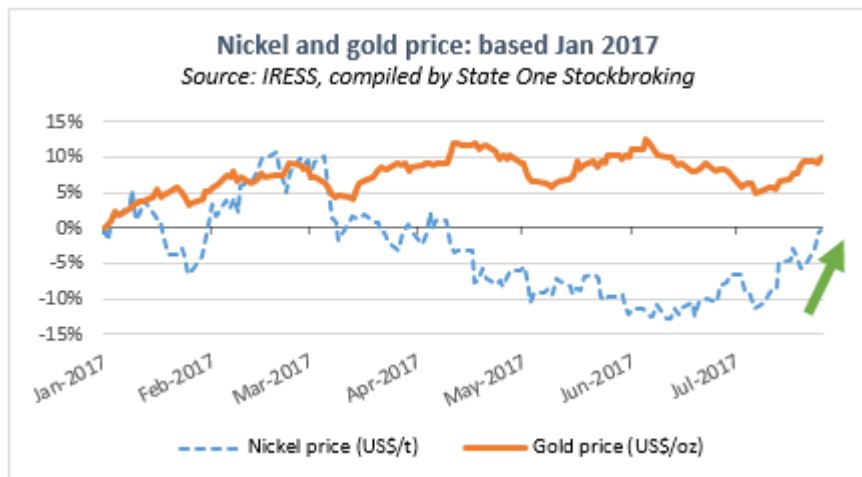




# Mincor Resources NL (ASX: MCR)

## US\$ nickel price momentum boosts portfolio value

The US dollar nickel price at US\$9,995/t has recovered some 15% from a mid-June low, and is now essentially flat relative to prices at the beginning of the year. Although MCR's near-term strategy prioritises the development of the Widgiemooltha Gold Project, we calculate that the in-situ value of the group's Resources is weighted 70% nickel, 30% gold. Thus, we view the recent rebound in the nickel price as providing a welcome boost to the group portfolio's in-situ value.



However, the appreciation in the Australian dollar has largely offset US\$ price gains. With the Durkin North and Mittel/Burnett Ni Projects requiring a Ni price of A\$20,000/t and A\$22,000/t respectively - versus the current spot of A\$12,500/t (US\$9,995/t @ US\$0.80) - we suggest the focus will remain very much on the Widgiemooltha Gold Project, with management targeting first gold production in the March 2018 quarter.

Early in July 2017, MCR announced multiple high-grade shallow intercepts at Flinders West - outside of the boundaries of the current Widgiemooltha Resource (238koz). We note with interest in the recently released [June Quarter Activities Report](#), that a follow-up drilling program, resource modelling and mining studies for Flinders West are expected to be completed in the September 2017 quarter.

Management states that if these studies confirm high-quality Reserves at Flinders West, the deposit could be mined early in the schedule to improve early cash-flows and minimise working capital requirements. We view positive announcements here as having the potential to act as significant near-term share price catalysts.

### SOTP-derived target price: A\$0.29ps (unchanged)

Based on a strong cash position, plus [our valuations for the gold and nickel assets](#), we calculate MCR's group equity value at A\$61m (A\$0.29ps). At current share price levels of A\$0.205 (close 27 July 2017), we calculate that MCR offers some 40% upside potential; **we maintain a Speculative Buy (Higher Risk) recommendation on this near-term gold producer and nickel option play**. Risks to our forecast earnings profile and target price include, but are not limited to: commodity price (nickel, gold) and exchange rate volatility, production start-dates and production profile - particularly at the Widgiemooltha Gold Project, financing - we believe that MCR will need external funding (debt/equity) to fund working capital at Widgiemooltha, capital, permitting and operating cost risk, grade volatility and/or lower than expected grades and estimated Resource tonnage, metallurgy and recovery rates.

28 July 2017

Share Price: A\$0.205 (27 July 2017)

Target Price: A\$0.29

Recommendation  
**Speculative Buy**

Risk Assessment  
**Higher**

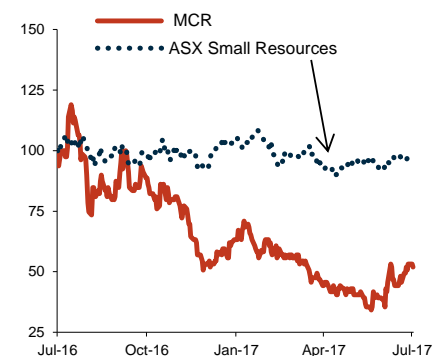
#### Resources – Gold/Nickel

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#### Mincor Resources

ASX Code	MCR
52 week range	A\$0.13-A\$0.48
Market Cap (A\$m)	39
Quoted Shares (m)	189
Av Daily Turnover (shares)	289k
ASX All Ordinaries	5,832
2017E BV per share (A\$)	0.13
2017E EPS (A\$)	-0.01
2017A Net Cash/(Debt) (A\$m)	12

#### Relative price performance



Source: Iress

## Financial Statements

### Mincor Resources

Year ending June

Profit & Loss Statement (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
Revenue	18.6	0.0	20.4	43.7	44.5
Mining/Hauling	(7.1)	0.0	(6.5)	(13.3)	(13.6)
Processing	(10.3)	0.0	(3.4)	(7.0)	(7.2)
Corporate/Royalty/Other	(19.7)	(2.5)	(3.2)	(3.9)	(4.0)
<b>EBITDA</b>	<b>(18.6)</b>	<b>(2.5)</b>	<b>7.2</b>	<b>19.4</b>	<b>19.8</b>
Depreciation & Amortisation	(9.2)	0.0	(1.5)	(1.5)	(1.5)
<b>Operating profit</b>	<b>(27.7)</b>	<b>(2.5)</b>	<b>5.7</b>	<b>17.9</b>	<b>18.3</b>
NOI	(13.8)	5.4	0.0	0.0	0.0
<b>EBIT</b>	<b>(41.6)</b>	<b>2.9</b>	<b>5.7</b>	<b>17.9</b>	<b>18.3</b>
Interest income	0.0	0.5	0.4	0.3	0.6
Interest expense	(0.4)	(0.4)	(0.0)	(0.0)	(0.0)
Tax expense	0.0	0.0	(1.8)	(5.5)	(5.7)
<b>Reported NPAT</b>	<b>(42.0)</b>	<b>3.1</b>	<b>4.3</b>	<b>12.7</b>	<b>13.2</b>
<b>Normalised NPAT</b>	<b>(28.2)</b>	<b>(2.3)</b>	<b>4.3</b>	<b>12.7</b>	<b>13.2</b>
EBITDA Margin (%)	na	na	35%	44%	44%
Operating profit margin (%)	na	na	28%	41%	41%
EPS Reported (A\$)	(0.20)	0.01	0.02	0.06	0.06
<b>EPS Normalised (A\$)</b>	<b>(0.13)</b>	<b>(0.01)</b>	<b>0.02</b>	<b>0.06</b>	<b>0.06</b>
EPS growth (%)	nm	nm	nm	199%	4%
DPS - Declared (A\$)	0.00	0.00	0.00	0.00	0.00
Avg. no. of fully-diluted shares (m)	210	211	211	211	211
YE no. of fully-diluted shares (m)	211	211	211	211	211

Cash Flow Statement (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
EBITDA	(18.6)	(2.5)	7.2	19.4	19.8
Investment in working capital	4.7	0.0	(1.5)	(1.7)	(0.1)
Tax expense	0.0	0.0	(1.8)	(5.5)	(5.7)
<b>Operating Cash Flow</b>	<b>(13.9)</b>	<b>(2.5)</b>	<b>3.9</b>	<b>12.2</b>	<b>14.0</b>
Capex	0.0	(4.5)	(6.5)	(1.5)	(1.5)
Other investments	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>0.0</b>	<b>(4.5)</b>	<b>(6.5)</b>	<b>(1.5)</b>	<b>(1.5)</b>
Net interest received / (paid)	(0.4)	0.2	0.3	0.3	0.6
Debt draw down / (repayment)	(3.9)	(4.6)	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Equity raised / (repaid)	(0.2)	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>(4.5)</b>	<b>(4.5)</b>	<b>0.3</b>	<b>0.3</b>	<b>0.6</b>
Non-operating & Other	3.4	5.4	0.0	0.0	0.0
<b>Inc/(Dec) in Cash</b>	<b>(14.9)</b>	<b>(6.1)</b>	<b>(2.2)</b>	<b>11.0</b>	<b>13.2</b>

Balance Sheet (A\$M)	FY16A	FY17E	FY18E	FY19E	FY20E
Cash & Equivalents	18.0	12.0	9.8	20.7	33.9
Receivables	0.9	0.9	2.0	4.4	4.5
Inventories	0.0	0.0	1.5	3.3	3.3
Other Current Assets	0.0	0.0	0.0	0.0	0.0
PPE and Exploration & Development	17.9	22.4	27.4	27.4	27.4
Deferred tax asset	0.0	0.0	0.0	0.0	0.0
Other Non Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Assets</b>	<b>36.9</b>	<b>35.3</b>	<b>40.7</b>	<b>55.8</b>	<b>69.1</b>
Payables and other current Liabilities	1.4	1.4	2.6	4.9	5.0
Short Term Debt	4.0	0.0	0.0	0.0	0.0
Long Term Debt	0.9	0.2	0.2	0.2	0.2
Other Non Current Liabilities	6.5	6.5	6.5	6.5	6.5
<b>Total Liabilities</b>	<b>12.7</b>	<b>8.1</b>	<b>9.3</b>	<b>11.6</b>	<b>11.7</b>
<b>Total Equity</b>	<b>24.1</b>	<b>27.2</b>	<b>31.5</b>	<b>44.2</b>	<b>57.4</b>
Net Debt (Cash)	(13.2)	(11.8)	(9.6)	(20.5)	(33.7)

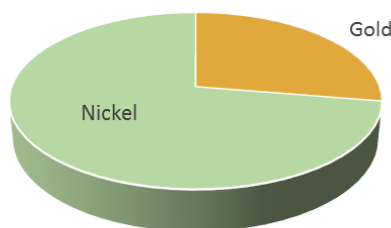
Substantial Shareholders	%	Date
JP Morgan Nominees Australia	7.5	
Citicorp Nominees	5.8	Sep-16
National Nominees	4.6	

Source: Company, IRESS, State One Stockbroking forecasts

WGP NPV assumptions	FY16A	FY17E	FY18E	FY19E	FY20E
Spot Gold (US\$/oz)	1,220	1,250	1,275	1,301	1,327
AUD:USD	0.83	0.75	0.75	0.75	0.75
Spot Gold (A\$/oz)	1,470	1,667	1,700	1,734	1,769
Mill throughput (Mt)	na	0.0	0.225	0.5	0.5
Grade (g/t Au)	na	1.9	1.9	1.9	1.9
Gold production (koz)	na	0.0	12.8	25.6	25.6
<b>Costs (A\$/oz)</b>					
Operating	na	na	781	797	812
AISC	na	na	1,148	1,008	1,027
Hedged sales	na	0	0	0	0
Hedged sales as % total	na	na	0%	0%	0%

Resource (Gold and Nickel)	Status	Mt	Grade (g/t)	(koz)
Gold				
Widgiemooltha Gold Project	M, I, & Inf.	3.8	2.0	238
Jeffreys Find	M, I, & Inf.	1.16	1.7	62
<b>Total</b>	<b>M, I, &amp; Inf.</b>	<b>5.0</b>	<b>1.9</b>	<b>300</b>
Nickel				
Durkin North/Mittel/Burnett	M, I, & Inf.	1.3	4.0%	50,200
Other	M, I, & Inf.	1.5	3.3%	49,000
<b>Total</b>	<b>M, I, &amp; Inf.</b>	<b>2.7</b>	<b>3.6%</b>	<b>99,200</b>

In Situ Value : US\$1.37bn



We calculate that nickel accounts for some 70% of MCR's in-situ Resource value, with gold accounting for the 30% balance.  
Note: Excludes the Tottenham Cu/Au Project in NSW.

SOTP Valuation	(A\$m)	(A\$/share)	Comment
Widgiemooltha mine inventory	28	0.13	NPV from company DFS adjusted
Other gold Resource	3	0.02	90% discount to NPV
Exploration upside	5	0.02	Nominal A\$3m
Gold - unrisks	36	0.17	
<b>Discount</b>	<b>25%</b>		<b>Timing/financing risk</b>
<b>Gold risked</b>	<b>27</b>	<b>0.13</b>	
Durkin North	8	0.04	DFS adjusted
Mittel/Burnett	3	0.01	DFS adjusted
Resource not in DFSs	3	0.02	Discounted
Exploration upside	3	0.01	Nominal A\$3m
<b>Nickel - risked</b>	<b>17</b>	<b>0.08</b>	
Tottenham Cu/Au Project /Other	3	0.01	Nominal A\$3m
<b>Enterprise value</b>	<b>47</b>	<b>0.22</b>	
Net Cash (FY 16A)	13	0.06	
<b>Equity value</b>	<b>61</b>	<b>0.29</b>	

Note: Valuation per shares based on 211m fully diluted shares

**Company Summary:** Focusing on the Kambalda District of Western Australia, Mincor's core strategy is to build a long-term gold business through the early development of gold cash flows, while simultaneously maintaining and enhancing an option on the recovery in the nickel price. MCR has established 300,000 ounces of gold in Mineral Resources from six prospects, in addition to its 99,000 tonnes of nickel in Mineral Resources and a number of other gold and nickel exploration prospects.

## Gold assets

MCR has accumulated a dominant (500km<sup>2</sup>) landholding position in the world-class nickel and gold producing district around Kambalda Western Australia, in the heart of the Eastern Goldfields; Kambalda town is some 60km south of Kalgoorlie.

All of MCR's mines and tenements are owned 100% by MCR, with the sole exception of the Carnilya Hill tenements, which are held in a 70:30 JV with Celcius Coal Limited (ASX:CLA).

**Figure 1: Mincor mines and tenements in the Kambalda District**



Source: Company

Following the closure of the group's operating nickel mines in February 2016, MCR's corporate strategy has been to build a long-term gold business through the early development of gold cash flows, while simultaneously maintaining the group's option on a recovery in the nickel price.

From an initial maiden gold Resource of (only) 71koz in March 2016, MCR has quickly established a reasonably-sized Resource of 300koz (spread amongst six (6) prospects.

Five of the prospects – West Oliver, Bass, Hronsky, Darlek, and Flinders – are located near the Widgiemooltha town-site (630km east of Perth, Western Australia), and collectively form the Widgiemooltha Gold Project (WGP). The WGP accounts for some 238koz or 79% of the current total Resource. Jeffreys Find, is located northeast of Norseman (720km east of Perth) and accounts for some 62koz or 21% of the total Resource. The company has completed open pit optimisation studies (carried out by independent mining consultant) on all six prospects.

**Figure 2: Gold Mineral Resources (April 2017)**

RESOURCE		MEASURED		INDICATED		INFERRED		TOTAL		
		Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Ounces
West Oliver	2017	-	-	295,810	2.3	142,420	2.5	438,220	2.4	33,130
	2016	-	-	193,750	2	41,450	1.7	235,200	1.9	14,440
Jeffreys Find	2017	-	-	833,400	1.7	321,700	1.5	1,155,100	1.7	61,560
	2016	-	-	833,400	1.7	321,700	1.5	1,155,100	1.7	61,560
Bass	2017	-	-	385,990	2.2	344,400	2	730,390	2.1	49,010
	2016	-	-	223,900	2.4	174,250	2.3	398,150	2.4	30,340
Hronsky	2017	-	-	201,430	2.6	261,250	2.0	462,680	2.3	34,120
	2016	-	-	80,900	2.5	55,400	2.4	136,300	2.5	10,770
Darlak	2017	-	-	712,790	1.9	169,170	1.6	881,960	1.9	52,430
	2016	-	-	733,111	1.7	164,650	1.4	897,750	1.7	47,620
Flinders	2017	-	-	796,000	1.8	486,250	1.5	1,282,240	1.7	69,340
	2016	-	-	-	-	1,328,900	1.7	1,328,900	1.7	73,910
TOTAL	2017	-	-	3,225,410	2.0	1,725,180	1.8	4,950,600	1.9	299,590
	2016	-	-	2,065,050	1.8	2,086,350	1.7	4,151,400	1.8	238,640

Source: Company



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