

Metals X (MLX)

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Strong tin platform; great nickel potential

Recommendation

Buy

Price

\$0.28

Target (12 months)

\$0.55

Resurgence in the tin price at a time of expanding production has created a strong platform for MLX, driving its share price higher. However, it is nickel that presents MLX with the greatest opportunity in its Wingellina project. We revisit this company with a Buy recommendation and target price of \$0.55 per share.

Expected Return

Capital growth **96%**

Dividend yield **0%**

Total expected return **96%**

Company Data & Ratios

Enterprise value **\$327m**

Market cap **\$382m**

Issued capital **1,366m**

Free float **46%**

12 month price range
\$0.09-0.325

GICS sector

Materials

World ranking tin producer

Tasmania is an important place when it comes to tin. For it is here that MLX, Australia's only major tin producer, has a production target of 13ktpa or 4% of global tin supply with the potential for further expansion. Resurgence in the tin price as result of diminishing inventories and global resources has placed MLX in a strong earnings and strategic position.

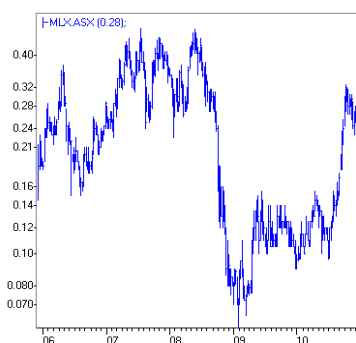
Great upside in nickel

The Wingellina nickel project in WA (100% MLX) is a world ranking nickel laterite project in both size and quality, akin to the proven Moa Bay in Cuba. Wingellina has great potential value (of \$3.4bn according to the FS) that is totally unrecognised by the market.

Re-initiate with a Buy

With significant advances on many fronts, MLX is better placed than ever as a diversified mid cap metal miner. Our updated review of the company supports a Buy recommendation and a target price of \$0.55 per share, representing the 12 months NPV.

Absolute Price



SOURCE: IRESS

Earnings Forecast

Year end June	2010a	2011f	2012f	2013f
NPAT (reported) (A\$m)	9.3	25.0	31.0	24.0
NPAT (adjusted) (A\$m)	-9.5	25.0	31.0	24.0
EPS (adjusted) (cps)	0.7	1.8	2.3	1.7
EPS growth (%)	na	168.5	24.2	-22.9
PER (x)	41.3	15.4	12.4	16.1
P/CFPS (x)	85.9	8.1	9.6	11.6
EV/EBITDA (x)	19.4	8.1	6.3	7.6
Dividend (¢ps)	0.0	0.0	0.0	0.0
Yield (%)	0.0	0.0	0.0	0.0
ROE (%)	4.6	10.8	11.6	8.1

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Investment Summary

- **World ranking tin producer.** MLX's 50% owned Tasmanian Tin Operations producing 2.5% of the world's tin at 8,000tpa, with current resources and reserve additions likely to support a mine life of +10 years.
- **Undervalued nickel project,** also of world scale. Wingellina is a large, high quality nickel limonite/laterite deposit in Western Australia which holds significant value.
- **Strategic resource holdings.** MLX has strategic investments in gold, copper, lead and zinc: 32% Westgold (1.0mozs equiv gold resource); 29% Aragon (2moz gold); 19.99% Jabiru Metals low cost Zn/Cu production; and Agaton (phosphate).
- **Attractive commodity fundamentals.** Tin has outperformed all base metals, rising to record highs as supply constraints emerge. Similarly, delays in new supply have given nickel a positive outlook.
- **Growth projects.** All operations and investments have expansion potential, including the Rentails resource of 19mt at 0.44 % tin, Wingellina 186Mt@1%Ni and all of the strategic investments.
- **Proven management team.** A core management team, headed by Peter Cook (Chairman), is able to apply its skills in bringing shareholder value to resource companies as it has done in the past with Hill 50 and others. The 50% tin JV partner Yunnan Tin of China, the largest tin producer in the world brings operational and technical expertise to the Rentails project.
- **Undervalued with a current NPV of \$0.50 per share,** and 12 month NPV of \$0.55 per share, which is the basis for the target price.

The Wingellina Nickel Project holds the greatest value of \$320m or \$0.23 per share. Our valuation reflects a significant discount to the 'success case' NPV due to the higher risk at this stage of the project. This alone is more than the current MLX share price.

The Australian Tin Operations consist of a 50% interest in the Renison mine and plant, Rentails and Mt Bishoff, which in total are valued at \$0.15/share. This is greater than the value indicated by the previous sale of 50% of these operations, however the tin market has strengthened and the new partner adds value through its technical expertise.

MLX's strategic investment, WGR and AAG are at SCE's NPV, JML is at market and Agaton at a nominal amount.

Figure 1 - Valuation Table

	Current		+12mths
	\$M	\$ps	\$ps
Wingellina Nickel Project (20% NPV)	321	0.23	0.28
Australian Tin Operations	209	0.15	0.15
Investments	119	0.09	0.09
Corporate	-44	-0.03	-0.03
Options	5	0.00	0.00
Exploration	35	0.03	0.03
Cash	48	0.04	0.04
Total	694	0.50	0.55

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Tasmanian Tin Operations (MLX 50%, Yunnan Tin 50%)

Renison Tin Project

The Renison Tin Project was commissioned late 2007 with ore from the two mines of Mt Bischoff open pit and Renison underground feeding the Renison Tin Concentrator. Mining ceased (from the currently designed pit) at Mt Bischoff in July 2010 and the remaining stockpiles will be depleted by year end.

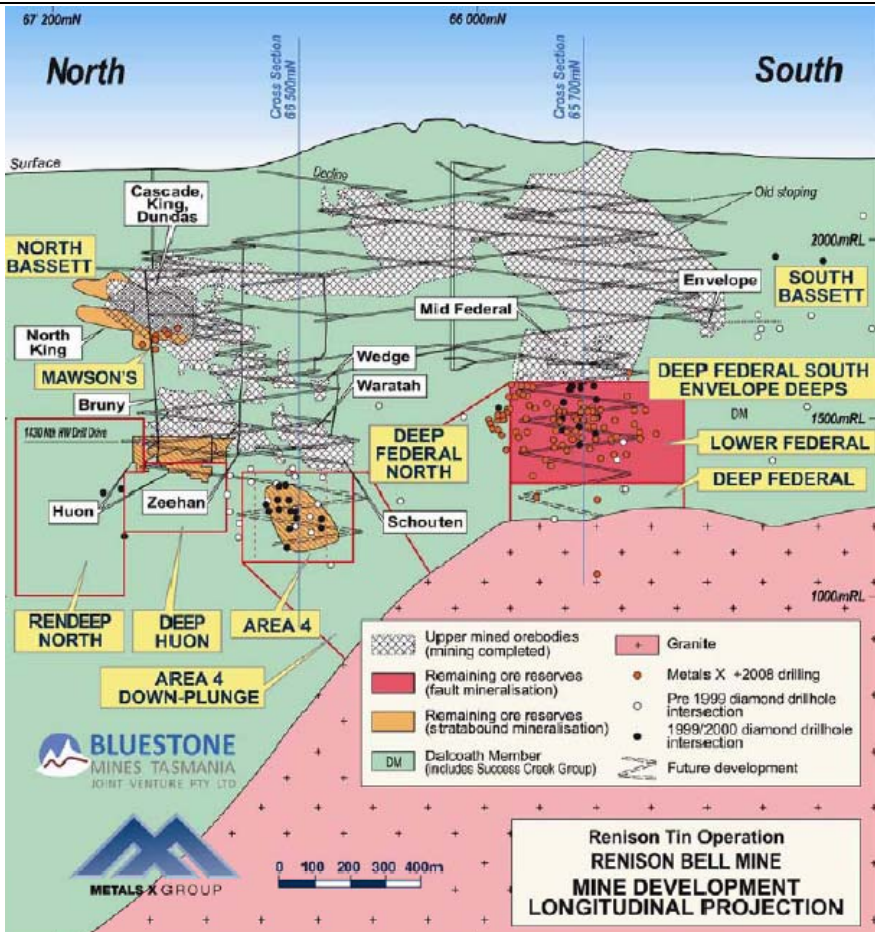
Renison mine ramps up as new reserve areas identified

The transition to a single source of ore will result in higher head grade that should lead to increased tin output and lower unit operating costs. The full impact is expected to occur during the March 2011 quarter when design rates of 55t per month should be achieved through the concentrator for output rates of 8ktpa tin.

Mining at Renison is via both the Federal Decline in the southern part of the mine and the North Renison Decline, where de-watering has enabled access to additional ore bodies with greater widths. This includes Area 4 where drilling commenced in July 2010, which has already returned excellent results outside of the current resource. As announced mid September, very high grades were encountered including 14m at 8.1% Sn, 0.14% Cu and 14.3m at 4.8% Sn, 0.24% Cu. Further high grade results were reported in November.

Drilling has also identified a new lode, as announced in early October, called the Mawson Lode, close to the existing North King resource in the upper levels of the mine. Mawson has been defined as an indicated resource of 98kt at 1.77% Sn for 1700t tin metal. In addition, drilling below Federal Deeps has extended the known depth extent of mineralisation.

Figure 2 - Renison Tin Mine



SOURCE: COMPANY DATA

Resource, Reserve expansion

MLX completed a review of reserves and resources during the June quarter, increasing the Renison underground Mining Reserve by 60% (contained tin) marking a period of successful drilling.

Renison reserves increased by 60% in 2010,

further expansion should follow

Total Identified Mineral Resource Estimates for Renison are 7.25Mt @ 1.77% Sn containing 128,391t Sn. Total Mining Reserve Estimates are 1.66Mt @ 1.81% Sn containing 30,180t Sn. The company's total resources, including Rentails (84kt), Mt Bischoff (9.7kt) and Collingwood (7.7kt) amount to a total of 229kt tin plus 47kt copper. Although Rentails dominates the current total reserves position with 80kt, it is anticipated that Renison's reserves of 30kt will be significantly expanded in the coming months with 2 full diamond rigs in operation. Mt Bischoff still holds a significant 1.7Mt @ 0.56% resource but currently only 1.0kt of reserves as at June 30.

It's not over yet for Mt Bischoff

A preliminary step out exploration program was conducted at Mt Bischoff below the old workings at Stanhope, Queens and Thompsons lodes. Intersections encountered indicated the continuation of a number of the lode systems. The current strategy for Mount Bischoff is for it to remain on care and maintenance while further underground and open pit mining possibilities are evaluated.

Figure 3 - Mining Reserves and Resources

Project	Tin		Copper			
	tonnes (kt)	Grade (%Sn)	Tin (t)	tonnes (kt)	Grade (%Cu)	Copper (t)
Renison Bell	7,253	1.77	128,391	1,939	0.35	6,748
Mt Bischoff	1,740	0.56	9,691			
Rentails	18,957	0.44	83,715	18,957	0.21	40,256
Collingwood	643	1.19	7,681			
Total	28,591	0.80	229,446	20,896	0.22	47,004

SOURCE: COMPANY DATA

Figure 4 - Mining Reserves

Project	Tin		Copper			
	tonnes (kt)	Grade (%Sn)	Tin (t)	tonnes (kt)	Grade (%Cu)	Copper (t)
Renison Bell	1,664	1.81	30,180			
Mt Bischoff	94	1.01	941			
Rentails	18,116	0.44	79,673	18,116	0.21	38,312
Collingwood	Nil					
Total	19,873	0.56	110,795	18,116	0.21	38,312

SOURCE: COMPANY DATA

Renison Expansion Project (Rentails)

The Rentails project is based on processing the large, low grade tin tailings (19Mt at 0.44%) from over 40 years of historical mining at Renison. The project is targeting recovering 59% of the tin in the tails through grinding, sulphide flotation, gravity and tin flotation to produce a low grade concentrate which could then be fumed to produce a saleable tin oxide product approximately 70% tin.

MLX completed a Definitive Feasibility Study in 2009 which estimated an average total cash cost of production of \$11,875 per tonne of tin after copper credits, assuming a copper price of A\$6,250 (current copper price A\$8,400) with capital costs in the order of AUD\$ 194 million +/- 15%. Investigations are continuing on ways to improve capital and operating costs, however with the recent strength in the tin price and strong fundamentals a decision to proceed with the development of Rentails is expected in early 2011.

Production of 5,000tpa tin from Rentails would take the total from Renison Tin Operations to 13,000tpa.

Wingellina Nickel Project

World class limonite nickel resource

Metals X has identified a world class nickel laterite (limonite) resource (186Mt @ 1% Ni, 0.07% Co) of over 1.8Mt of contained nickel and 150kt cobalt located in the relatively remote region of the Central Musgrave, spanning the border of WA and SA. A phase 1 feasibility study completed in 2008 valued the project at \$3.4b (NPV at 8%) based on production of 40,000t of nickel and 3,000t cobalt pa for over 40 years, capital cost \$2.23b. Over \$40b of revenue will be generated over the life the project.

MLX signed a mining and access agreement with the Traditional Owners of the Wingellina Project area, the Ngaanyatjarra Land Council in July 2010. The agreement provides consent for the grant of a mining lease, and subsequent mining operation. This is a landmark agreement, includes cash payments as project milestones are met, a gross royalty and employment and training initiatives for the local people.

Seeking JV partner to crystallise value and assist with funding

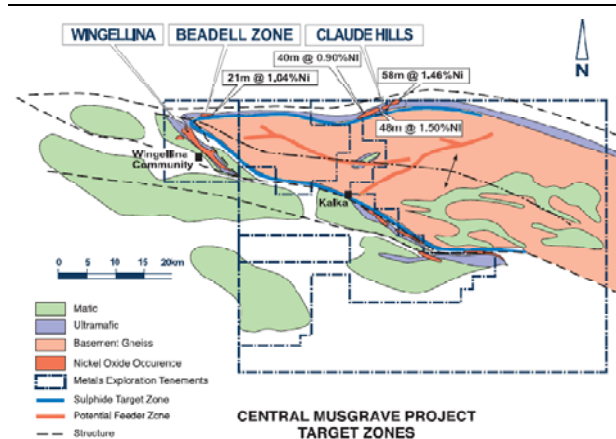
Since the signing of the agreement with the Traditional Owners, the project has advanced to the stage where MLX is now seeking a joint venture partner for financing and development. It is the intention of the company to crystallise some of the value of this project in the short term by selling down a percentage of the project while maintaining a significant holding to remain exposed to the future cashflows that will be generated.

Not an 'Australian laterite' but a POTL

Wingellina is a "Nickel Limonite", or "Pure Oxide Tropical Laterite (POTL)", which unlike most Australian dry nickel laterites, is very well suited to High Pressure Acid Leach (HPAL). Its low Mg content and high iron gives it the potential to be a low acid consumer. This, along with a nickel grade of over 1.0%, low strip ratio and ability to be free digging have positive implications for maintenance and operating costs.

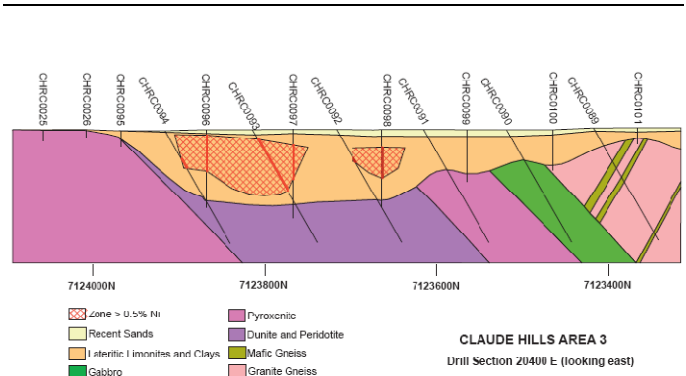
A second substantial deposit has been identified at Claude Hills, located approximately 30km to the east of Wingellina. A total of 264 holes (16,514m) have been drilled to date over a strike length of approximately 11.5km. Less than 20% of the 120km defined geological contact zone has been drilled and management is confident that significant additional resources will be added to the company's inventory.

Figure 5 – Wingellina and other zones – plan view



SOURCE: COMPANY

Figure 6 – Claude Hills geology - section



SOURCE: COMPANY

**Feasibility findings:
NPV US\$3.4bn
Costs US\$3.34/lb**

**SCE current valuation
\$320m or \$0.23ps**

Positive project economics

A FS completed in 2008 found Wingellina to be a robust and high value project. The project was determined to have an NPV (8%) of US\$3.4bn based on production of 1.6Mt of nickel over 39 years, metal price assumptions of US\$20k/t nickel and US\$40k/t cobalt, and a capital cost of US\$2.2bn. Cash operating costs are estimated at US\$3.34/lb after cobalt credits and TC/RC costs.

On our valuation criteria, Wingellina stands as an attractive, large scale project. Using our base case commodity price assumptions, which are similar to the FS, and capital costs of \$2.3bn, we estimate a 'success case' NPV of \$1.6bn at a 10% real discount rate. Our base case long term nickel price is US\$8.50/lb, cobalt US\$17/lb and 0.08 AUDUSD.

To arrive at a current valuation of Wingellina, we further discount the 'success case' NPV by 80% to \$320m or \$0.23 per share, given the high level of risk at this early stage of the project's development.

In the first full year of production in FY17 SCE's estimates show project EBITDA of \$660m on 46kt nickel, 3.4kt cobalt, nickel price of US\$8.50/lb and an AUDUSD of 0.80. Lower grades in future years lead to slightly lower production and reduced levels of earnings. We estimated average cash operating costs of US\$3.68/lb over the life of the project.

The funding model we envisage for Wingellina is for MLX to firstly sell an interest in the project to an offtake partner leaving it with a manageable funding requirement. This could be met by both debt and equity. New equity is likely to be required by MLX at some stage in the future but this would be a modest amount if the project is structured along the lines envisaged.

Valuation sensitivities

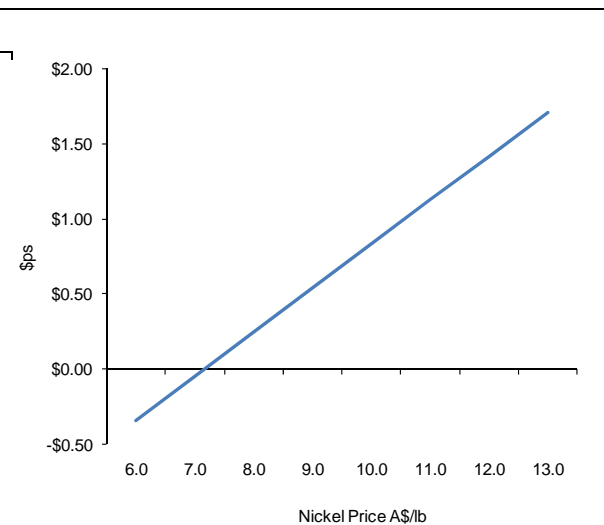
NPV sensitivities (10% disc rate) to the nickel price are shown below. At a relatively high nickel price of A\$13.00/lb (US\$10.40/lb at 0.80) the SCE valuation is \$1.80 per share and the NPV becomes negative below about A\$7.00/lb (US\$5.50/lb at 0.80).

Figure 7 – Wingellina Economics – first four years

		2014F	2015F	2016F	2017F
Ore	kt	2,170	3,255	3,906	4,340
Nickel Grade	%	1.3%	1.2%	1.2%	1.2%
Nickel produced	kt	26.3	34.7	41.6	46.2
Cobalt Grade	%	0.1%	0.1%	0.1%	0.1%
Cobalt produced	kt	1.9	2.5	3.0	3.4
Revenue	\$m	586	805	965	1,052
Costs	\$m	347	369	383	391
EBITDA	\$m	238	436	582	661
Nickel Price	US\$/lb	9.00	9.00	9.00	8.50
A\$	US\$	0.88	0.84	0.81	0.80
Cobalt Price	US\$/lb	17.0	17.0	17.0	17.0
Cash costs	US\$/lbNi	4.83	3.52	2.85	2.53
Total capex	\$m	2,280			

SOURCE: COMPANY DATA

Figure 8 – Wingellina NPV sensitivities to nickel (10% disc)



SOURCE: COMPANY DATA

Strategic Investments

Rover-1 one of numerous targets

Westgold Resources (WGR)

MLX has a 32% interest in WGR, a gold and base metals explorer and potential 2012 producer in the Rover mineral field near Tennant Creek, NT. WGR's prime project is the Rover field similar to the Tennant creek field which historically produced over 5Mozs and 500kt copper. Rover-1 is one of numerous defined targets in the Rover field containing significant gold and copper. WGR is continuing to drill out the deposit and commenced the drilling of additional targets starting with Explorer 142.

Drilling at Rover-1 has identified an initial Inferred Resource of 1.04moz gold equivalent (AuEq) containing gold, copper, bismuth, cobalt and silver. Significant recent extensions to the resource have recently been announced and there is excellent potential to grow this further as it is open in most directions.

WGR's main focus is the Rover field

The Rover Gold Field is an under-explored and highly prospective region for Iron Oxide Copper Gold (IOCG) targets. Other advanced prospects are the copper dominant Explorer 142 and Explorer 108 (lead-zinc).

In SCE's initiation report on WGR (April 2010), we valued the company at 50c per WGR share current and 63c 12 months.

2.0m oz gold resource, market cap a low \$30/resource oz

Aragon Resources (AAG)

MLX has an 8.7% direct interest in AAG and WGR has a 20% interest, giving MLX a total effective interest of 28.7%. AAG is a gold explorer and potential 2012 producer in the Murchison region of WA. AAG has total resources of 2.0moz and a market cap of \$60m or a low \$30/resource oz

Work is proceeding at full pace to assess a return to production, which would be the first time since operations ceased in 2003 when gold prices were less than half of what they are today. It is envisaged AAG will utilise a new plant or one of several mothballed plants in the district to move into production.

Furthermore, the combination of experienced management and highly prospective ground gives a reasonable chance of a discovery.

In SCE's initiation report on AAG (June 2010), we valued the company at 31c per AAG share current and 45c 12 months.

Quality emerging base metals miner

Jabiru Metals (JML)

MLX acquired a 19.99% interest in JML in February 2010, seeing it as a quality emerging base metals miner with excellent long term growth prospects. Current market capitalisation is \$310m.

JML is targeting production of 30,000t of zinc and 10,000t of copper per annum from its Jaguar operations in WA. Jaguar is one of the world's lowest cost zinc producers with current Reserves of 3.23Mt @ 1.8% Cu, 7.9% Zn, 99 g/t Ag and 0.4 g/t Au, equivalent to eight years of production.

JML has commenced the development of the new Bentley Underground Mine to supplement mine feed from Jaguar. JML is currently conducting feasibility on the Stockman Project located in North East Victoria with the aim of bringing the large copper-zinc-lead-silver-gold rich sulphide deposits into production.

Seeking investment by fertiliser company

Agaton Phosphate

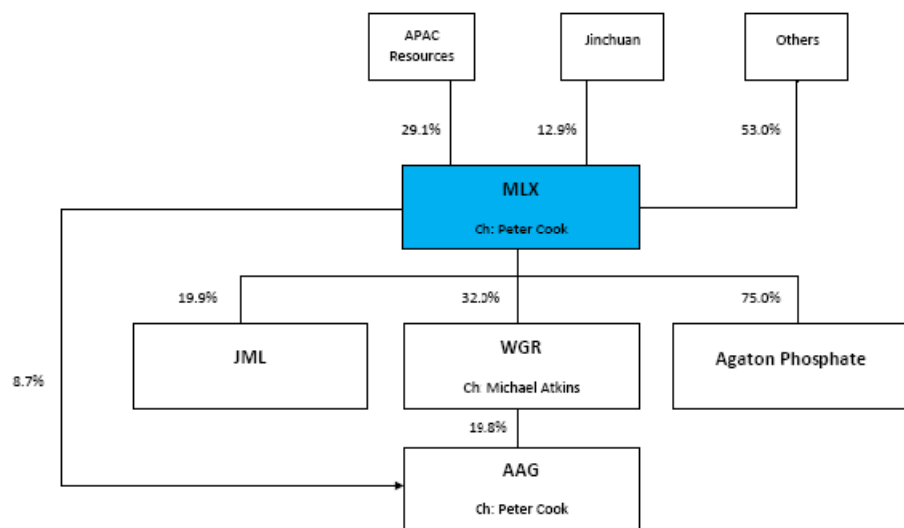
Agaton holds a phosphate sands project, located 120km north of Perth. It has a large resource that would be well served to have an experienced agricultural fertiliser company to take an interest. Agaton is currently seeking investment by such a player to apply the necessary funding to advance the patented technology and project towards production.

Corporate Structure

MLX’s various strategic investments create a diversified minerals group as illustrated below. It shows MLX with a controlling interest in three listed companies (JML, WGR, AAG) with a combined market cap of \$450m, plus a phosphate asset in unlisted company hands.

The market value of MLX’s interests in listed companies totals \$106m and SCE values these interests at \$120m.

Figure 9 - Corporate Structure



SOURCE: COMPANY DATA

MLX's Key Metal Markets

Nickel - new supply slow to come on line

With nickel sulphides a scarce resource, it is generally accepted that future demand for nickel will need to be mostly met by nickel laterite projects. These projects require large capital investments, in the order of \$2-\$4 billion, and long construction and ramp-up times. The two major laterites recently developed are BHP's failed 50ktpa Ravensthorpe and Vale's Goro project in New Caledonia. The Wingellina deposit is superior to Ravensthorpe in terms of grade, MgO, iron, strip ratio, acid consumption and other features. The 60ktpa Goro project has faced a number of issues and delays and has only just completed commissioning of an intermediate product before ramping up to full production.

NICKEL PIG IRON PROVIDES FLOOR PRICE

Many Chinese stainless steel producers have increased their use of nickel pig iron. Shanghai Baosteel has reported that since 2006 it has been using 4-10% nickel pig iron in production of 300 series stainless steel. On the whole, it is estimated that nickel pig iron could supply up to 10-20% of China's primary nickel needs in, or around 3-5% of world consumption.

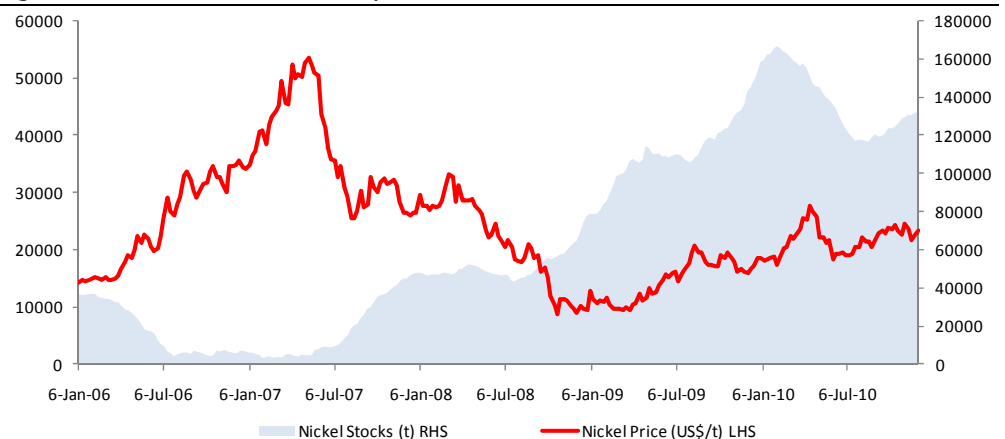
In the longer term increased nickel-pig iron production can be seen as a positive for laterite projects. Whereas previously it was the laterites that were the marginal producers, in future it is likely to be the nickel pig iron producers. However, the production of NPI is highly dependent on energy and transportation costs and high grading of current resources. It is not anticipated that the NPI market will be sustainable at the current level in the medium term. The cost of production is estimated at around US\$8-10/lb, which should provide a floor level, giving confidence to the quality end of the laterite projects.

NICKEL PRICE TRENDING HIGHER

Prices skyrocketed in 2007 to record levels of more than US\$50,000/t as strong global and Chinese demand drove down LME stockpiles to just a few days supply. Stockpiles have risen steadily since July 2007, reaching a peak in early 2010.

The major producers (Vale, BHP, Norilsk) see global demand increases of 50ktpa putting pressure on new supply. There are currently insufficient new mine developments committed to meet this demand. With deficits threatening, the price outlook is for continuation of a rising trend.

Figure 10 - LME Nickel Price and Stockpiles



SOURCE: IRESS

Tin – Indonesia and China key players

With total world demand at just 340ktpa the tin market is the smallest of the metals traded on the London Metal Exchange and as such has been subject to a large degree of volatility. Deficits are forecast for 2010, increasing in 2011.

There are three major producing countries, China (35%), Indonesia (32%) and Peru (13%). China's mine production of tin has been steady over the past few years at around 100kt but its refinery production has increased to over 130ktpa. Indonesia has been a major producer for many years; however as tailings and on-shore resources diminish, the focus is now moving towards the deeper and higher cost off-shore production. Indonesia has continued to decline over the last 5 years with current production levels at around 85ktpa (down from over 140Kt in 2005).

SOLDERS BY FAR THE BIGGEST END USE

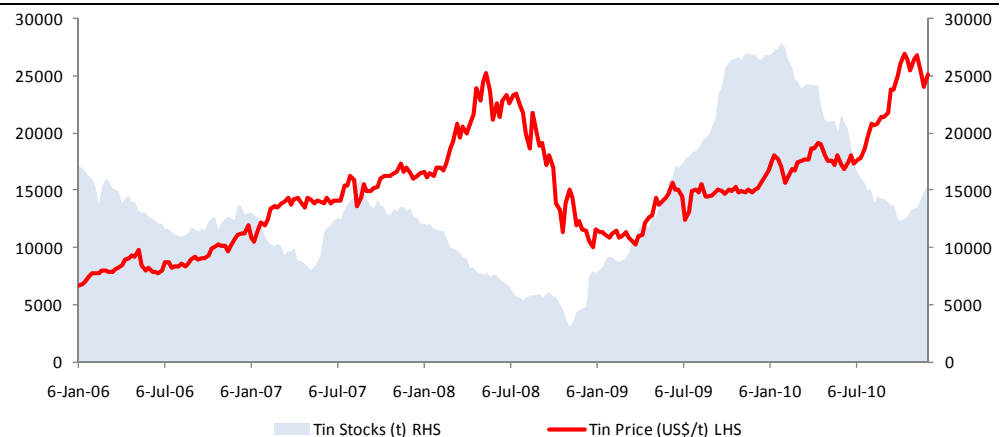
Like most metals, tin has benefited from the rapid development of China while the developed world remains static. It has also benefited from government regulations around the world driving industry towards the use of lead free solders resulting in increased tin content in solders. Solder is by far the major end-use for tin. These factors saw the tin price surge in 2004, encouraging the illegal miners of Indonesia's Bangka Island to ramp-up production of tailings to the point that the tin price halved in 2005.

The illegal miners are mostly restricted to onshore tailings, and it is thought that much of this has been consumed, which probably explains the lack of supply response to the current high prices. Expansion of production in Bangka Island would likely require an investment in larger low grade hard-rock projects.

POSITIVE LONG TERM PRICE OUTLOOK

As with other metals, low prices over the last two decades have discouraged exploration for tin, resulting in a scarcity of new large scale production. Most of those close to the industry expect only a slow increase in global production of tin to meet demand and consequently they are very positive on long term price prospects. The short term may however see little improvement or even a pull back in the LME tin price following its very sharp increase since July this year. The increase in MLXs' own production is occurring at a time of increasing demand, in itself expected to have little negative impact on the market.

Figure 11 - LME Tin Price and Stockpiles



SOURCE: IRESS

Metals X Limited (MLX)

Company Description

Metals X (MLX) is a diversified metals mining house with a key producing asset in the Tasmanian Tin Operations, in which it has a 50% interest. These are the only significant tin operations in Australia, producing around 8,000tpa with the ability to expand. Potentially, the company's most valuable asset is the Wingellina Nickel Project (100% MLX), in Western Australia, containing an enormous 1.8mt nickel and scoped to produce 40kt nickel per year plus 3,000t cobalt over a very long mine life of over 40 years. MLX has several strategic holdings in Australian resource companies comprising Westgold Resources (gold and copper, 1.0mozs gold equiv Resource), Jabiru Metals (zinc), Aragon Resources (2mozs gold Resource) and Agaton Phosphate.

Ordinary shares on issue total 1,365.7m, options 15.3m. Cash and working capital at the end of September was \$55m with no corporate debt.

Majority shareholders are APAC Resources (29.1%), Jinchuan Group (12.9%), GPG (6.6%), management (6.0%).

Directors: Peter Cook (Chairman), Warren Hallam (Managing Director), Scott Huffadine (Executive Director), Mike Jefferies (Non-Exec), Sanlin Zhang (Non-Exec), Yimin Zhang (Alternate Director).

Investment Strategy

We recommend Buy MLX for exposure primarily to its prominent position in tin and the very large Wingellina nickel resource that has the potential to grow substantially in value. These two base metals have strong fundamentals as do gold, copper and phosphate. Management has the capacity to bring considerable value to the business.

Valuation

We estimate a current NPV of \$0.50 per share and 12 months NPV of \$0.55 (10% real discount rate).

Risks

Wingellina is in the early stages of appraisal with many stages ahead before certainty of production can be achieved. Factors to be addressed include ownership, mining and environmental approvals and financing.

Renison reserves are 23kt tin or three years production but resources are 128kt indicating potential for considerable expansion of reserves and mine life.

Rentails forms part of our valuation however there has been no commitment yet to proceed.

Commodity price volatility. Nickel and tin are the two most volatile base metals could lead to high earnings volatility for MLX. A rising A\$ is negative for revenues and earnings.

Mineral exploration is inherently high risk, but at the same time offers high potential reward.

Appendix: Reserves and Resources

Figure 12 – MLX Tin Resources as at 30 June 2010 (100%)

Project	Tin			Copper		
	Kilo-Tonnes	Grade (%Sn)	Sn Metal (t)	Kilo-Tonnes	Grade (%Cu)	Cu Metal (t)
Measured						
Renison Bell	1,023	2.12	21,639	544	0.18	992
Mt Bischoff	41	1.17	481			
Rentails	18,957	0.44	83,715	18,957	0.21	40,256
Collingwood	28	1.39	385			
Sub-total	20,049	0.53	106,220	19,500	0.21	41,248
Indicated						
Renison Bell	3,183	1.68	50,193	331	0.19	636
Mt Bischoff	999	0.59	5,909			
Rentails	-	-	-			
Collingwood	269	1.34	3,617			
Sub-total	4,449	1.41	62,859	331	0.19	636
Inferred						
Renison Bell	3,047	1.75	53,387	1,064	0.48	5,120
Mt Bischoff	699	0.47	3,301			
Rentails	-	-	-			
Collingwood	346	1.06	3,680			
Sub-total	4,093	1.47	60,367	1,952	0.59	11,449
Total						
Renison Bell	7,253	1.77	128,391	1,939	0.35	6,748
Mt Bischoff	1,740	0.56	9,691			
Rentails	18,957	0.44	83,715	18,957	0.21	40,256
Collingwood	643	1.19	7,601			
Total	28,591	0.80	229,446	20,896	0.22	47,004

Note: Cut-off grades - 0% Sn for Rentails, above 0.3% Sn for Mt Bischoff, 0.7% Sn for Renison Bell and 0.5% Sn for Collingwood

SOURCE: COMPANY DATA

Figure 13 – MLX Tin Reserves as at 30 June 2010 (100%)

Project	Tin				Copper		
	Cut-off %	Tonnes (Kilo-tonnes)	Grade	Sn Metal	Tonnes (Kilo-tonnes)	Grade	Cu Metal
Proved Reserves							
Renison Bell	0.80%	444	1.71	7,589			
Mt Bischoff	0.50%	41	1.17	481			
Rentails	0.00%	-	-	-			
Collingwood	0.70%	-	-	-			
Sub-total		485	1.66	8,071			
Probable Reserves							
Renison Bell	0.80%	1,220	1.85	22,591			
Mt Bischoff	0.50%	52	0.88	460			
Rentails	0.00%	10,116	0.44	79,673	10,116	0.21	30,312
Collingwood	0.70%	-	-	-			
Sub-total		19,388	0.53	102,724	18,116	0.21	38,312
Total Mining Reserves							
Renison Bell	0.80%	1,664	1.81	30,180			
Mt Bischoff	0.50%	94	1.01	941			
Rentails	0.00%	18,116	0.44	79,673	18,116	0.21	38,312
Collingwood	0.70%	-	-	-			
Sub-total		19,873	0.56	110,795	18,116	0.21	38,312

SOURCE: COMPANY DATA

Metals X

as at 3 December 2010

Recommendation **Buy**
 Price **\$0.28**
 Target (12 months) **\$0.55**

Table 1 - Financial summary

Metals X Ltd (MLX)						Share price: \$ 0.280					
As at 3-Dec-10						Market Cap (diluted) \$m: \$ 387					
PROFIT AND LOSS						VALUATION DATA					
Y/e June 30	2009a	2010a	2011f	2012f	2013f	Y/e June 30	2009a	2010a	2011f	2012f	2013f
Sales revenue	65.2	97.4	85.2	95.1	84.9	Net profit adj (\$m)	-49.2	-9.5	25.0	31.0	24.0
EBITDA	-12.5	18.6	39.9	47.2	35.6	EPS (c)	-6.2	0.7	1.8	2.3	1.7
Depreciation	-34.1	-28.1	-6.5	-6.9	-7.2	EPS growth (%)	-1218.0	-110.9	168.5	24.2	-22.9
Amortisation	0.0	0.0	0.0	0.0	0.0	P/E ratio (x)	-4.5	41.3	15.4	12.4	16.1
EBIT	-46.6	-9.5	33.4	40.2	28.4	CFPS (c)	-1.6	0.3	3.5	2.9	2.4
Other income (expenses)	0.0	0.0	0.0	0.0	0.0	Price/CF (x)	-17.9	85.9	8.1	9.6	11.6
Net Interest Expense	-0.2	0.0	2.3	4.1	5.8	DPS (c)	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	-47.5	-9.5	35.7	44.3	34.3	Yield (%)	0.0	0.0	0.0	0.0	0.0
Tax	-0.5	0.0	-10.7	-13.3	-10.3	Franking (%)	0.0	0.0	0.0	0.0	0.0
Net Profit	-48.0	-9.5	25.0	31.0	24.0	EV/EBITDA	-31.3	19.4	8.1	6.3	7.6
Adjustments	-1.2	0.0	0.0	0.0	0.0	EBITDA margin (%)	-19.1	19.1	46.8	49.6	41.9
SCEQ adj profit	-49.2	-9.5	25.0	31.0	24.0	Valuation per share:					0.50
One-off items	-7.8	18.8	0.0	0.0	0.0	Target price (12 mth):					0.55
Reported net profit	-57.0	9.3	25.0	31.0	24.0	Total Return (including yield)					98%
						Recommendation:					Buy
CASHFLOW						PROFITABILITY RATIOS					
Y/e June 30	2009a	2010a	2011f	2012f	2013f	Y/e June 30	2009a	2010a	2011f	2012f	2013f
Receipts from customers	70.9	94.3	88.9	95.1	84.9	EBITDA/sales (%)	-19.1	19.1	46.8	49.6	41.9
Payments to suppliers	-87.9	-90.7	-44.4	-45.8	-47.1	EBIT/sales (%)	-71.4	-9.8	39.2	42.3	33.5
Net interest	1.8	0.1	2.3	4.1	5.8	Return on assets (%)	-27.5	4.3	10.1	11.0	7.7
Tax paid	0.0	0.0	-10.7	-13.3	-10.3	Return on equity (%)	-32.4	4.6	10.8	11.6	8.1
Other	0.9	0.7	11.4	0.0	0.0	Return on funds empl'd (%)	-31.9	5.3	14.7	17.8	13.4
Operating cashflow	-14.3	4.5	47.4	40.2	33.4	Dividend cover (x)	0.0	0.0	0.0	0.0	0.0
Capex	-34.7	-11.0	-9.5	-4.7	-4.8	Effective tax rate (%)	-1.0	0.0	30.0	30.0	30.0
Investments	0.0	0.0	0.0	0.0	0.0	LIQUIDITY AND LEVERAGE					
Asset sales	1.3	70.9	0.0	0.0	0.0	Y/e June 30	2009a	2010a	2011f	2012f	2013f
Other	-5.9	-51.2	-6.0	-6.0	-6.0	Net debt/(cash) (\$m)	3.1	-26.7	-62.0	-91.9	-115.3
Investing cashflow	-39.4	8.7	-15.5	-10.7	-10.8	Net debt/equity (%)	0.0	-0.1	-0.3	-0.3	-0.4
Change in borrowings	8.5	0.0	0.0	0.0	0.0	Net interest cover (x)	-0.1	0.0	0.1	0.1	0.1
Equity raised	0.0	16.0	3.4	0.4	0.8	Current ratio (x)	1.6	4.7	10.6	12.0	14.8
Dividends paid	0.0	0.0	0.0	0.0	0.0	Inventory turnover	4.6	5.1	12.7	12.0	13.9
Other	-1.4	-6.5	0.0	0.0	0.0	Inventory/sales	24.5	15.2	4.2	4.0	4.1
Financing cashflow	7.1	9.5	3.4	0.4	0.8	VALUATION					
Net change in cash	-46.6	22.6	35.4	29.9	23.4		Current	+12mths	+24mths		
Cash at end of period	7.0	29.6	64.9	94.8	118.2		\$M	\$ps	\$ps	\$ps	
BALANCE SHEET						Wingellina Nickel Project (20% NPV)	321	0.23	0.28	0.49	
Y/e June 30	2009a	2010a	2011f	2012f	2013f	Australian Tin Operations	209	0.15	0.15	0.13	
Cash	7.0	29.5	64.8	94.8	118.1	Investments	119	0.09	0.09	0.09	
Receivables	3.7	14.9	11.2	4.8	4.2	Corporate	-44	-0.03	-0.03	-0.04	
Inventories	16.0	14.8	3.4	3.8	3.4	Options	5	0.00	0.00	0.00	
Investments	0.0	0.0	0.0	0.0	0.0	Exploration	35	0.03	0.03	0.03	
Other	6.4	5.9	29.5	30.6	24.5	Cash	48	0.04	0.04	0.07	
Current assets	33.0	65.1	109.0	133.9	150.2	Total	694	0.50	0.55	0.76	
PPE	91.7	39.4	42.4	47.1	51.9	INTERIMS					
Investments	10.9	22.5	0.0	0.0	0.0	Y/e June 30 (\$m)	2009a	2010a	2011f	2012f	2013f
Intangibles	71.7	53.4	59.4	65.4	71.4	EBITDA	-4.0	7.9	17.6	24.4	19.2
Other	0.0	36.7	36.7	36.7	36.7	EBIT	-21.0	-6.1	14.4	21.0	15.6
Non-current assets	174.3	152.0	138.4	149.1	159.9	SCEQ adj profit	-21.0	-6.1	10.7	16.0	12.9
Total assets	207.3	217.0	247.4	283.0	310.1	Reported net profit	-21.0	-6.1	10.7	16.0	12.9
Payables	14.4	10.0	8.7	9.5	8.5	Production					
Debt	10.1	2.8	2.8	2.8	2.8	Tin	2009a	2010a	2011f	2012f	2013f
Provisions	6.0	3.1	3.1	3.1	3.1	Renison + Bischoff	3,880	5,340	7,110	7,589	7,834
Other	0.9	0.9	0.9	0.9	0.9	Cash Cost (US\$/lb)	6.02	4.19	4.86	4.64	4.38
Total liabilities	31.4	16.8	15.5	16.4	15.3	Nickel					
Shareholders' equity	175.9	200.2	231.9	266.7	294.8	Wingellina (t)	-	-	-	-	-
Minorities	0.0	0.0	0.0	0.0	0.0	Royalties (\$M)	3.9	4.0	-	-	-
Total shareholders funds	175.9	200.2	231.9	266.7	294.8	ASSUMPTIONS					
Total funds employed	179.0	173.6	169.9	174.7	179.5	Y/e June 30	2009a	2010a	2011f	2012f	2013f
W/A diluted shares on issue	915	1366	1373	1375	1378	A\$	0.75	0.88	1.00	0.95	0.90
						Tin Price (US\$/lb)	6.62	7.35	10.50	10.50	8.50
						Tin Price (US\$/t)	14,587	16,197	23,142	23,142	18,734
						Nickel Price (US\$/lb)	6.06	8.79	10.25	9.25	9.00
						Nickel Price (US\$/t)	13,361	19,373	22,591	20,387	19,836

SOURCE: SOUTHERN CROSS EQUITIES ESTIMATES

Recommendation structure

Spec Buy: Expect >30% total return on a 12 month view but carries significantly higher risk than its sector

Buy: Expect >15% total return on a 12 month view

Accumulate: Expect total return between 0% and +15% on a 12 month view

Reduce: Expect -15% and 0% total return on a 12 month view

Sell: Expect <-15% total return on a 12 month view

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Southern Cross Equities Ltd and its associates hold 6,589,793 shares in MLX as at the date of this report. This position is subject to change without notice.



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