



Mincor Resources BUY

Current Price: **\$0.75**
Valuation: **\$1.04**

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

Shares on Issue (m): **198.9**
Market Cap (\$m): **148.2**
Net Cash (\$m): **53.9**
Enterprise Value (\$m): **94.3**

52 wk High/Low: **\$3.85** **\$0.46**
12m Av Daily Vol (m): **1.31**

Key Metrics

	08A	09F	10F
P/E (x)	2.3	-9.7	5.0
EV/EBITDA (x)	0.6	2.6	1.0

Financials:

	08A	09F	10F
Revenue (\$m)	321.0	205.7	224.8
EBIT (\$m)	92.5	-24.4	42.2
NPAT (\$m)	64.0	-15.2	29.4

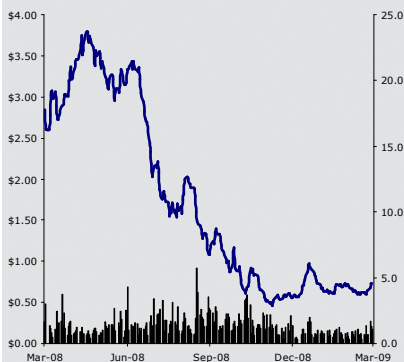
Net Assets (\$m) 238.5 293.5 388.6

Op CF (\$m) 93.8 48.3 110.3

Per Share Data:

	08A	09F	10F
EPS (cps)	31.6	-7.0	13.5
DPS (cps)	12.0	2.0	2.0
Div Yield	16.1%	2.7%	2.7%
CFPS (cps)	46.3	22.2	50.6

Share Price Graph



Analysts:
Troy Irvin
Tim Serjeant

19 March 2009

The nimble nickel miner

Disciplined and nimble nickel miner Mincor Resources remains perfectly poised to capitalise on the eventual rise in commodity prices.

Following the collapse in metal markets late last year, MCR was swift to act, instigating a Management Plan to mitigate cash outflows and ensure the Company was well placed to weather the storm.

Management's response to the violent downturn in the nickel price was to suspend higher cost operations and focus output on three core higher grade mines - Otter Juan, Mariners and Carnilya Hill. Consequently, production guidance for FY09 was revised from ~20kt Ni (in ore) to 16.5 - 17.5kt.

The Management Plan has already achieved its primary purpose with the Company generating free cash flow since November. Given sustaining capital and exploration expenditure of \$2m per month, Argonaut estimates MCR could generate ~\$8m in free cash flow in 2H09, assuming ~6kt Ni production, A\$6.80/lb nickel prices and operating costs of A\$5.20/lb.

MCR has 'low barriers to exit' giving it the ability to tailor production to meet changes in the nickel price. MCR is unique in that it does not operate a plant (it sells ore to Nickel West) and therefore does not have the constant need to maintain unit volumes through the mill to keep unit costs under control.

With a current market capitalisation of \$148m backed by a hedge book worth \$37m and liquid assets of \$79m, just \$32m (\$0.16 per share) is attributed to MCR's entrenched asset portfolio in the heart of the proven world class Kambalda nickel sulphide district.

Argonaut continues to believe that MCR represents a clear value proposition given its:

- Operational nous – ability to generate free cash flow in the current environment
- Disciplined management team prepared to make the 'tough' decisions
- Diversity and flexibility of production
- Inexpensive on all metrics (see Figures 1 and 2)

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

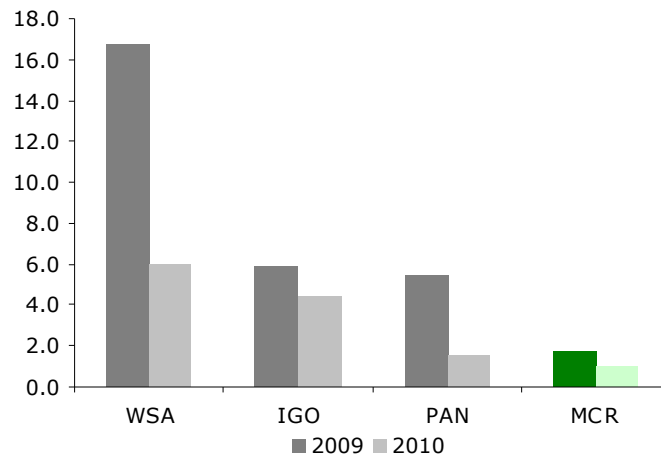
BUY

Value story

MCR is generating free cash flow in the current operating environment

The current market cap is \$148m. After backing out liquid assets (\$79m) and the hedge book (\$37m), the market is attributing just \$32m (\$0.16 per share) for MCR's operational assets. Argonaut expects the business to generate nearly one third of this value in free cash flow over the next 6 months.

Figure 1: EV/EBITDA (x)

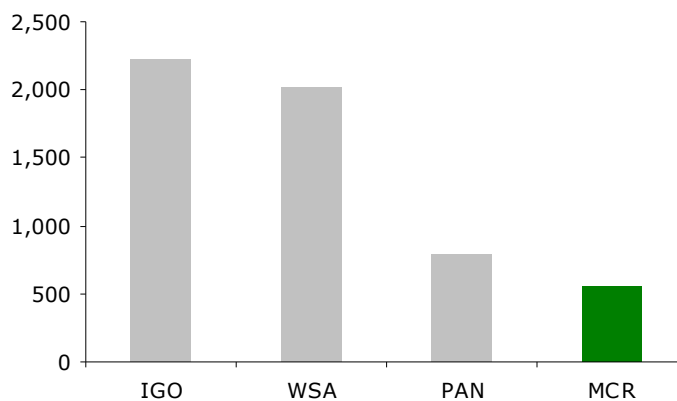


Source: Argonaut

Primed for re-rating

Despite having the second highest resource grade within the nickel sulphide peer group (only IGO is higher), MCR has the lowest EV / resource multiple.

Figure 2: EV/Resources (A\$/t)



Source: Argonaut

Mincor Resources NL
Equities Research
Analyst: Troy Irvin

Recommendation BUY
Current Price \$0.75
Valuation \$1.04
All Ords (XAO) 3,417

Sector Materials
Issued Capital (m) 198.9
Market Cap (m) \$148.2
Updated 19-March-2009

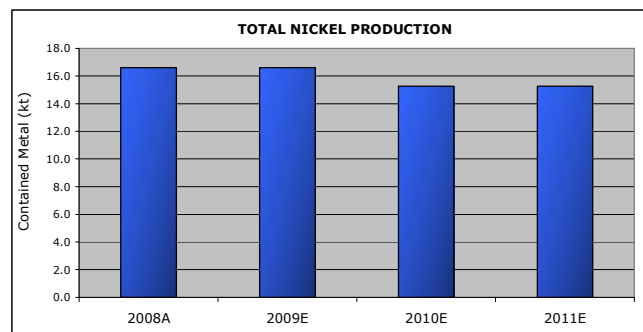
Profit & Loss (\$m) 30 June	2008A	H109A	2009E	2010E
Sales Revenue	321.0	100.4	205.7	224.8
Other Income	8.3	0.0	1.6	6.1
Operating Costs	158.4	75.4	136.8	125.7
Depn & Amort	55.6	32.1	60.7	50.2
Exploration Expensed	12.8	6.7	9.0	4.6
Corporate/Admin	10.0	4.0	8.0	8.1
Impairment	0.0	17.3	17.3	0.0
EBIT	92.5	-35.1	-24.4	42.2
Interest Paid	0.5	0.1	0.2	0.2
Operating Profit	92.0	-35.2	-24.5	42.1
Tax Expense	27.9	-12.5	-9.3	12.6
Minorities	0.0	0.0	0.0	0.0
NPAT	64.0	-22.7	-15.2	29.4
Normalised NPAT	64.0	-22.7	-15.2	29.4

Cash Flow (\$m)	2008A	H109A	2009E	2010E
Operating Cashflow	93.8	1.9	48.3	110.3
- Capex	37.4	32.0	41.0	20.3
- Exploration	35.3	8.0	11.0	6.1
- Asset Purchases (+ Asset Sales)	55.2	6.2	6.2	0.0
Free Cashflow	(34.1)	(44.3)	(9.9)	83.9
- Dividends	23.7	12.0	14.0	4.0
+ Equity Raised	1.8	0.0	0.0	0.0
+ Debt Drawdown (Repaid)	(1.0)	(0.4)	(0.4)	0.0
Net Change in Cash	(57.1)	(56.7)	(24.3)	79.9
Cash at End Period	112.5	55.8	31.5	111.5

Balance Sheet (\$m)	2008A	2009E	2010E
Total Assets	329.0	272.1	327.0
Total Debt	2.4	2.4	2.0
Total Liabilities	90.5	-21.4	-61.7
Shareholders Funds	238.5	293.5	388.6

Production Summary	2008A	2009E	2010E
Total Nickel Production (kt)	16.6	16.6	15.3
Ni Cash Cost - net of credits (US\$/lb)	5.74	3.92	4.07
Ni Price Realised (US\$/lb)	12.14	6.85	7.59

Reserves & Resources (30 June 2008)						
Nickel	Reserves			Resources		
	Mt	% Ni	Ni (kt)	Mt	% Ni	Ni (kt)
Mariners	0.44	3.1	13.7	0.71	3.9	27.4
Redross	0.08	2.8	2.3	0.28	4.0	11.2
Mittel	0.58	2.6	15.0	0.85	3.6	30.2
Wannaway	0.02	1.4	0.03	0.14	3.0	4.3
Carnilya Hill	0.22	2.8	6.3	0.17	5.5	9.5
Otter-Juan	0.32	3.8	12.1	0.75	3.8	28.4
McMahon / Ken	0.32	2.4	7.6	0.37	4.1	15.2
Durkin				0.38	5.1	19.4
Gellatly				0.03	3.4	1.0
Bluebush Line				0.63	3.3	20.8
Total	1.99	2.9	57.0	4.33	3.9	167.4



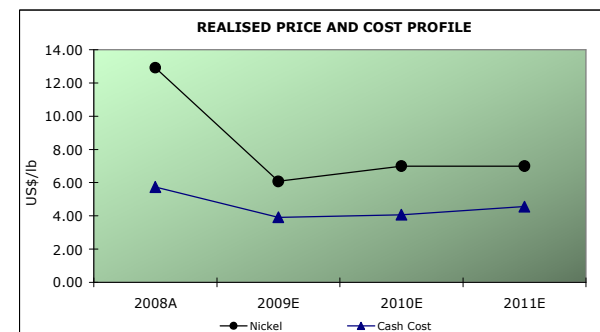
Financial Summary	2008A	2009E	2010E
Reported Earnings			
Net Profit (\$m)	64.0	(15.2)	29.4
EPS (cents)	31.6	(7.0)	13.5
PER (x)	2.3	(9.7)	5.0
Normalised Earnings			
Net Profit (\$m)	64.0	(15.2)	29.4
EPS (cents)	31.6	(7.0)	13.5
EPS Growth (%)	(36.7)	(122.1)	(293.2)
PER (x)	2.3	(9.7)	5.0
Cashflow			
Gross (Op.) Cashflow (\$m)	93.8	48.3	110.3
GCFPS (cents)	46.3	22.2	50.6
PCF (x)	1.6	3.4	1.5
Dividend			
Dividend (cents)	12.0	2.0	2.0
Yield (%)	16.1	2.7	2.7
Franking %	100	100	100

Financial Ratios	2008A	2009E	2010E
Balance Sheet Ratios			
Total Debt / Equity (%)	1.0	0.8	0.5
Interest Cover (x)	185.1	-129.1	248.6
Acid test ratio (x)	3.1	2.0	3.0
Profitability Ratios			
Net Profit Margin (%)	19.9	-7.4	13.1
Return on Assets (%)	42.8	-10.1	19.6
Return on Equity (%)	26.8	-5.2	7.6

Valuation Summary	A\$m	A\$/sh
South Kambalda Operations	84.2	0.39
North Kambalda Operations	57.0	0.26
Bluebush	10.0	0.05
Forward Sales	20.5	0.09
Corporate	-16.5	-0.08
Exploration	15.0	0.07
Unpaid Capital	1.4	0.01
Cash (31 December)	55.8	0.26
Debt	-2.0	-0.01

Total @ 10% discount rate 226 1.04

Directors	
David Humann	Non-Executive Chairman
David Moore	Managing Director
Jack Gardener	Non-Executive Director
Ian Burston	Non-Executive Director

Substantial Shareholders %


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