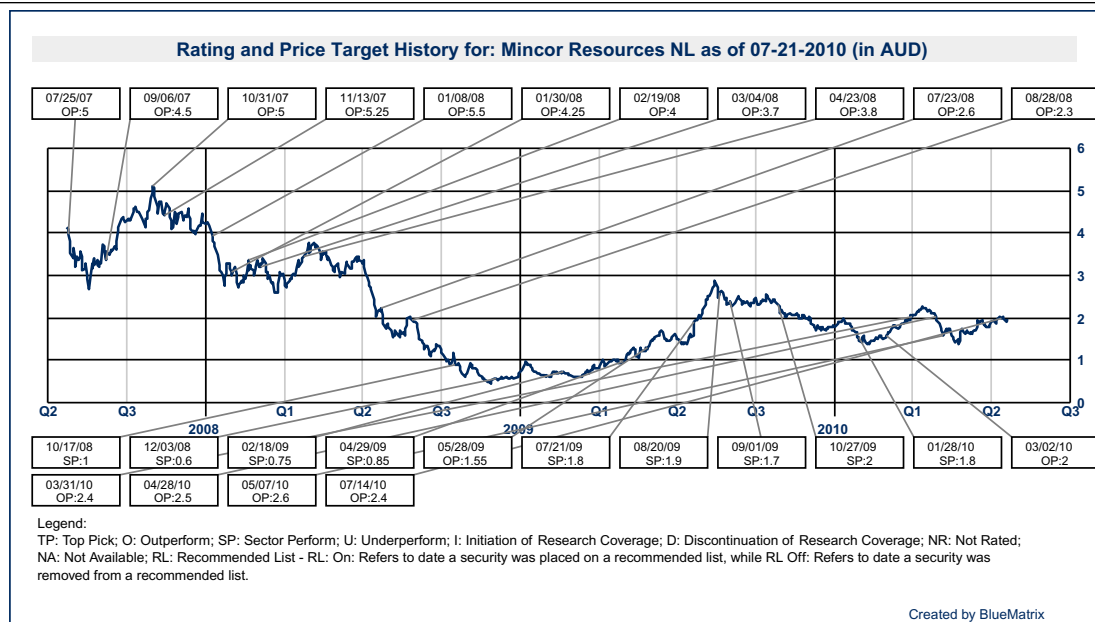
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			Count	Percent
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