

Mincor clears the decks

Staff reporter, 11 August 2011

MINCOR Resources and its shareholders will be very hopeful a tough 12 months for the nickel miner can now be consigned to the dust bin of history.

Investment bank Royal Bank of Canada believes the outlook is set to now improve after another difficult quarter that saw production up (to 2500t of nickel in ore), but at higher than expected cash costs of \$A8.86/lb.

"The company has had a difficult 12 months impacted by a number of 'one-offs' but is expecting a turnaround in performance from July 2011 onward," RBC said. "The June quarter report included a number of negative disclosures, and we believe the company is 'clearing the decks' in what we believe should be the last round of negative news."

The big negative was a non-cash asset impairment charge against the Mittel, McMahon, and Otter Juan mines of \$A25 million pre-tax and a material reduction in reserves post depletion for the year from 50,200t to 30,500t.

"The lion's share of this impact related to negative reconciliation of ore reserves at Mittel, and as such the company has reduced its production forecasts from the mine going forward," RBC said. "The company also estimates a \$A6 million underlying loss in fiscal 2011, or an \$A23.4 million reported loss including non-cash impairments."

At last week's share price of 85c RBC was of the opinion there was limited stock downside.

"The company remains compelling on relative value and has no debt and about \$A87 million in cash (about A44c per share), that is, 51% cash backing," RBC said.

After continued problems with its contract miner, Mincor's big operating change in the year ahead is transitioning to owner-operator at all mines during fiscal 2012.

The company will also begin mining the high-grade N10 ore body at Mariners.

Group production guidance is 10,000t nickel-in-ore at \$A6.10/lb pre royalties.

Finally, while RBC stuck to the Mincor production environment in forecasting an improved 2012 for shareholders, there would undoubtedly be some anticipation that the new assets acquired in Papua New Guinea will add some zing.