

COMPANY UPDATE | COMMENT

JANUARY 30, 2009

Mincor Resources NL (ASX: MCR)
Prudence & Flexibility Paying Off

Sector Perform
Above Average Risk

Price:	0.62	Price Target:	0.60
Shares O/S (MM):	198.9	Implied All-In Return:	16%
Dividend:	0.12	Market Cap (MM):	123
NAVPS:	1.23	Yield:	19.4%
BVPS:	1.20	P/NAVPS:	0.5x
ROE:	24.0%	P/BVPS:	0.5x
Float (MM):	198.9	Enterprise Val. (\$MM):	47.0
Debt to Cap:	0%	Avg. Daily Volume (MM):	1.38

Price as at 3:30pm on 30 January 2009 (Australian Eastern Standard Time)

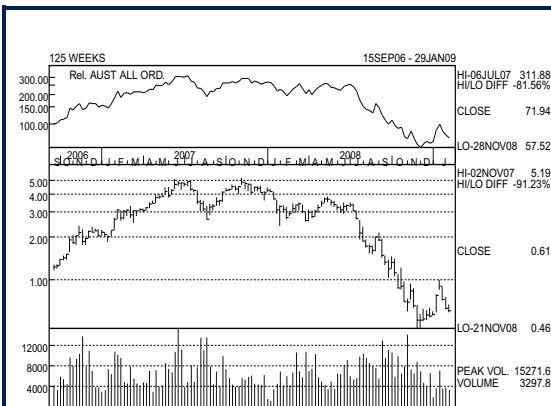
Event

Mincor continues to manage its cash and production well. Retain SP and A\$0.60 target.

Investment Opinion

Despite low nickel prices, Mincor is in a robust position with cash of ~A\$80m at end Dec 08 (our forecast), no debt and a strong hedge book in-the-money to ~A\$40m. Its operational flexibility has come to the fore, and operations are cash positive. Mincor offers a low risk option on the nickel price.

- **Cash Costs:** The US\$3.65/lb Dec Q was very good and helped by the 0.65 exchange rate. This delivered an operating surplus of A\$20m pre capex & exploration.
- **Operations:** Flexibility is a key feature and one of Mincor's strengths. The high cost Miitel is on care and maintenance and production is focused on high grade, low cost mines. Redross is depleted by Jun 09 as planned. Management is doing a good job to conserve cash even though it has no financial stress.
- **Production:** The Dec Q was a record 4.6kt nickel in conc. and guidance for FY09 of 16.5-17.5kt of Ni in ore requires ~7kt in the 2H, very achievable in our view.
- **Earnings:** We forecast a loss of \$6m in H1 but a profit of \$5m in H2, consistent with company guidance first provided in mid Dec 08. This will be a relatively good outcome in the circumstances and includes a negative A\$18.5m PP adjustment in the 1H.
- **Cashflow:** Working capital, mainly cash, is a healthy A\$72m with no debt. Hedging to mid 2010 is well in the money, with an MTM of ~A\$40m in Dec 08. The company has reduced capex and exploration budgets and is prudently managing its cash reserves.
- **Valuation:** Our price target remains A\$0.60 and is based on an unchanged 5.5x P/CF for FY09 and FY10. We maintain our Sector Perform, Above Average Risk rating.



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FY Jun	2007A	2008A	2009E	2010E
EPS (Op) - FD	0.52	0.29	(0.03)	(0.04)
Prev.		0.33	(0.01)	(0.03)
P/E	1.2x	2.1x	NM	NM
CFPS - FD	0.69	0.57	0.17	0.16
Prev.		0.60	0.19	0.17
P/CFPS	0.9x	1.1x	3.6x	3.9x
EPS (Op) - FD		H1		H2
2007		0.19A		0.33A
2008		0.16A		0.13A
Prev.				0.17A
2009		(0.05)E		0.02E
Prev.		(0.01)E		0.00E
2010		0.00E		(0.04)E
Prev.		(0.02)E		(0.01)E
CFPS - FD				
2007		0.27A		0.42A
2008		0.31A		0.26A
Prev.				0.29A
2009		0.06E		0.11E
Prev.		0.09E		0.10E
2010		0.10E		0.06E
Prev.		0.08E		0.09E

All values in AUD unless otherwise noted.

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

For Required Disclosures, please see Page 4.

Exhibit 1: Mincor Resources Forecast Financial & Operating Summary

Mincor Resources													
ASX: MCR	Share Price: (A\$)	0.62		Stock Rating:	Sector Perform	Price Target:	A\$.60						
Issued Shares (m)	Mkt Cap: (A\$MM)	123.3		Return	Risk Qualifier:	NAV:	A\$1.23						
Fiscal Year Ended June		FY07	FY08	FY09E	FY10E	FY11E							
ASSUMPTIONS		FY07	FY08	FY09E	FY10E	FY11E	ATTRIBUTABLE MINE STATS						
Exchange Rate	A\$/US\$	0.79	0.90	0.73	0.69	0.72	Nickel Production (100% ownership)						
Spot Nickel Price	US\$/lb	17.37	12.92	5.78	5.50	6.00	Mittel	tonnes	4,901	4,174	997	0	1,564
Spot Nickel Price	A\$/lb	21.97	14.45	7.85	8.02	8.34	Wannaway	"	519	265	0	0	0
Realised Nickel Price	US\$/lb	14.28	12.69	6.77	6.15	6.00	Redross	"	3,891	3,325	1,436	122	0
Realised Nickel Price	A\$/lb	18.12	14.17	9.38	8.99	8.34	Mariners	"	3,616	3,445	4,788	3,276	3,276
Cobalt Price	US\$/lb	23.39	39.32	21.41	13.00	12.00	Carnilya Hill	"	"	1,023	2,848	3,392	3,634
Realised Cobalt Price	US\$/lb	23.39	39.32	21.41	13.00	12.00	Otter-Juan	"	"	4,417	4,006	4,273	3,895
Realised Cobalt Price	A\$/lb	29.64	43.51	28.61	19.00	16.70	McMahon	"	"	585	2,452	2,102	
Hedged Sales	tonnes	2,994	3,450	1,440	1,010	0	Total Nickel in Conc	tonnes	12,927	16,648	14,660	13,514	14,470
Hedged % of Sales	%	23%	21%	10%	7%	0%	Cash Costs (including Credits):						
Hedged Price	US\$/lb	0.00	12.41	12.60	11.64	11.45	Mittel	A\$/lb	6.77	8.37	7.87	0.00	7.96
RATIO ANALYSIS		FY07	FY08	FY09E	FY10E	FY11E	Wannaway	"	9.64	9.49	NA	NA	NA
Shares outstanding	MM	195	196	196	196	196	Redross	"	5.24	6.43	7.66	10.75	0.00
Reported Net profit	A\$MM	101	57	(5)	(8)	(13)	Mariners	"	7.35	7.56	5.78	8.53	8.81
Significant Items	A\$MM	0	0	0	0	0	Carnilya Hill	"	"	3.94	5.87	5.27	5.47
Profit excl. one-offs	A\$MM	101	57	(5)	(8)	(13)	Otter-Juan	"	"	5.04	5.08	5.28	5.56
EPS	A¢	51.9	29.3	(2.8)	(4.1)	(6.8)	McMahon	"	"	2.00	5.06	5.68	5.68
P/E	x	1.2x	2.1x				Average Cash Costs	A\$/lb	6.59	6.71	5.78	6.07	6.55
CFPS	A¢	68.5	56.6	16.5	15.6	13.0	Average Cash Costs	US\$/lb	5.18	6.02	4.20	4.16	4.72
P/CF	x	0.9x	1.1x	3.8x	4.0x	4.8x	Cash Margin	A\$/lb	11.54	7.46	3.60	2.92	1.79
Dividend per share	A¢	12.0	12.0	2.0	2.0	2.0	Cash Margin	US\$/lb	9.07	6.69	2.62	2.00	1.29
Dividend yield	%	19.4%	19.4%	3.2%	3.2%	3.2%	Reserves & Resources - Contained Nickel						
Franking Level	%	100%	100%	100%	100%	100%	<i>* Resources are inclusive of Reserves</i>						
Payout Ratio	%	23%	41%				Reserves Ni	%Ni			Rescs Ni*	%Ni	
Effective Tax Rate	%	30%	33%		30%	20%	Mittel	24.7	2.5		39.9	3.8	
Book value per share	A\$	0.76	1.20	1.03	0.91	0.80	Wannaway	0.8	2.3		1.9	3.2	
P/Book value	x	0.8x	0.5x	0.6x	0.7x	0.8x	Redross	5.3	2.9		10.3	4.2	
R.O.E	%	67%	24%	-3%	-4%	-8%	Mariners	10.6	2.7		31.1	4.5	
R.O.A	%	33%	17%	-2%	-3%	-5%	Carnilya Hill	7.7	2.4		11.3	4.6	
EBITDA	A\$MM	176	134	32	26	21	Otter Juan	11.1	3.9		19.8	4.9	
EBITDA per share	A\$	0.90	0.68	0.16	0.13	0.11	McMahon/Durkin +	0.0	0.0		29.9	4.3	
EV/EBITDA	x	-0.2	0.1	1.5	2.2	3.2	Reserves - Contained Nickel	60.2	2.8		144.2	4.3	
EV/EBIT	x	-0.3	0.2	(7.6)	(4.2)	(3.7)	Reserves - Contained Nickel	133			318		
EBITDA Margin	%	53%	41%	18%	15%	11%	Enterprise Value/tonne Reserve	218			91		
PROFIT & LOSS		FY07	FY08	FY09E	FY10E	FY11E	Enterprise Value/tonne Reserve	170			71		
Revenue	A\$MM	330	323	181	174	182	EARNINGS SENSITIVITY						
Operating costs	"	(124)	(170)	(131)	(132)	(144)	Nickel Price US\$/oz	+10%	29		18%		
Mine Operating Profit	"	206	152	49	42	37	Exchange Rate	-10%	(29)		-18%		
Exploration Expense	"	(10)	(13)	(9)	(8)	(8)	+10%	(26)		-16%			
DD&A	"	(35)	(55)	(38)	(39)	(39)	-10%	32		20%			
Corporate & Other Costs	"	(20)	(6)	(8)	(8)	(9)	NICKEL PRODUCTION PROFILE - 100%						
Operating Income (EBIT)	A\$MM	141	78	(6)	(13)	(18)							
Net Interest Income	"	4	7	2	2	2							
Pre Tax Profit	"	145	85	(4)	(11)	(17)	SHARE VALUATION						
Tax Expense	"	(44)	(28)	(2)	3	3	Projects						
Net profit - as reported	A\$MM	101	57	(5)	(8)	(13)	Mittel	100%	14	0.07	10%		
Significant Items after tax	"	0	0	0	0	0	Wannaway	100%	0	0.00	0%		
Net Profit excl one-offs	A\$MM	101	57	(5)	(8)	(13)	Redross	100%	4	0.02	2%		
EPS	A¢	51.9	29.3	(2.8)	(4.1)	(6.8)	Mariners	100%	21	0.10	14%		
DPS	A¢	12.0	12.0	2.0	2.0	2.0	Carnilya Hill	100%	49	0.25	34%		
CASH FLOWS		FY07	FY08	FY09E	FY10E	FY11E	Otter-Juan	100%	50	0.25	34%		
Operating Cash Flow	A\$MM	201	94	32	26	21	McMahon	100%	9	0.05	6%		
Net Interest	"	0	0	2	2	2	Total Operating Assets						
Tax Paid	"	(8)	0	(2)	0	0	146						
Retained Op. Cash Flow	A\$MM	192	94	33	28	22	Exploration & Other	50					
Exploration	"	(9)	(35)	(12)	(10)	(10)	Debt	0					
Capital Expenditure	"	(29)	(37)	(37)	(21)	(18)	Cash	77					
Loan Repayments	"	0	0	(2)	0	0	Corporate	(28)					
Funding Surplus/(Deficit)	A\$MM	154	21	(18)	(3)	(5)	Net Asset Value - \$A						
Dividends Paid	"	(18)	(24)	(16)	(4)	(4)	244						
Borrowings	"	0	0	0	0	0	1.23						
Equity Issues	"	2	2	0	0	0	51%						
Other	"	(14)	(56)	(2)	(2)	(2)							
Total Funds Provided	A\$MM	(30)	(78)	(18)	(6)	(6)							
Net change in cash	"	124	(57)	(36)	(9)	(11)							
Cash at start of year	"	45	170	112	76	68							
Cash at end of year	A\$MM	170	112	76	68	56							
Net Op. CFPS	A\$	1.03	0.48	0.16	0.13	0.11							
BALANCE SHEET		FY07	FY08	FY09E	FY10E	FY11E							
Cash & equivalents	A\$MM	170	112	76	68	56							
Other current assets	"	77	55	55	55	55							
PP&E & Other Mining Assets	"	58	145	147	131	112							
Other Non Current Assets	"	7	17	17	17	21							
Total assets	A\$MM	311	329	295	270	244							
Total liabilities	"	161	90	89	88	85							
Total Net Assets	A\$MM	150	238	206	182	159							
Total Debt	"	3	2	0	0	0							
Net Debt (Cash)	A\$MM	(166)	(110)	(76)	(67)	(56)							
Gearing (net debt : nd+ equity)	%	1044%	-86%	-59%	-59%	-55%							
Gearing (net debt:equity)	%	-111%	-46%	-37%	-37%	-35%							

Source: Company Reports and RBC Capital Markets estimates

Valuation

Our price target remains A\$0.60 and is based on an unchanged 5.5x P/CF for FY09 and FY10. We maintain our Sector Perform, Above Average Risk rating.

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 ~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 to high 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. Beginning April 2006, Mincor is increasing its share of Carnilya Hill to 100%, which is scheduled to be in production in January 2008. 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 .

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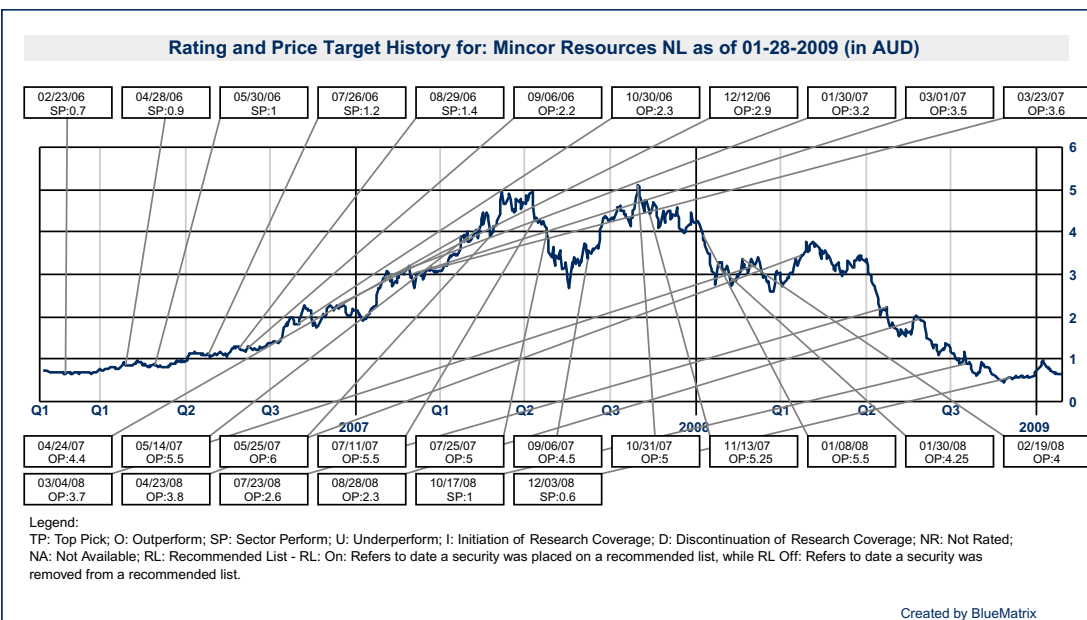
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Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY[TP/O]	502	44.90	126	25.10
HOLD[SP]	513	45.90	95	18.52
SELL[U]	103	9.20	13	12.62



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