



# MCR cheapest nickel miner

## Mincor Resources NL Recommendation BUY

MCR is debt-free, cashed up and the cheapest ASX listed nickel sulphide miner. The recent high grade nickel discovery below the Wannaway mine is just the start of many expected exploration results.

This came on the back of a 20kt nickel resource at the newly acquired Bluebush line before MCR has got a rig on site and is further evidence of MCR's proven game plan of extending proven mineralisation.

Despite MCR's ongoing exploration success, it is a production story. It is on track to produce 16,680t of nickel in concentrate in FY08 and over 20,000tpa in FY09 and is cheap on earnings now (7.5x FY08 and 4.0x FY09) to go with the exploration portfolio. Our 12-month price target is \$3.97/sh.

While MCR's CY08 capex program and dividend payments delay any cash build, it is looming. Increased dividends or a



buy-back may be on the agenda but to date we have been impressed with the shrewd acquisitions of Otter-Juan for \$68.5M (9-month payback), the Bluebush tenements from BHP (which look to have a walk up mine) and the purchase of the remaining 30% of the Carnilya Hill JV which will add 1,000tpa of nickel and is

only being delayed by the administrators (a \$22.5M price has less than a 2-year payback).

As the dominant player in the Kambalda region and a proven operator and explorer of "used" mines, MCR remains box seat for any consolidation of the region and we feel safe they won't overpay. MCR is the largest ASX

producer of nickel outside of BHP and MRE and despite moderate cash costs of around US\$5/lb it gives tremendous leverage to a high nickel price over the next few years. A 10% increase in our LOM nickel price lifts our price target by 15%.  
 - Aaron Cross, Private Client Adviser, Pater-sons Securities Ltd.