



PRICE TARGET REVISION | COMMENT

MAY 7, 2010

Mincor Resources NL (ASX: MCR)
Miitel Reopening Adds Value

Outperform
Average Risk

Price:	1.60	Price Target:	2.60 ↑ 2.50
Shares O/S (MM):	199.0	Implied All-In Return:	66%
Dividend:	0.06	Market Cap (MM):	318
NAVPS:	2.15	Yield:	3.8%
BVPS:	1.00	P/NAVPS:	0.7x
ROE:	(8.0%)	P/BVPS:	1.6x
Float (MM):	199.0	Enterprise Val. (\$MM):	221.0
Debt to Cap:	0%	Avg. Daily Volume (MM):	1.35

Share price as at close on the ASX on 7 May 2010.

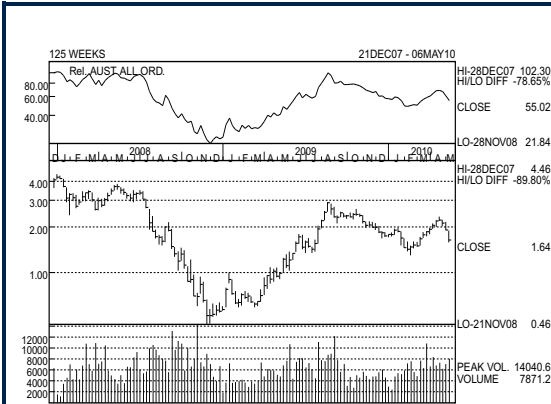
Event

The Miitel mine is to reopen immediately, 3 mths ahead of our prediction. Outperform; target up 10c to A\$2.50

Investment Opinion

The re-start of Miitel has been well flagged and the immediate start is 3 months ahead of our model assumption. Production at 4.5-5.5kt pa nickel in ore at A\$5.50-6.00/lb is broadly as expected by us but we have revised our model, raising cash flow marginally from Miitel. This action is positive because the mine was Mincor's largest and its flagship. A mere A\$1m will re-open it and A\$17m spent, mainly on development in 2011. Cash costs will be lower and reserves and grade higher than when it closed. Mincor remains an attractive, cashed up investment with the broad market and nickel price fall hitting it hard recently.

- **Miitel Reserves:** reserves increased by 4kt to 16.4kt of nickel since last year due to the inclusion of the N29 discovery which remains open. Head grade of 2.7% is above the previous ~2.2-2.4% range and mining will use a slightly different method to ensure grade is not significantly diluted. We model an 8 year life because the prospects for ore reserves at Miitel South (especially) and North are extremely good.
- **Cash Costs:** The new Byrnes contract can be expected to lead to lower costs, predicted by Mincor to be A\$5.50-6.00/lb vs. ~A\$7/lb prior to its closure. The old contract was set during boom times in June 2007 and hence it is mining costs that will benefit.
- **Outlook:** The company has A\$101m or A\$1c per share cash and hence the A\$17m capex will be internally funded. There is no doubt that there are good returns from Miitel well ahead of any hit from so called "Super Profits" in a few years. The CEO vents his strong opinion on the tax in the release.
- **Earnings Changes:** Lower cash costs, slightly higher grade and longer mine life assumptions increase future earnings - we raise FY12E by 20%, albeit from a low base. Our NAV rises 4% to A\$2.15/share for the same reason.
- **Valuation:** We retain our Outperform but increase our target to A\$2.60 (A\$2.50) on an unchanged 1.0x NAV multiple, in line with valuations in this sector.



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FY Jun	2009A	2010E	2011E	2012E
EPS (Op) - FD	(0.08)	0.08	0.07	0.09
Prev.			0.06	0.07
P/E	NM	20.0x	22.9x	17.8x
CFPS - FD	0.27	0.29	0.28	0.28
Prev.				0.27
P/CFPS	5.9x	5.5x	5.7x	5.7x
Annual Div. - FD	0.06	0.08	0.08	0.08
Payout Ratio - FD	-75%	100%	114%	89%
Prod.	16	11	16	17

All values in AUD unless otherwise noted.

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

For Required Non-U.S. Analyst and Conflicts Disclosures, see page 5.

Revisions to Earnings Estimates

We have made several changes to our earnings outlook re Miitel.

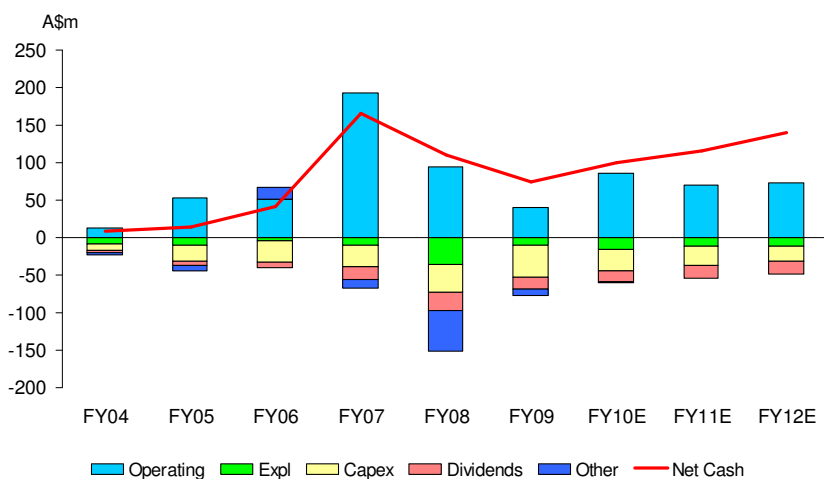
- Inclusion of higher grades, a longer mine life of 8 years and lower cash costs all increase earnings estimates in FY11 and FY12 and beyond.
- Our NPV is slightly higher due for the same reasons.

Exhibit 1: Mincor Resources Earnings Revisions

		Fiscal 2010E			Fiscal 2011E			Fiscal 2012E		
		Rev.	Prev.	%	Revised	Revised	%	Revised	Revised	%
Underlying Net Profit	A\$m	26.5	25.7	3%	13.3	12.5	6%	17.6	14.7	20%
EPS	¢	8.5	8.1	4%	6.7	6.3	6%	8.9	7.4	20%
DPS	¢	8.0	8.0	0%	8.0	8.0	0%	8.0	8.0	0%
Gross Cash flow	A\$m	57.5	56.7	1%	56.0	55.2	2%	56.4	54.1	4%
Cash flow/share	¢	28.9	28.5	1%	28.1	27.7	2%	28.3	27.2	4%
Nickel Production	kt	10.9	10.9	0%	15.5	15.5	0%	16.6	17.3	(4%)
Cash Costs	US\$/lb	4.92	4.92	0%	4.93	4.98	(1%)	4.85	5.09	(5%)
Realised Nickel Price	US\$/lb	9.09	9.09	0%	7.55	7.57	(0%)	7.38	7.38	0%
Valuation (A\$/sh)		2.15	2.07	4%						

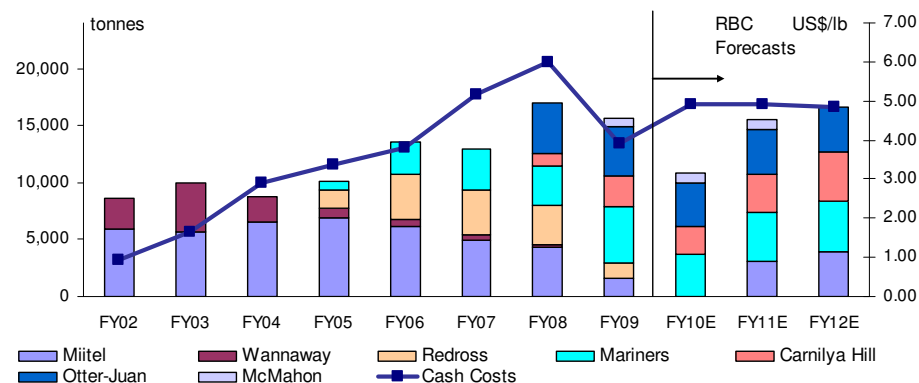
Source: RBC Capital Markets estimates

Exhibit 2: Mincor Cash Flow - FY04 though FY12E



Source: Company, RBC Capital Markets estimates

Exhibit 3: Nickel in Concentrate Production - FY02 though FY11E



Source: Company, RBC Capital Markets estimates

Exhibit 4: Mincor Production & Financial Forecasts

Mincor Resources										
ASX: MCR	Share Price: (A\$)	1.60	Return	63%	Stock Rating:	Outperform	Price Target:	A\$2.60		
Issued Shares (m)	Mkt Cap: (A\$MM)	318.5			Risk Qualifier:	Average	NAV:	A\$2.15		
Fiscal Year Ended June										
ASSUMPTIONS										
Exchange Rate	A\$/US\$	0.90	0.75	0.88	0.87	0.84				
Spot Nickel Price	US\$/lb	12.92	5.93	8.75	7.31	7.38				
Realised Nickel Price	US\$/lb	14.45	7.83	9.98	8.46	8.84				
Realised Nickel Price	A\$/lb	12.69	6.95	9.09	7.55	7.38				
Realised Nickel Price	A\$/lb	14.17	9.38	10.36	8.73	8.84				
Cobalt Price	US\$/lb	39.32	22.55	19.50	12.63	11.50				
Realised Cobalt Price	US\$/lb	39.32	22.55	19.50	12.63	11.50				
Realised Cobalt Price	A\$/lb	43.51	29.65	22.24	14.58	13.78				
Hedged Sales	tonnes	3,450	1,890	1,383	1,950	0				
Hedged % of Sales	%	21%	12%	13%	13%	0%				
Hedged Price	US\$/lb	12.41	10.78	9.81	8.88					
RATIO ANALYSIS										
Shares outstanding	MM	196	197	199	199	199				
Reported Net profit	A\$MM	57	(17)	17	13	18				
Significant Items	A\$MM	0	(14)	(10)	0	0				
Underlying Net Profit	A\$MM	57	(2)	26	13	18				
EPS	Ac	29.3	(8.4)	8.5	6.7	8.9				
P/E	x	5.5x	nm	19x	24x	18x				
CFPS	Ac	56.6	27.5	28.9	28.1	28.3				
P/CF	x	2.8x	5.8x	5.5x	5.7x	5.6x				
Dividend per share	Ac	12.0	6.0	8.0	8.0	8.0				
Dividend yield	%	7.5%	3.8%	5.0%	5.0%	5.0%				
Franking Level	%	100%	100%	100%	100%	100%				
Payout Ratio	%	41%	-71%	94%	120%	90%				
Effective Tax Rate	%	33%	-37%	29%	30%	31%				
Book value per share	A\$	1.20	1.00	1.03	1.02	1.04				
P/Book value	x	1.3x	1.6x	1.6x	1.6x	1.5x				
R.O.E	%	24%	-8%	8%	7%	9%				
R.O.A	%	17%	-7%	6%	5%	6%				
EBITDA	A\$MM	134	48	62	58	59				
EBITDA per share	A\$	0.68	0.24	0.31	0.29	0.30				
EV/EBITDA	x	1.6	5.1	3.5	3.5	3.0				
EV/EBIT	x	2.7	(8.2)	10	13.6	8.6				
EBITDA Margin	%	41%	25%	32%	27%	28%				
PROFIT & LOSS										
Revenue	A\$MM	323	188	190	214	210				
Operating costs	"	(170)	(119)	(83)	(141)	(134)				
Mine Operating Profit	"	152	70	107	73	75				
Exploration Expense	"	(13)	(8)	(7)	(8)	(9)				
DD&A	"	(55)	(77)	(41)	(43)	(39)				
Corporate & Other Costs	"	(6)	(14)	(39)	(7)	(7)				
Operating Income (EBIT)	A\$MM	78	(30)	21	15	21				
Net Interest Income	"	7	3	3	4	5				
Pre Tax Profit	"	85	(26)	24	19	25				
Tax Expense	"	(28)	10	(7)	(6)	(8)				
Reported NPAT	A\$MM	57	(17)	17	13	18				
Significant Items after tax	"	0	(14)	(10)	0	0				
Underlying Net Profit	A\$MM	57	(2)	26	13	18				
EPS	Ac	29.3	(8.4)	8.5	6.7	8.9				
DPS	Ac	12.0	6.0	8.0	8.0	8.0				
CASH FLOWS										
Operating Cash Flow	A\$MM	94	40	89	66	68				
Net Interest	"	0	0	2	4	5				
Tax Paid	"	0	0	(5)	0	0				
Retained Op. Cash Flow	A\$MM	94	40	86	70	73				
Exploration	"	(35)	(10)	(16)	(12)	(12)				
Capital Expenditure	"	(37)	(44)	(28)	(26)	(20)				
Loan Repayments	"	0	(1)	0	0	0				
Funding Surplus/(Deficit)	A\$MM	21	(14)	41	32	41				
Dividends Paid	"	(24)	(16)	(14)	(16)	(16)				
Borrowings	"	0	0	0	0	0				
Equity Issues	"	2	0	2	2	2				
Other	"	(56)	(7)	(4)	(3)	(3)				
Total Funds Provided	A\$MM	(78)	(22)	(16)	(17)	(17)				
Net change in cash	"	(57)	(37)	26	15	24				
Cash at start of year	"	170	112	76	102	117				
Cash at end of year	A\$MM	112	76	102	117	141				
Net Op. CFPS	A\$	0.48	0.20	0.45	0.33	0.34				
BALANCE SHEET										
Cash & equivalents	A\$MM	112	76	102	117	141				
Other current assets	"	55	65	45	45	45				
PP&E & Other Mining Assets	"	145	108	107	97	84				
Other Non Current Assets	"	17	2	12	23	23				
Total assets	A\$MM	329	251	265	281	293				
Total liabilities	"	90	52	61	78	85				
Total Net Assets	A\$MM	238	199	204	204	207				
Total Debt	"	2	1	1	1	1				
Net Debt (Cash)	A\$MM	(110)	(74)	(100)	(116)	(140)				
Gearing (net debt : nd+ equity)	%	-86%	-59%	-97%	-131%	-206%				
Gearing (net debt:equity)	%	-46%	-37%	-49%	-57%	-67%				
ATTRIBUTABLE MINE STATS										
Nickel Production (100% ownership)										
Miitel	tonnes	4,174	1,817	0	3,029	3,988				
Wannaway	"	265	25	0	0	0				
Redross	"	3,325	1,550	0	0	0				
Mariners	"	3,445	5,123	3,682	4,328	4,328				
Carnilya Hill (70%)	"	1,023	2,128	2,514	3,343	4,361				
Otter-Juan	"	4,417	4,261	3,806	3,895	3,895				
McMahon + Coronet	"		864	881	934	0				
Total Nickel in Conc	tonnes	16,648	15,768	10,883	15,529	16,571				
Cash Costs (including Credits):										
Miitel	A\$/lb	8.37	7.20	0.00	6.47	5.98				
Wannaway	"	9.49								
Redross	"	6.43	7.65	0.00						
Mariners	"	7.56	5.23	5.83	5.51	5.71				
Carnilya Hill	"	3.94	4.47	5.26	5.46	5.81				
Otter-Juan	"	5.04	4.77	5.68	5.52	5.73				
McMahon	"		5.00	5.31	5.61	0.00				
Average Cash Costs	A\$/lb	6.71	5.37	5.60	5.70	5.81				
Average Cash Costs	US\$/lb	6.02	4.05	4.92	4.93	4.85				
Cash Margin	A\$/lb	7.46	4.01	4.76	3.03	3.03				
Cash Margin	US\$/lb	6.69	3.01	4.18	2.62	2.53				
Reserves & Resources - Contained Nickel										
<i>* Resources are inclusive of Reserves</i>										
	Reserves Ni	%Ni	Resources Ni	%Ni						
Miitel	12.4	2.7	29.1	3.6						
Wannaway	1.1	2.9	4.2	3.0						
Redross	1.2	3.5	7.5	3.2						
Mariners	9.0	2.7	27.2	3.9						
Carnilya Hill	4.1	3.2	7.6	4.5						
Otter Juan	10.5	3.4	21.7	3.7						
McMahon/Durkin/Gellatly/Stockwell/Cameron	7.1	2.4	56.3	4.0						
Reserves - Contained Nickel (kt)	45.4	2.8	153.7	3.8						
Reserves - Contained Nickel (mbs)	100		339							
Enterprise Value / tonne (A\$/t)	4,866		1,437							
Enterprise Value / tonne (US\$/t)	4,234		1,251							
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%	85	0.43	26%						
Redross	100%	0	0.00	0%						
Mariners	100%	135	0.68	42%						
Carnilya Hill	100%	20	0.10	6%						
Otter-Juan	100%	81	0.41	25%						
McMahon	100%	0	0.00	0%						
Total Operating Assets		322	1.62							
Exploration & Other		50	0.25							
Debt		0	(0.01)							
Cash		98	0.49							
Corporate		(41)	(0.20)							
Net Asset Value - \$A		427	2.15	0.75x						

Source: Company Reports and RBC Capital Markets estimates



Valuation

We retain our Outperform rating but increase our target to A\$2.60 (A\$2.50) on an unchanged 1.0x NAV multiple, in line with valuations in this sector.

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. 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 McMahon & 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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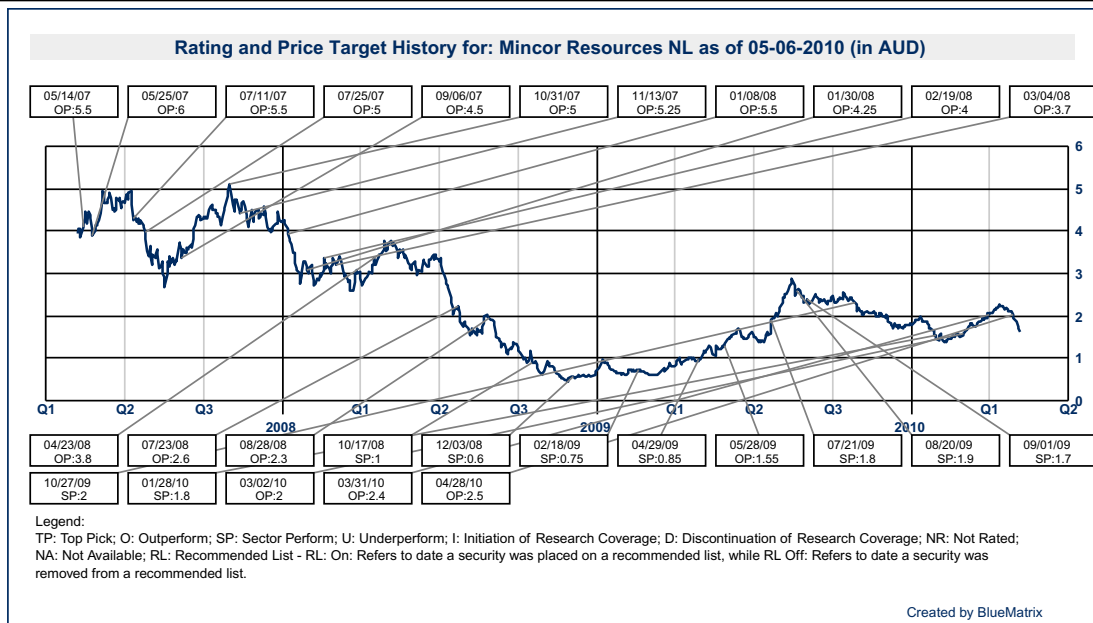
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			Count	Percent
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HOLD[SP]	557	45.20	133	23.88
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