



Mincor Resources NL (ASX: MCR)

Pivoting towards gold, with option on nickel

- The group's strategy is to build a long-term gold business through the early development of gold cash flows, while simultaneously maintaining an option on the recovery in the nickel price.
- MCR's pivot away from nickel to gold is possible due to the group's strategic land position in the Kambalda district (Western Australia) which contains both nickel and gold assets. As at 30 June 2016, MCR has established a 240,000oz gold and a 99,000t nickel Resource
- A definitive feasibility study (DFS) on the Widgiemooltha Gold Project (WGP) - five gold prospects with a combined estimated Resource of 177koz - is due in 1Q 2017. Management sees the opportunity for low-capital, small-scale sequential open-pit mining, with ore processing via toll treatment. Our estimated NPV₁₀ (un-risked) for the WGP - predicated on a mine inventory of 2.25Mt or 75% of the current Resource - is A\$28m (A\$0.13 per fully-diluted share).
- Nickel production at MCR stopped in February 2016 when operations at the Mittel and Mariners mines were put under care and maintenance. March 2016 DFSs on the group's most promising Resources indicate NPV₁₀ (pre-tax) values of A\$24m for Durkin North at a nickel price of A\$20,000/t, and A\$15m for (the higher cost) Mittel/Burnett at a nickel price of A\$22,000/t. However, with the threshold nickel price some 33-47% above the current A\$15,000/t spot nickel price, our adjusted aggregate valuation for the nickel projects is closer to A\$18m (A\$0.09 per share).

SOTP-derived target price: A\$0.31ps

The group's strong cash position (A\$18m) plus our valuations for the gold and nickel assets, indicate a group equity value of A\$65m (A\$0.31ps).

At current share price levels of A\$0.225, we calculate that MCR offers some 38% upside potential; **we initiate coverage on this gold and strong nickel option play, with a Speculative Buy (Higher Risk) recommendation**

Key Financials

Year-end June	FY16A	FY17E	FY18E	FY19E	FY20E
Gold price (US\$/oz)	1,220	1,250	1,275	1,301	1,327
AUD:USD	0.83	0.75	0.75	0.75	0.75
Gold price (A\$/oz)	1,470	1,667	1,700	1,734	1,769
Production / sales (koz Au)	na	0.0	12.8	25.6	25.6
Revenue (A\$m)	18.6	0.0	20.4	43.7	44.5
EBITDA (A\$m)	-18.6	-2.5	7.2	19.4	19.8
Operating costs (A\$/oz)	na	na	781	797	812
AISC (A\$/oz)	na	na	1,148	1,008	1,027
Normalised NPAT (A\$m)	-28.2	-2.7	3.9	12.4	12.9
EPS Reported (A\$)	-0.20	0.01	0.02	0.06	0.06
EPS Normalised (A\$)	-0.13	-0.01	0.02	0.06	0.06
DPS (A\$)	0.00	0.00	0.00	0.00	0.00
PER (x)	na	na	12.0	3.8	3.7
Net debt / (cash) (A\$m)	-13.2	-4.9	-1.4	-12.1	-24.9
Capex (A\$m)	0.0	5.0	6.5	1.5	1.5

Source: IRESS, Company Data, State One Stockbroking. Share price: \$ 0.225 Dec 16, 2016

16 December 2016

Share Price: A\$0.23

Target Price: A\$0.31

Recommendation
Speculative Buy

Risk Assessment
Higher

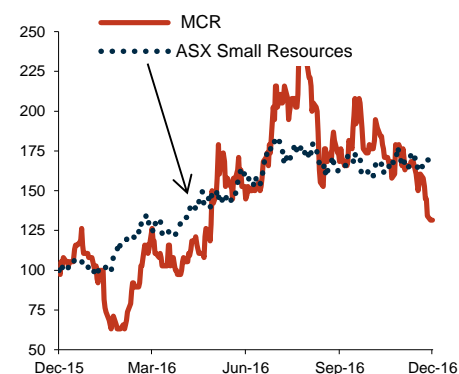
Resources – Gold/Nickel

David Brennan, CFA
Senior Investment Analyst
dbrennan@stateone.com.au
+61 (0)2 9024 9142

Mincor Resources

ASX Code	MCR
52 week range	A\$0.12-A\$0.48
Market Cap (A\$m)	46
Quoted Shares (m)	189
Av Daily Turnover (shares)	264k
ASX All Ordinaries	5,616
2017E BV per share (A\$)	0.13
2017E EPS (A\$)	-0.01
2017E Net Debt/(Cash) (A\$m)	-4.9

Relative price performance



Source: Iress

Financial Statements

Mincor Resources

Year ending June

Profit & Loss Statement (A\$M)						WGP NPV assumptions					
	FY16A	FY17E	FY18E	FY19E	FY20E		FY16A	FY17E	FY18E	FY19E	FY20E
Revenue	18.6	0.0	20.4	43.7	44.5	Spot Gold (US\$/oz)	1,220	1,250	1,275	1,301	1,327
Mining/Hauling	(7.1)	0.0	(6.5)	(13.3)	(13.6)	AUD:USD	0.83	0.75	0.75	0.75	0.75
Processing	(10.3)	0.0	(3.4)	(7.0)	(7.2)	Spot Gold (A\$/oz)	1,470	1,667	1,700	1,734	1,769
Corporate/Royalty/Other	(19.7)	(2.5)	(3.2)	(3.9)	(4.0)	Mill throughput (Mt)	na	0.0	0.225	0.5	0.5
EBITDA	(18.6)	(2.5)	7.2	19.4	19.8	Grade (g/t Au)	na	1.9	1.9	1.9	1.9
Depreciation & Amortisation	(9.2)	0.0	(1.5)	(1.5)	(1.5)	Gold production (koz)	na	0.0	12.8	25.6	25.6
Operating profit	(27.7)	(2.5)	5.7	17.9	18.3	Costs (A\$/oz)					
NOI	(13.8)	4.9	0.0	0.0	0.0	Operating	na	na	781	797	812
EBIT	(41.6)	2.4	5.7	17.9	18.3	AISC	na	na	1,148	1,008	1,027
Interest income	0.0	0.5	0.3	0.2	0.5	Hedged sales	na	0	0	0	0
Interest expense	(0.4)	(0.7)	(0.4)	(0.4)	(0.4)	Hedged sales as % total	na	na	0%	0%	0%
Tax expense	0.0	0.0	(1.7)	(5.3)	(5.5)						
Reported NPAT	(42.0)	2.2	3.9	12.4	12.9	Resource (Gold and Nickel)					
Normalised NPAT	(28.2)	(2.7)	3.9	12.4	12.9	Gold	Status	Mt	Grade (g/t)	(koz)	
EBITDA Margin (%)	na	na	35%	44%	44%	Widgiemooltha Gold Project	M, I, & Inf.	3.0	1.8	177	
Operating profit margin (%)	na	na	28%	41%	41%	Jeffreys Find	M, I, & Inf.	1.2	1.7	62	
EPS Reported (A\$)	(0.20)	0.01	0.02	0.06	0.06	Total	M, I, & Inf.	4.2	1.8	239	
EPS Normalised (A\$)	(0.13)	(0.01)	0.02	0.06	0.06	Nickel	Status	Mt	(% Nickel)	(Ni tonnes)	
EPS growth (%)	nm	nm	nm	214%	4%	Durkin North/Mittel/Burnett	M, I, & Inf.	1.3	4.0%	50,200	
DPS - Declared (A\$)	0.00	0.00	0.00	0.00	0.00	Other	M, I, & Inf.	1.5	3.3%	49,000	
Avg. no. of fully-diluted shares (m)	210	211	211	211	211	Total	M, I, & Inf.	2.7	3.6%	99,200	
YE no. of fully-diluted shares (m)	211	211	211	211	211						

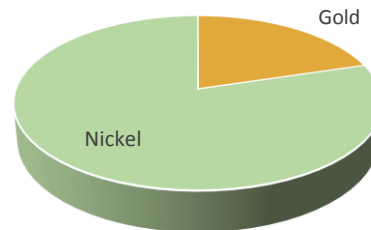
Cash Flow Statement (A\$M)					
	FY16A	FY17E	FY18E	FY19E	FY20E
EBITDA	(18.6)	(2.5)	7.2	19.4	19.8
Investment in working capital	4.7	0.9	(2.4)	(1.7)	(0.1)
Tax expense	0.0	0.0	(1.7)	(5.3)	(5.5)
Operating Cash Flow	(13.9)	(1.6)	3.1	12.3	14.2
Capex	0.0	(5.0)	(6.5)	(1.5)	(1.5)
Other investments	0.0	0.0	0.0	0.0	0.0
Investing Cash Flow	0.0	(5.0)	(6.5)	(1.5)	(1.5)
Net interest received / (paid)	(0.4)	(0.2)	(0.1)	(0.2)	0.1
Debt draw down / (repayment)	(3.9)	0.0	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
Financing Cash Flow	(4.5)	(0.2)	(0.1)	(0.2)	0.1
Non-operating & Other	3.4	(1.6)	0.0	0.0	0.0
Inc/(Dec) in Cash	(14.9)	(8.3)	(3.5)	10.6	12.8

Balance Sheet (A\$M)					
	FY16A	FY17E	FY18E	FY19E	FY20E
Cash & Equivalents	18.0	9.7	6.3	16.9	29.7
Receivables	0.9	0.0	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	22.9	27.9	27.9	27.9
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
Total Assets	36.9	32.6	37.7	52.4	65.4
Payables and other current Liabilities	1.4	1.4	2.6	4.9	5.0
Short Term Debt	4.0	4.0	4.0	4.0	4.0
Long Term Debt	0.9	0.9	0.9	0.9	0.9
Other Non Current Liabilities	6.5	0.0	0.0	0.0	0.0
Total Liabilities	12.7	6.2	7.4	9.7	9.8
Total Equity	24.1	26.4	30.3	42.7	55.6
Net Debt (Cash)	(13.2)	(4.9)	(1.4)	(12.1)	(24.9)

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

In Situ Value : US\$1,377m



We calculate that nickel accounts for some 80% of MCR's in-situ Resource value, with gold accounting for the 20% 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 adjust
Other gold Resource	2	0.01	90% discount to NPV
Exploration upside	3	0.01	Nominal A\$3m
Gold - unrisks	33	0.16	
Discount	25%	0.00	Timing/financing risk
Gold risked	25	0.12	
Durkin North	13	0.06	DFS adjusted
Mittel/Burnett	5	0.02	DFS adjusted
Resource not in DFSs	3	0.02	Discounted
Exploration upside	3	0.01	Nominal A\$3m
Nickel - risked	24	0.23	
Tottenham Cu/Au Project /Other	3	0.01	Nominal A\$3m
Enterprise value	52	0.25	
Net Cash (FY16A)	13	0.06	
Equity value	65	0.31	

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 240,000 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.

Sum-of-the-Parts (SOTP) valuation

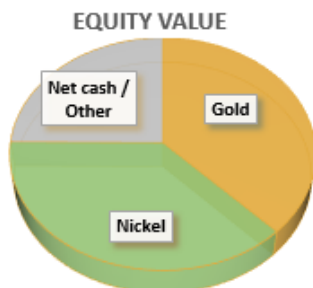
Underpinned by estimated risk-adjusted NPVs₁₀ of A\$30m for MCR's gold assets, and A\$24m for the risk-adjusted nickel assets, we calculate MCR's enterprise value at A\$57m (equivalent to A\$0.27 per fully diluted share). Adjusting for net cash of A\$13m (net cash as at end FY16), we calculate MCR's equity value at A\$70m (rounded) or A\$0.33 per fully diluted share.

Target price:

A\$0.31ps

Figure 1: SOTP valuation

		(A\$m)	(A\$ps)	Comment
Gold	Widgiemooltha mine inventory	28	0.13	State One Stockbroking NPV estimate
	Other gold Resource	2	0.01	Non-mine inventory at 90% discount to unit NPV
	Exploration upside	3	0.01	Nominal A\$3m
	Total - unrisks	33	0.16	
	Discount	25%		Project timing/finance/DFS out in March quarter 2017
	Total - risked	25	0.12	
Nickel	Durkin North	13	0.06	NPV from company DFS adjusted for tax and risk
	Mittel/Burnett	5	0.02	NPV from company DFS adjusted for tax and risk
	Resource not in DFSs	3	0.02	Non DFS inventory at discount to unit NPV
	Exploration upside	3	0.01	Nominal A\$3m
	Total - risked	24	0.12	
Other	Tottenham Cu/Au Project (NSW)/Other	3	0.01	Nominal A\$3m
Enterprise value		52	0.25	
Net Cash (FY16A)		13	0.06	
Equity value		65	0.31	



We calculate that MCR's gold assets account for 38% of our estimated group equity value, with the nickel assets accounting for 37%, and net cash and Other accounting for the balance (25%).

Source: Company, State One Stockbroking forecasts

Target price, recommendation and risks

At current share price levels, we calculate that MCR offers some 38% upside potential to our SOTP-derived target price of A\$0.31ps. **We initiate coverage on Mincor Resources NL with a Speculative Buy (Higher risk) recommendation.**

Risks to our earnings profile and target price include, but are not limited to:

- Commodity price (nickel, gold) and AUD:USD exchange rate volatility,
- Grade volatility and/or lower than expected grades and estimated Resource tonnage, ore body characteristics, metallurgy and recovery rates,
- 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 the pre-production capex for the Durkin North and Mittel/Burnett nickel projects (estimated at a combined A\$33m as per the group's March 2016 DFSs),
- Capital risk, operating cost risk, permitting risk.

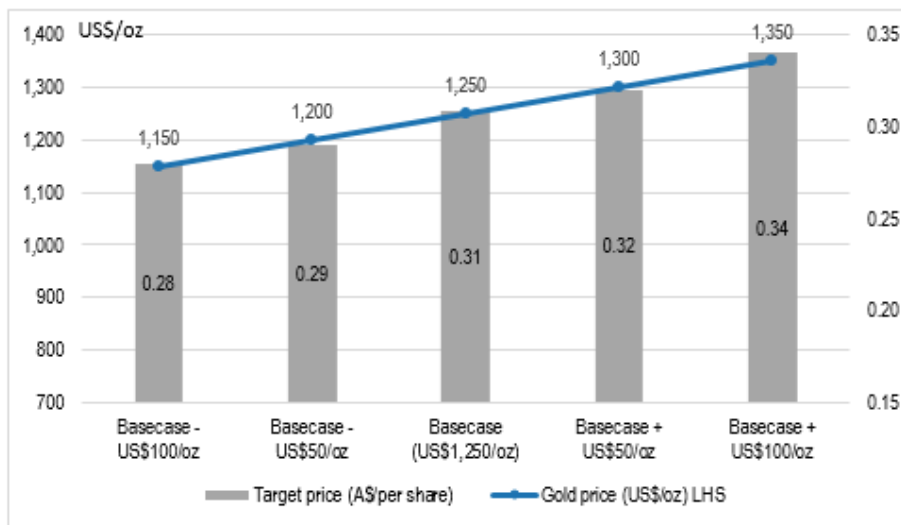
Recommendation:

Speculative Buy
(Higher risk)

The gold price has gone from US\$1,050/oz at the beginning of the year, to a July/August high of US\$1,370/oz, to the current spot price of US\$1,130/oz. The extreme volatility makes it difficult to forecast even near-term price levels. Our base case scenario assumes a constant (real) gold price of US\$1,250/oz, which approximates the average price in 2016, and which is, we believe, close to the global marginal cost of production.

At US\$1,150/oz (US\$100/oz below our base case and close to current spot), our estimated SOTP target price falls 9% to A\$0.31ps. In a US\$100/oz higher price scenario, our estimated target price increases by 10% to A\$0.34ps.

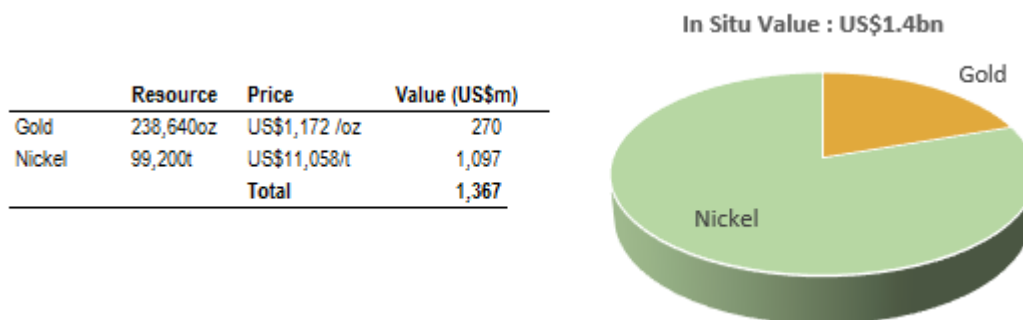
Figure 2: Target price sensitivity to the gold price (US\$/oz)



Source: State One Stockbroking forecasts

At current metal prices, we calculate the in-situ value of MCR's combined gold/nickel Resource at US\$1,367m, with 80% attributable to nickel, and 20% attributable to gold.

Figure 3: Resource in-Situ Value (US\$m)



Source: Company, IRESS, compiled by State One Stockbroking

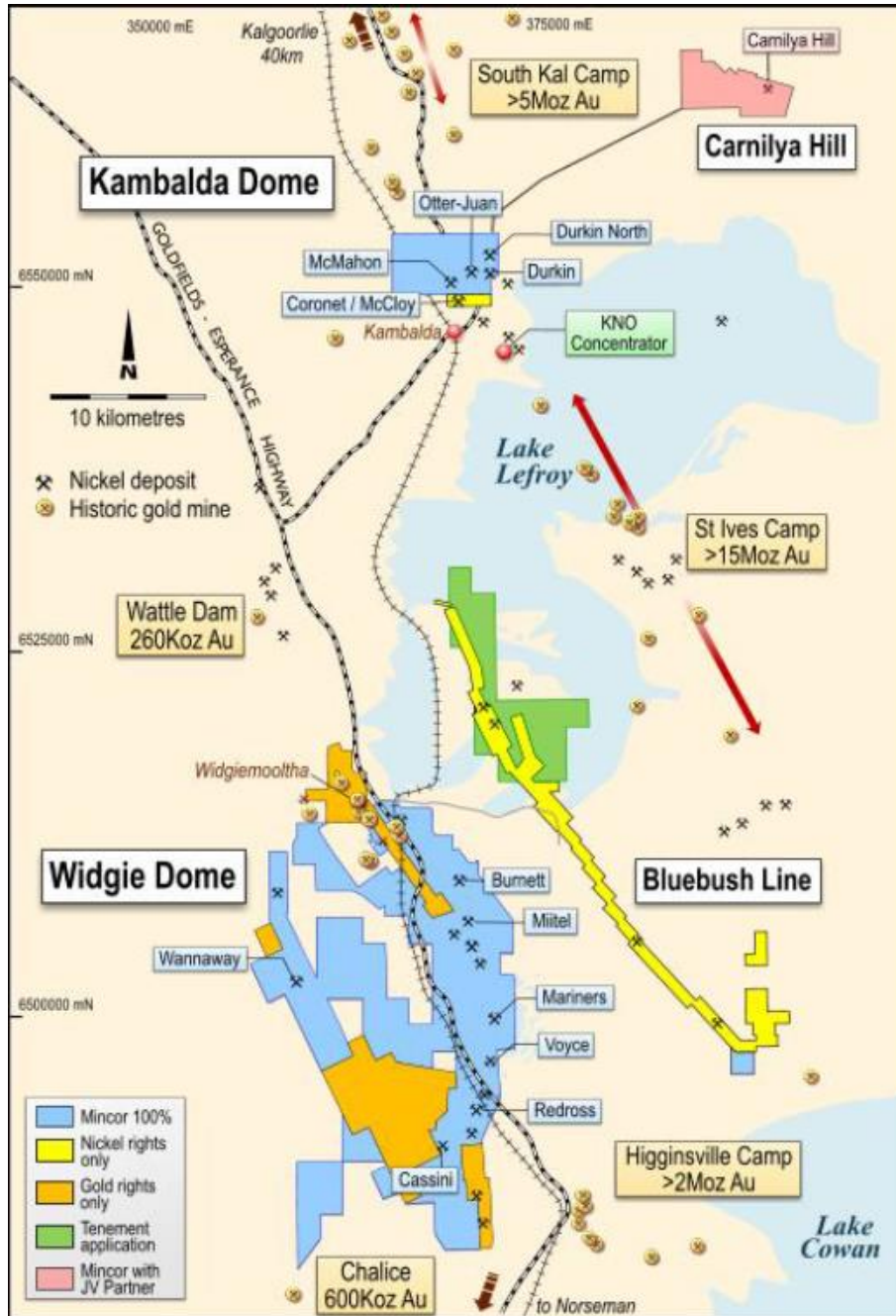
Note: In the above in-situ value we have excluded the Tottenham Cu/Au Project's 85,700t Cu Resource. This Resource has an in-situ value of US\$495m at the current copper spot price of US\$5,781/t

As a result, and in spite of the group's (recent) pivot away to gold from nickel, and rapid progress with the Widgiemooltha Gold Project (WGP), we suggest that the group's share price is ultimately likely to remain more leveraged to movements in the nickel price, rather than the yellow metal.

Gold assets

MCR has accumulated a dominant (500km²) 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 4: 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 239koz (50% Indicated, 50% Inferred) 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 177koz or 75% of the current total Resource. Jeffreys Find, is located northeast of Norseman (720km east of Perth) and accounts for some 62koz or 25% of the total Resource. The company has completed open pit optimisation studies (carried out by independent mining consultant) on all six prospects.

Figure 5: Gold mineral Resources as at 30 June 2016

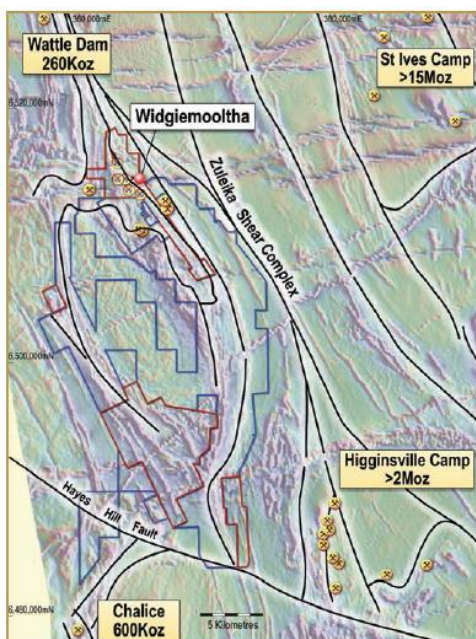
RESOURCE	MEASURED		INDICATED		INFERRED		TOTAL		
	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Tonnes	Au (g/t)	Ounces
West Oliver	-	-	193,750	2.0	41,450	1.7	235,200	1.9	14,440
Jeffreys Find	-	-	833,400	1.7	321,700	1.5	1,155,100	1.7	61,560
Bass	-	-	223,900	2.4	174,250	2.3	398,150	2.4	30,340
Hronsky	-	-	80,900	2.5	55,400	2.4	136,300	2.5	10,770
Darlek	-	-	733,111	1.7	164,650	1.4	897,750	1.7	47,620
Flinders	-	-	-	-	1,328,900	1.7	1,328,900	1.7	73,910
Total			2,065,050	1.8	2,086,350	1.7	4,151,400	1.8	238,640

Notes: Figures have been rounded and hence may not add up exactly to the given totals. Resources are inclusive of Reserves reported at 0.5 g/t cut-off.

Source: Company

Widgiemooltha Gold Project

Figure 6: Widgiemooltha tenements - regional gold setting



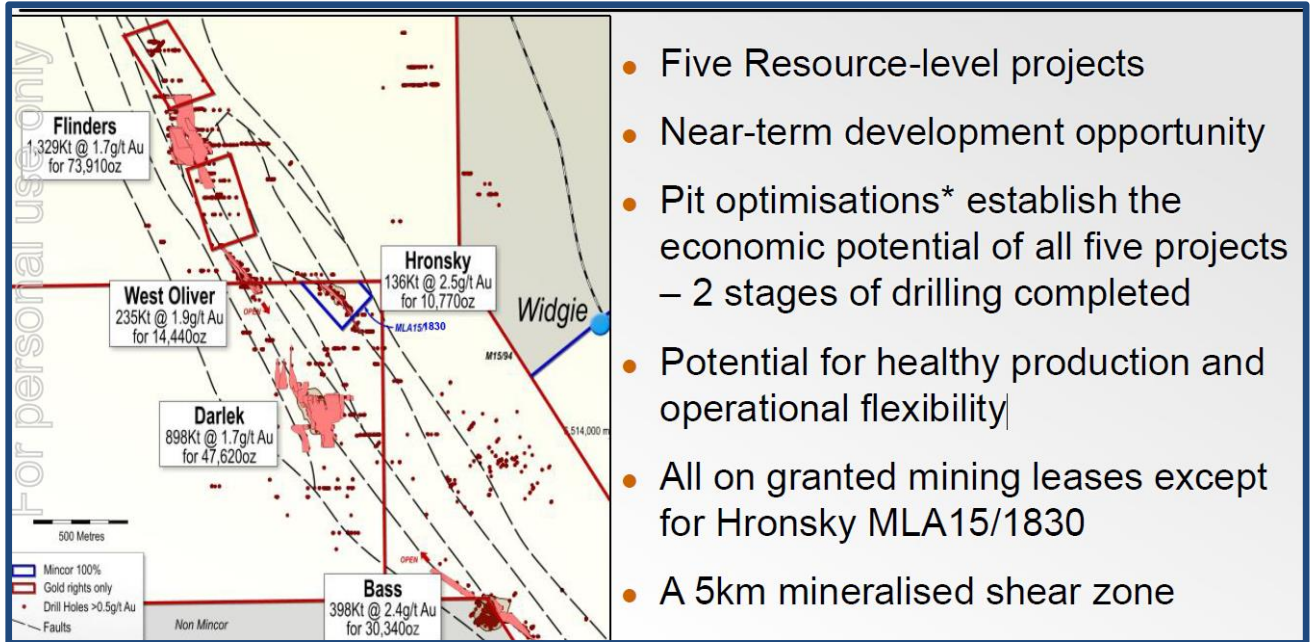
Source: Company

MCR’s tenements at Widgiemooltha are surrounded by the Higginsville gold camp (>2Moz) and the now completed but highly profitable Chalice (600koz) and Wattle Dam (260koz) gold mines.

The structures that control these major gold camps extend into MCR’s tenements and confirm their prospectivity.

The North Widgiemooltha area in particular holds considerable exploration upside as a large cumulative strike length of the prospective shear zones between West Oliver, the Hronsky pit, Flinders, and the Darlek pit is untested by drilling; the area more broadly has not been subject to sustained gold exploration for nearly 20 years. A GSWA survey of Abandoned Mines in 2003 indicated the presence of 811 artisanal shafts on MCR’s Widgiemooltha tenements.

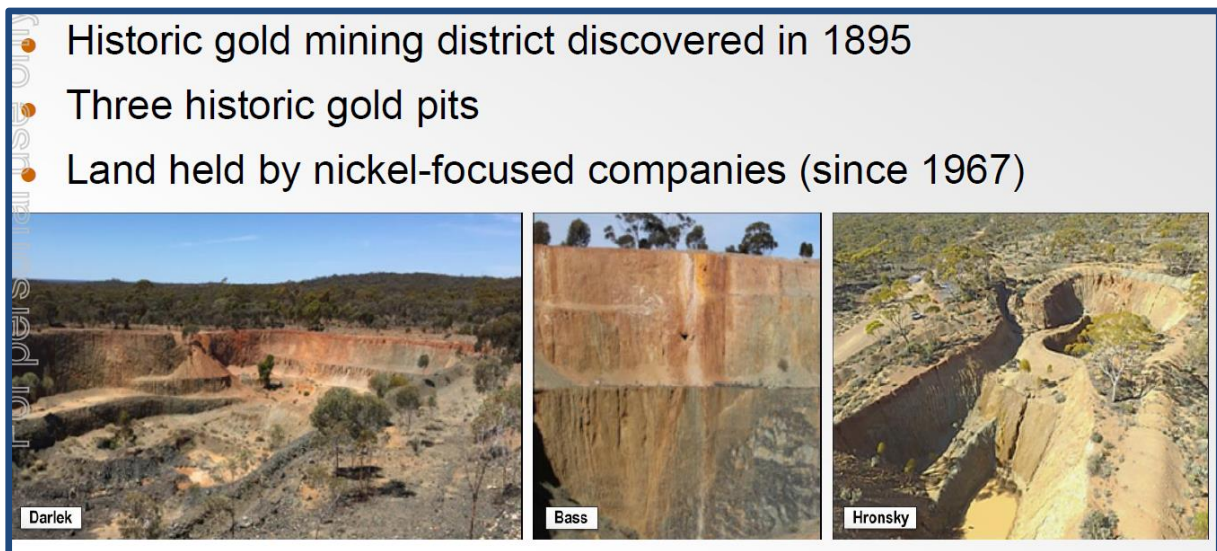
Figure 7: Location map of prospects at the Widgiemooltha Gold Project



Source: Company

MCR’s identifies the opportunity to mine a number of shallow gold pits in series (three historic pits already exist at Darlek, Bass, Hronsky), with ore processing via toll treatment. An initial low-capital small-scale start-up of production is envisaged, although management believes that the high prospectivity of the area has the potential to evolve into a substantial new mining business for the group.

Figure 8: WGP – historic pits on three of the five prospects



Source: Company

In July 2016, MCR completed two drilling programs with the main objectives of (i) infilling and upgrading the resources that reside within the optimisation pit shells and, a small program of extensional drilling at the existing WGP prospects, ahead of final feasibility work.

Final assay results from the second round of drilling (announced on 1 December 2016) provided strong support to existing Resource estimates (subject to data integration and remodelling). Some of the better results included:

West Oliver infill drilling:

- o 4 metres @ 3.47 g/t Au from 27 metres (MRC439)
- o 13 metres @ 1.20 g/t Au from 17 metres (MRC440)
- o 3 metres @ 8.93 g/t Au from 24 metres (MRC447).

Flinders infill drilling:

- o 7 metres @ 1.57 g/t Au from 12 metres (MRC452)
- o 18 metres @ 1.95 g/t Au from 23 metres (MRC456)
- o 8 metres @ 2.05 g/t Au from 26 metres (MRC461)
- o 13 metres @ 1.22 g/t Au from 42 metres (MRC285 extended)
- o 8 metres @ 2.39 g/t Au from 49 metres (MRC293 extended).

Drilling also highlighted the potential for an extensional target north of the West Oliver prospect and at Bass. In addition, MCR stated in the December announcement that the WGP Definitive Feasibility Study (DFS) was progressing, with Minero Consulting assisting in the DFS preparation; completion is expected before the end of the March 2017 quarter. Major items undertaken to date included:

- Hiring of Hartfield Nominees P/L to coordinate metallurgical testwork and help with toll treating negotiations; appointment of Minecomp to carry out overall engineering studies including pit and waste dump designs, site layout plans, and the compilation of a mining schedule and financials.
- Heritage survey field work completed with the Ngadju Peoples and stakeholder engagement with Coolgardie Shire, DMP and EPA.
- Flora and fauna field studies completed over site layout designs.
- Requests for Quotations (RFQs) sent to mining contractors and haulage companies.

WGP prospects summary

West Oliver

- Historical RC drilling by Resolute Mining (ASX:RSG) and WMC Resources confirmed a mineralised gold trend with mineralisation in steeply dipping and north-easterly trending, quartz-bearing shear zones within a basalt host.

Bass

- An extension of the mineralised trend from the Bass pit previously mined by Resolute Mining and which produced 7,150oz Au. Mineralisation in north-westerly trending quartz-bearing shear zones in basalt.

Hronsky

- Mined by Amalg in 1995, producing 1,450oz Au; the tenement was purchased by MCR in 2014. RC drilling has confirmed the presence of a near-surface mineralised gold trend within north-westerly trending quartz-bearing shear zones within a basalt host.

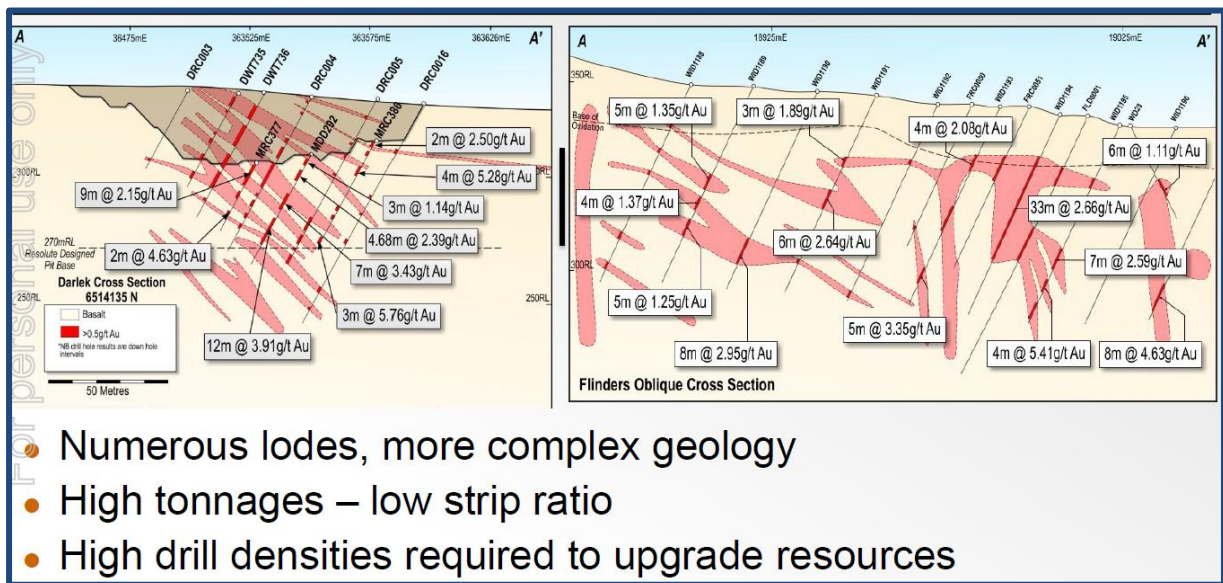
Darlek

- Same mineralised trend that hosts the Bass and West Oliver Resources. Mined by Resolute from September 1999 to January 2000, with ore processed at the Chalice Mill. Total gold production was 7,738oz Au. Due to poor grade reconciliation and the low gold price at the time (A\$475-500/oz) mining was suspended; as a consequence, the pit floor remains approximately 32m above its designed depth. MCR state that the Darlek pit is currently dry and in good condition with minimal remediation required for the re-establishment of mining operations.

Flinders

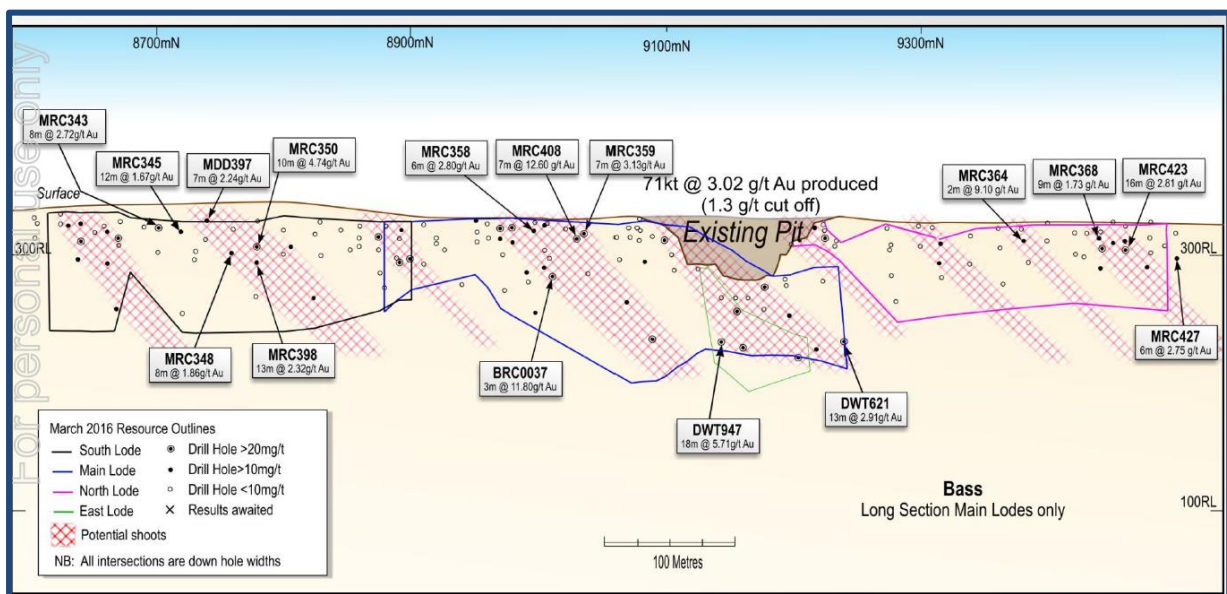
- Historical RC drilling by Rolute and WMC confirmed the presence of gold-bearing sheeted quartz-vein shear zones in basalt; the geological interpretation of the Resource is less robust and the entire Resource is classified as Inferred. Mined by Amalg in 1995, producing 1,450oz Au; the tenement was purchased by MCR in 2014. RC drilling has confirmed the presence of a near-surface mineralised gold trend within north-westerly trending quartz-bearing shear zones within a basalt host.

Figure 9: Darlek/Flinders prospects – reef ore styles



Source: Company

Figure 10: Bass long section- potential shoots (tabular)

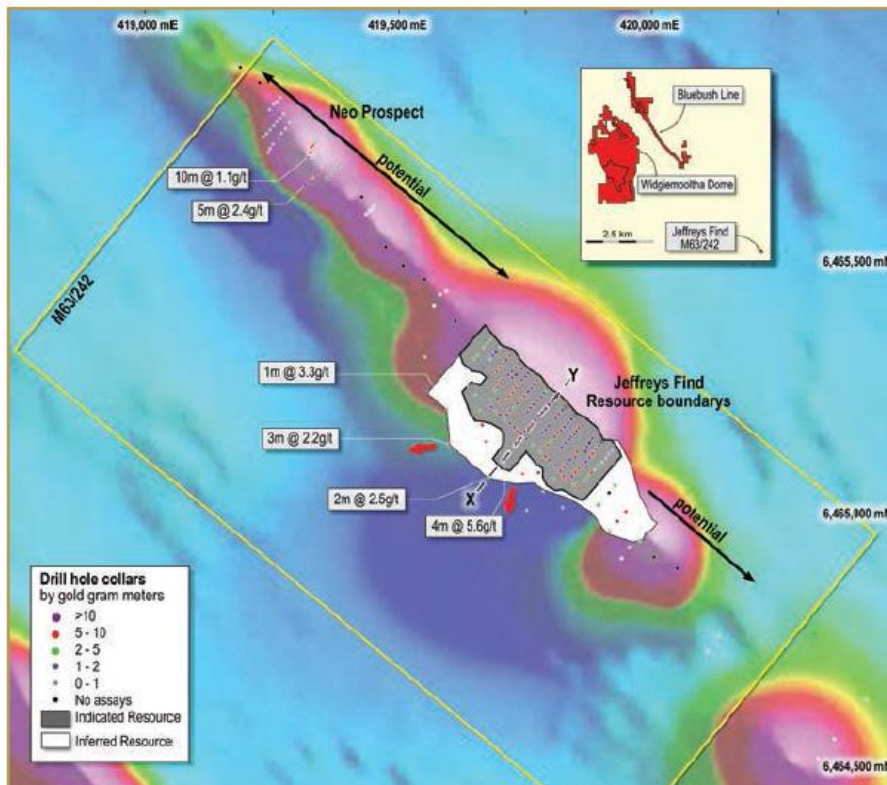


Source: Company

Jeffrey Find Gold Prospect

Jeffreys Find lies within granted Mining Lease (M63/242) and is located some 40km north-east of Norseman. A maiden Inferred Resource of 59.7koz AU (now revised up to 61.6koz) formed the bulk of the group's total Resource in March 2016. The deposit displays a number of positive attributes, including being confined to a discrete, shallowly southwest dipping grunerite-magnetite BIF unit with mineralisation thickest and best developed near surface, and open at depth. In a March 2016 statement, MCR indicated that the group had been contacted by a number of third parties expressing interest in purchasing the asset.

Figure 11: Jeffreys Find resource over magnetics



Source: Company

Regional Exploration: North Kambalda

Contractual rights to gold (and information on gold mineralisation) held by St Ives Gold Mining Company (SIG) on certain tenements in the area transferred to MCR in June 2016. In return, MCR granted SIG first right of refusal to treat, process and/or refine any gold-bearing ore extracted by MCR from these locations.

The tenements at North Kambalda are located in a tier one regional gold setting, are surrounded by multimillion ounce gold camps, and located on the highly endowed Boulder-Lefroy Fault Complex. Since acquiring gold data from SIG, MCR has identified structures that are mineralised both at depth and near surface; MCR's regional exploration programme is initially targeting accessible, near-surface gold mineralisation.

Gold assets valuation

Pending the release of a DFS on the WGP (expected in 1Q 2017), our estimated NPV₁₀ for the Project is A\$28m. Key assumptions include a mining inventory of 137koz Au (~78% of WGP Resource), a five-year LOM, and LOM AISC of A\$1,129/oz (note: management state that pit optimisation studies to date indicate that the Project is economically viable at a gold price of A\$1,200/oz).

Figure 12: Widgiemooltha Gold Project – NPV of forecast mine inventory

Year	1	2	3	4	5	6	7	Project Total
Financial Year (end-June)	2017	2018	2019	2020	2021	2022	2023	
Mine inventory - opening (Mt)	2.25	2.25	2.03	1.58	1.13	0.68	0.23	
Mine inventory - closed (Mt)	2.25	2.03	1.58	1.13	0.68	0.225	-	
Ore mined & processed (Mt)	-	0.225	0.5	0.5	0.5	0.5	0.225	2.25
Grade (g/t Au)	1.9	1.9	1.9	1.9	1.9	1.9	1.90	1.9
Contained ounces (koz Au)	-	14	27	27	27	27	14	137
Mill recovery	93%	93%	93%	93%	93%	93%	93%	93%
Recovered ounces (koz Au)	-	13	26	26	26	26	13	128
Gold price (US\$/oz)	1,250	1,275	1,301	1,327	1,353	1,380	1,408	
AUD:USD exchange rate	0.75	0.75	0.75	0.75	0.75	0.75	0.75	
Gold price (A\$/oz) - unhedged	1,667	1,700	1,734	1,769	1,804	1,840	1,877	
Gold price (A\$/oz) - hedged	-	-	-	-	-	-	-	
Unhedged ounces (koz)	-	13	26	26	26	26	13	128
Hedged ounces (koz)	-	-	-	-	-	-	-	-
Gross revenue (A\$m)	-	22	44	45	46	47	24	228
Refinery Costs (%)	15%	15%	15%	15%	15%	15%	15%	
Net revenue (A\$m)	-	21	44	45	45	46	24	225
Costs - Mining (A\$m)	-	(6.5)	(13.3)	(13.6)	(13.9)	(14.2)	(7.2)	(68.8)
Costs - Ore Processing (A\$m)	-	(3.4)	(7.0)	(7.2)	(7.3)	(7.5)	(3.8)	(36.2)
Costs - Admin (A\$m)	(2.5)	(2.6)	(2.6)	(2.7)	(2.7)	(2.8)	(2.8)	(18.6)
Costs - Royalty (A\$m)	-	(0.6)	(1.3)	(1.3)	(1.4)	(1.4)	(0.7)	(6.8)
Total cash costs (A\$m)	(2.5)	(13.2)	(24.3)	(24.8)	(25.3)	(25.8)	(14.5)	(130.3)
EBITDA (A\$m)	(2.5)	8	19	20	20	21	9	95
Tax (A\$m)	-	(2.5)	(5.8)	(5.9)	(6.1)	(6.2)	(2.7)	(29.2)
EAT (A\$m)	(2.5)	5.8	13.6	13.8	14.1	14.4	6.4	65.6
Equity Funding (A\$m)	-	-	-	-	-	-	-	-
Debt funding (A\$m)	-	-	-	-	-	-	-	-
Project capex (A\$m)	-	(5.0)	-	-	-	-	-	(5.0)
Sustaining capex (incl. expl) (A\$m)	(5.0)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)	(14.0)
Project cashflow (A\$m)	(7.5)	(0.7)	12.1	12.3	12.6	12.9	4.9	46.6
Discount rate	10%							
PV of cash flow (A\$m)	28							
Assumptions	2017	2018	2019	2020	2021	2022	2023	
Gold price (US\$/oz)	1,250	1,275	1,301	1,327	1,353	1,380	1,408	
AUD:USD	0.75	0.75	0.75	0.75	0.75	0.75	0.75	
Strip ratio (w:o)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	
% ore from open-pit	100%	100%	100%	100%	100%	100%	100%	
% ore from ulg	0%	0%	0%	0%	0%	0%	0%	
Waste removal (A\$/t overburden)	4.00	4.08	4.16	4.24	4.33	4.42	4.50	
Ore removal (A\$/t open pit)	4.50	4.59	4.68	4.78	4.87	4.97	5.07	
Ulg mining (A\$/t ore)	-	-	-	-	-	-	-	
Processing cost (A\$/t ore)	15.00	15.30	15.61	15.92	16.24	16.56	16.89	
Ore haulage cost to mill (A\$/t)	9.00	9.18	9.36	9.55	9.74	9.94	10.14	
Royalties (%)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Tax rate (%)	0%	30%	30%	30%	30%	30%	30%	
Unit costs (A\$/oz Au)	2017	2018	2019	2020	2021	2022	2023	LOM
Operating costs	na	781	797	812	829	845	862	821
AISC	na	1,148	1,008	1,027	1,047	1,066	1,255	1,129

Note: AISC includes Admin + Royalty + Sustaining Capex

Source: State One Stockbroking forecasts

Underpinned by our estimated NPVs₁₀ of A\$28m for our forecast WGP mine inventory of 137koz, we value MCR's total gold Resource (239koz) at A\$33m (un-risked).

Adjusting for nominal exploration upside, and attaching a 25% discount for project risk (specifically timing/financing/costing), we value MCR's total gold Resource at A\$25m (equivalent to A\$0.12 per fully diluted share).

Figure 13: MCR's gold assets – Valuation

	(A\$m)	(A\$ per share)	(A\$/oz Au)	Resource (koz)
Mine Inventory	28	0.13	201	137
Non-mine inventory	2	0.01	20	101
Total Resource	30	0.14	125	239
Exploration upside	3	0.01		
Project value (unrisked)	33	0.16		
<i>Discount (financing/timing/etc)</i>	<i>25%</i>			
Project value (risked)	25	0.12	103	
No. of shares (diluted) (million)	211			

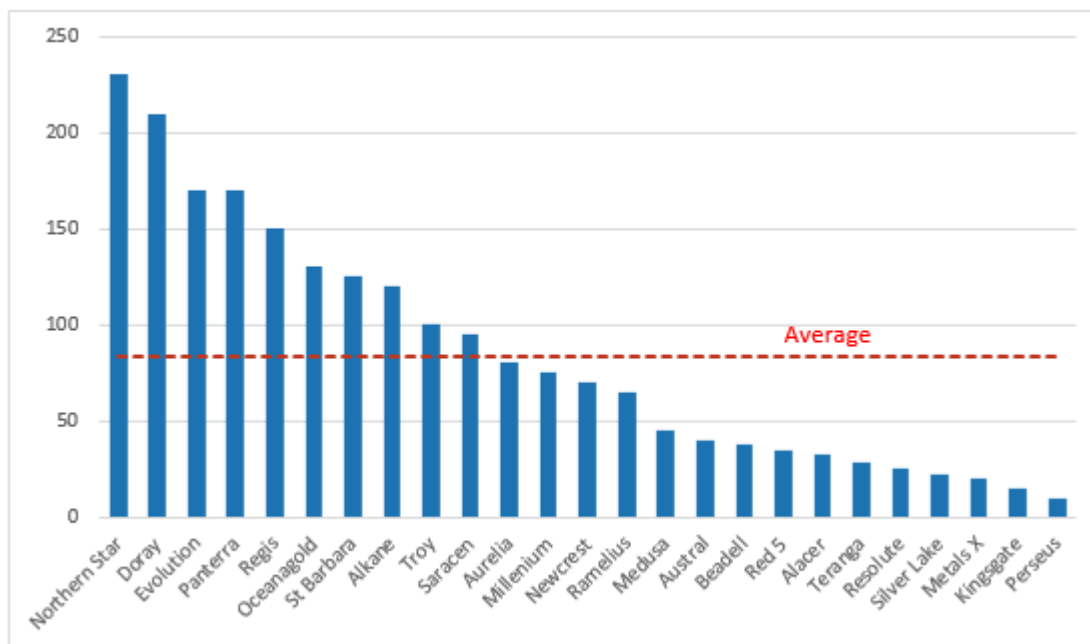
(Note: Non-mine inventory is valued at 10% of estimated mine inventory unit NPV)

Source: State One Stockbroking forecasts

Our risk-adjusted gold Resource value of A\$25m (rounded) less MCR's FY16 year-end net cash balance, equates to an implied gold Resource enterprise value (EV) at A\$11.4m; this equate to A\$48/oz Au (i.e., A\$11.4m / 239koz Au).

In comparison, we calculate that ASX-listed gold companies are valued at a (simple) average of ~A\$70/oz Au Eq. Resource. Thus, we suggest that our estimated gold Resource value is at the lower-end of the range of A\$/Resource ounce valuations attached to MCR's gold peer group.

Figure 14: ASX-listed gold companies- enterprise value per oz Au Eq. (A\$)

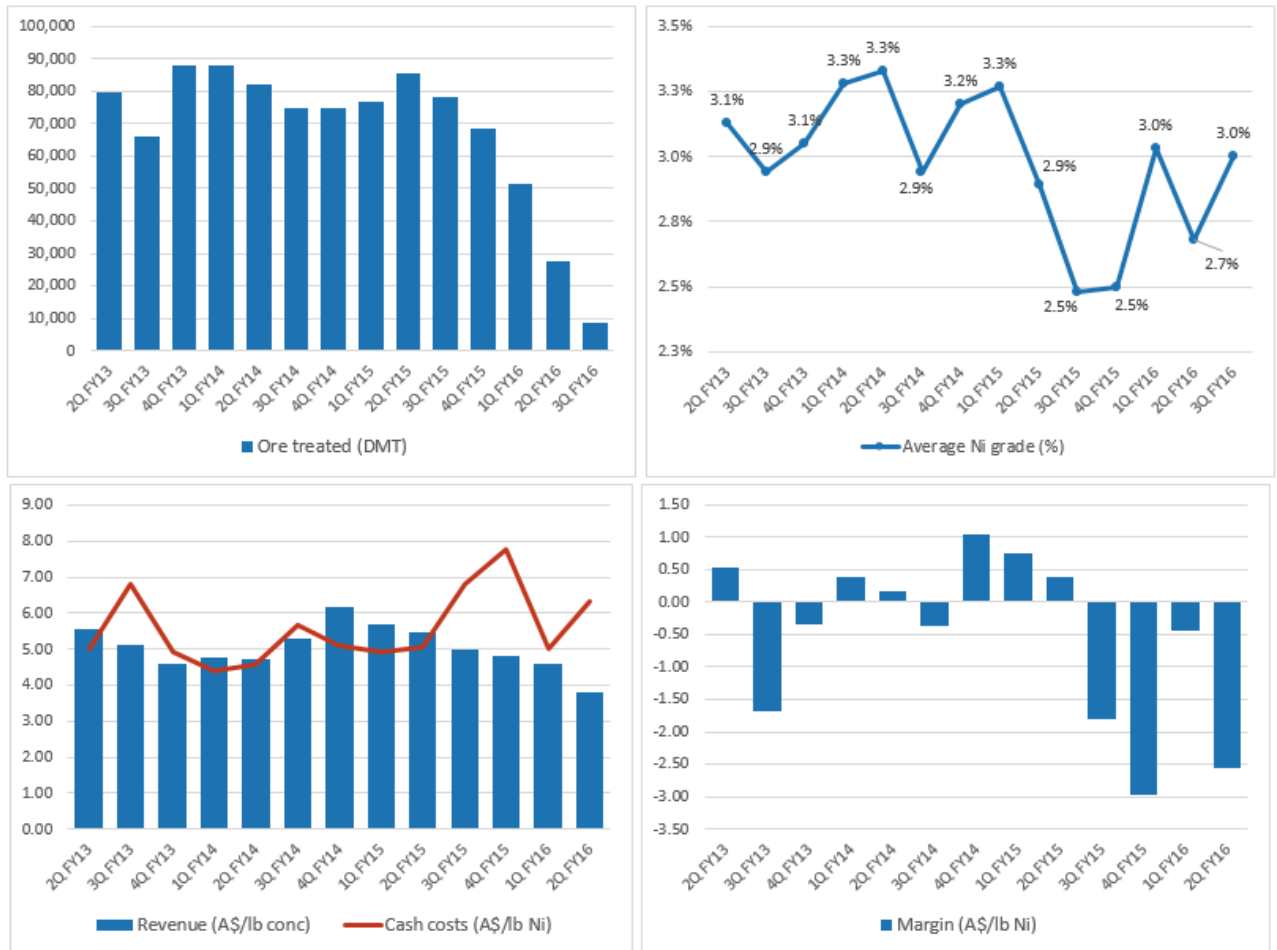


Source: Company, IRESS, compiled by State One Stockbroking

Nickel assets

MCR's nickel production came to an end following the shutdown in February 2016 of the group's last producing mines, Mariners and Miitel - both in the South Kambalda/Widgie Dome region; output from the McMahon and Otter Juan mines at North Kambalda ended in the March 2014 quarter.

Figure 15: Historical quarterly nickel production, grades and margin



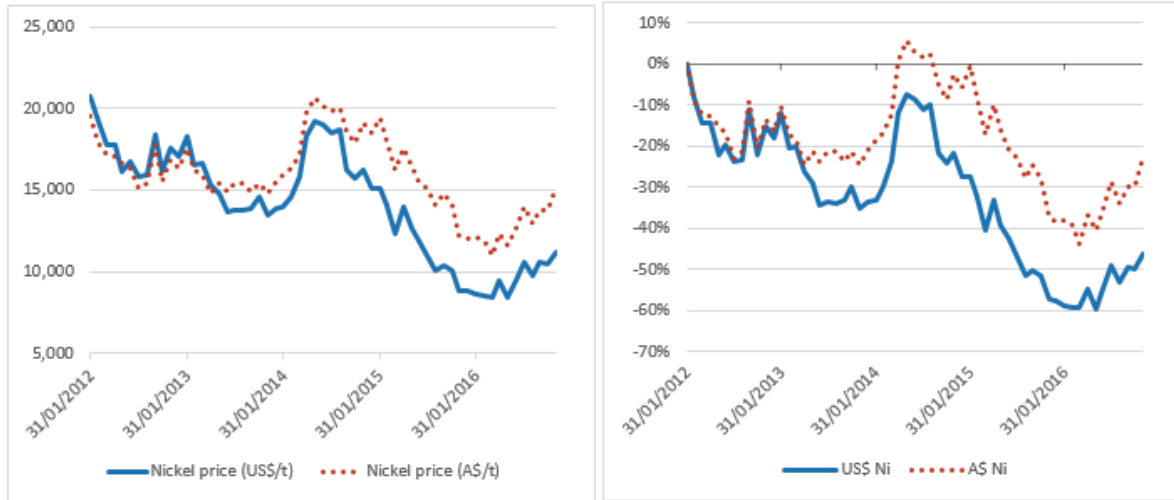
Source: Company, compiled by State One Stockbroking

Over the past five years, the US dollar Ni price has fallen by 43% from around US\$20,000/t in January 2012 to current price levels of US\$11,350/t; in February 2016 – when MCR shuttered production, the Australian dollar Ni price had fallen to a low of US\$8,500/t (A\$11,900/t).

Both the Miitel and Mariners mines are under care and maintenance. MCR has allowed the controlled partial flooding of the Miitel mine until the water level approaches the main pumping station; MCR has the option to commence dewatering in early 2017 before the main infrastructure is flooded. Surplus mine equipment auctioned realised A\$2.8m in FY16, and A\$4.4m in the September 2016 quarter.

Although the LME nickel price has recovered in recent months –helped in part by concern over potential mine shutdowns in the Philippines – current price levels at A\$15,000/t are still (significantly) below the minimum price level of A\$20,000-A\$22,000/t required by MCR to restart operations.

Figure 16: Five-year Ni price in US\$ and A\$ (LHS), and based (RHS)

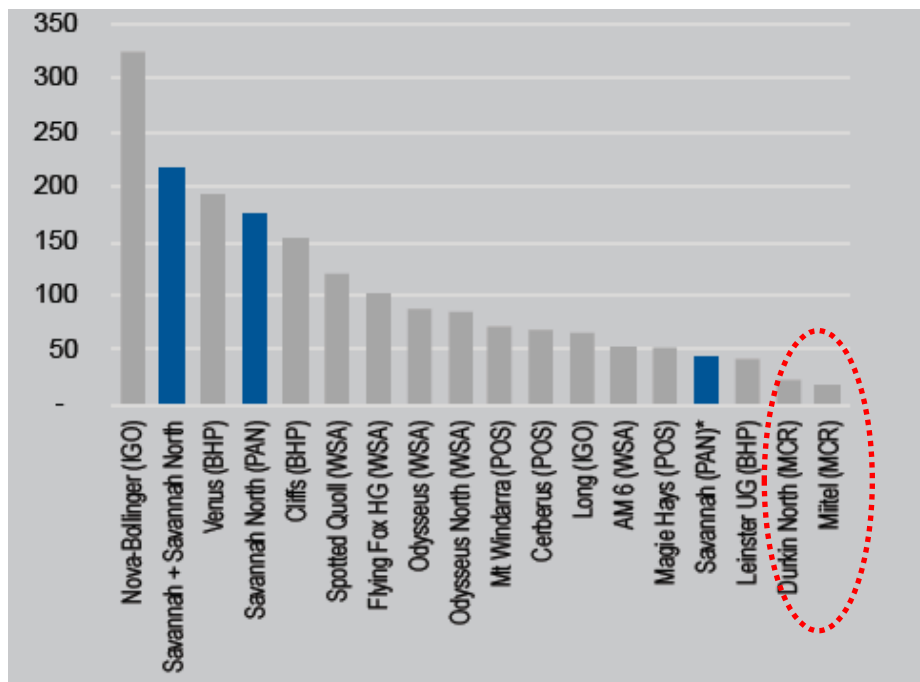


Source: Company, compiled by State One Stockbroking

This A\$20-22k "hurdle" price (some 33%-47% above current spot) is high, and reflects MCR's relatively small Ni Reserve tonnage (short LOM) and relatively high unit costs of production/low Reserve grade (2.7% Ni).

MCR's two development-ready nickel projects – Durkin North and Mittel/Burnett – have Resources of 22,400t and 27,800t respectively. In comparison, Western Areas' (WSA) producing Flying Fox and Spotted Quoll mines have Resources of 100,000t and 120,000t contained Ni respectively, and produced at an average grade of over 4.5% Ni in FY16; Independence Group's (IGO) soon-to-be-producing world-class Nova Bollinger mine has a Resource of 325kt of contained Ni.

Figure 17: Ni Resources ('000t contained Ni) – project size comparison



Source: Panoramic Resources (ASX; PAN)

Nickel assets valuation

As at 30 June 2016, MCR had a total estimated Ni Mineral Resource of 2,732,000t @ 3.6% NI for 99,200t contained Ni, and an estimated total Reserve of 1,136,000t @ 2.5% Ni for 28,200t contained Ni.

Figure 18: MCR's nickel Reserves (20 June 2016)

RESERVE		PROVED		PROBABLE		TOTAL		
		Tonnes	Ni (%)	Tonnes	Ni (%)	Tonnes	Ni (%)	Ni Tonnes
Mariners	2016	-	-	-	-	-	-	-
	2015	56,000	3.1	2,000	2.0	58,000	3.1	1,800
Redross	2016	-	-	-	-	-	-	-
	2015	49,000	3.3	-	-	49,000	3.3	1,600
Burnett	2016	-	-	271,000	2.6	271,000	2.6	6,900
	2015	-	-	246,000	2.6	246,000	2.6	6,300
Miitel	2016	28,000	2.6	129,000	2.2	157,000	2.3	3,600
	2015	70,000	2.8	128,000	2.4	198,000	2.5	5,000
Durkin North	2016	-	-	708,000	2.5	708,000	2.5	17,700
	2015	-	-	-	-	-	-	-
Otter Juan	2016	-	-	-	-	-	-	-
	2015	2,000	6.9	-	-	2,000	6.9	100
McMahon/Ken*	2016	-	-	-	-	-	-	-
	2015	-	-	3,000	2.4	3,000	2.4	100
TOTAL	2016	28,000	2.6	1,108,000	2.5	1,136,000	2.5	28,200
	2015	176,000	3.1	379,000	2.5	555,000	2.7	14,900

Source: Company

In March 2016, MCR completed definitive feasibility studies (DFS) on both the Durkin North and Mittel/Burnett Projects. The work was undertaken by mining engineering firm Entech and coordinated on MCR's behalf by Minero Consulting. Key DCF outcomes were:

Durkin North

- MCR's largest and highest grade undeveloped Resource.
- Ore Reserve of 708,000t @ 2.5% Ni for 17,700t contained metal.
- Pre-production capex estimated at A\$20.2m.
- **NPV₁₀ estimated at A\$24.2m (pre-tax) using a flat nickel price of A\$20,000/t.**
- NPV₁₀ estimated at A\$39.6m (pre-tax) using a flat nickel price of A\$22,000/t.

Miitel/Burnett

- Ore Reserve of 428,000t @ 2.5% Ni for 10,500t contained metal.
- Pre-production capex is dependent on care and maintenance options at Miitel, with the DFS mid-point estimate at A\$12.4m.
- NPV₁₀ estimated at A\$6.1m (pre-tax) using a flat nickel price of A\$20,000/t.
- **NPV₁₀ estimated at A\$15m (pre-tax) using a flat nickel price of A\$22,000/t.**
- Due to the generally lower grade at Miitel/Burnett, the greater distance from the Kambalda Mill, and generally less favourable offtake terms, the nickel trigger price for this project is effectively A\$22k/t (versus Durkin North's A\$20k/t).

Adjusting the pre-tax NPVs on the Durkin North and Mittel/Burnett Projects for tax and risk (likelihood of Ni price hitting the trigger or hurdle level), we calculate an aggregate value for MCR's development ready projects at A\$18m.

Predicated on a contained Ni value of A\$50/t (around 10% of our adjusted DFS Project value) for the balance of MCR's Ni Resource, and assuming a (nominal) A\$3m for MCR's other Ni exploration projects (Cassini, Voyce, regional exploration), we calculate a total value of ~A\$24 for the group's total nickel assets.

Figure 19: Nickel assets – Valuation

		NPV ₁₀ post-tax @ A\$22k/t Ni (A\$m)	Risk discount	Risked NPV (A\$m)	Contained Ni (t)	Value (A\$/t Ni)
DFS	Durkin North (@ A\$20k/t Ni)	16.9	25%	12.7	22,400	567
Projects	Mittel/Burnett (@A\$22k/t Ni)	10.5	50%	5.3	10,500	500
				Value (A\$m)		
Resource outside of DFS				3.3	66,300	50
Total Resource				21.3	99,200	214
Exploration upside				3.0		
Ni assets (total)				24.3		

Source: Company, State One Stockbroking forecasts

Directors

David Humann, Chairman

Mr Humann joined Mincor Resources NL on 30 September 1999 as a Non-executive Director and Chairman of the Company. Mr Humann is a fellow of the Institute of Chartered Accountants, a fellow of the Institute of Certified Practising Accountants and also a fellow of the Australian Institute of Company Directors. Mr Humann is a member of the boards of a number of public and private companies.



David Moore, Non-Executive Deputy Chairman

Mr Moore joined Mincor Resources NL on 1 October 1999 as its founding Managing Director and CEO. His previous experience includes 13 years with Shell/Billiton where he worked internationally in minerals exploration, business development and strategic planning



Peter Muccilli, Managing Director

Mr Muccilli is a geologist with over 25 years' experience and has obtained a Geology Degree from Curtin University in Perth, Western Australia. Whilst working at Mincor, he has fulfilled various roles including Exploration Manager - Kambalda, Chief Operating Officer, Chief Executive Officer and currently as Managing Director. Mr Muccilli has extensive experience in mining, exploration and commissioning mines.



John Gardiner, Non-Executive Director

Mr Gardner is a Non-executive Director who joined the Company in February 1996. Mr Gardner graduated from the University of Melbourne in 1962 with a Bachelor of Engineering (Mechanical) degree and is a Fellow of the Institution of Engineers Australia. He has completed the Australian Administrative Staff College residential program. He also holds a Master of Business Administration degree from Curtin University, Western Australia.



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Alan Hill
 Executive Chairman
 Phone: +61 8 9288 3388
ahill@stateone.com.au

Peter Curtis
 Head of Institutional Sales
 Phone: +61 2 9024 9106
pcurtis@stateone.com.au

Graeme Johnson
 Equities & Derivatives Advisor
 Phone: +61 8 9288 3316
gjohnson@stateone.com.au

David Brennan
 Senior Investment Analyst
 Phone: +61 2 9024 9142
dbrennan@stateone.com.au

Morris Levitzke
 Equities Advisor
 Phone: +61 8 9288 3315
mlevitzke@stateone.com.au

Tammie Wong
 Equities Advisor
 Phone: +61 2 9024 9133
twong@stateone.com.au

Mark Sullivan
 Institutional Dealer
 Phone: +61 2 9024 9134
msullivan@stateone.com.au

Yitz Barber
 Equities Advisor
 Phone: +61 2 9024 9107
ybarber@stateone.com.au

David Zhang
 Equities Advisor
 Phone: +61 2 9024 9130
dzhang@stateone.com.au

Alexander Bax
 Equities Advisor
 Phone +61 8 9288 3340
abax@stateone.com.au

Ric Heydon
 Equities & Derivatives Advisor
 Phone: +61 8 9288 3307
rheydon@stateone.com.au

Thomas Tan
 Equities Advisor
 Phone: +61 2 9024 9131
ttan@stateone.com.au