Analyst
Peter Arden 613 9235 1833

Authorisation
David Coates 612 8224 2887

Metals X Limited (MLX)

Still revitalising Nifty but tin output steady

Recommendation
Buy (Hold)
Price
$0.735
Target (12 months)
$0.85 (unchanged)

Expected Return	
Capital growth	16%
Dividend yield	0%
Total expected return	16%
Company Data & Ratios	
Enterprise value	$429m
Market cap	$448m
Issued capital	609.3m
Free float	63%
Avg. daily val. (52wk)	$4.3m
12 month price range	$0.44 - $0.92
GICS sector	

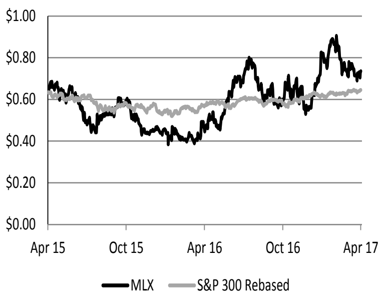
Materials

Disclosure: Bell Potter Securities acted as Co-Manager for the $100.6m August 2016 placement and received fees for that service.

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.73	0.72	0.49
Absolute (%)	0.7	2.1	49.3
Rel market (%)	-2.3	-3.3	36.4

Absolute Price



SOURCE: IRESS

Still working hard to get Nifty onto a better production path

MLX has reported a mixed production outcome for its two operations in 3Q FY17. Nifty's copper production was even lower than expected from the impact of sourcing ore from historic mining areas while new stoping areas are being opened up. Renison's tin production was steady. MLX overall had a 68% lower operating EBITDA of $6.7m. Copper in concentrate was down 36% on the previous quarter at 5.1kt from the combination of a 25% fall in head grade and 13% decline in ore processed. While Nifty's total cost of operations was lower in the latest quarter than the previous one, unit costs of copper production in concentrate were higher, cash costs being up by 11% at US$2.48/lb and all in sustaining costs (AISC) up by 37% at US$2.94/lb. MLX continues to work hard implementing its operational improvement and ramp-up plan that targets copper in concentrate output at a rate of 35ktpa in 2H of 2017 and 40ktpa in 1H of 2018. Exploration drilling at Nifty has yielded very positive results. Exploration drilling is about to start at the nearby Maroochydore deposit.

Renison's tin output steady ahead of start on ore sorting

Total tin in concentrate production from the company's 50% owned Renison mine was steady on the previous quarter at 1,783t as slightly lower ore throughput and head grade were offset by higher recovery. Although the average AISC was 3% higher at US$6.53/lb and the average realised tin price was 5% lower at US$9.10/lb, Renison still produced another solid operating EBITDA of $10.0m. Construction of the ore sorting facility, targeting a 15-20% increase in tin output, is due to start in May 2017.

Investment thesis – Buy (prev. Hold), TP $0.85/sh (unch.)

While Nifty's copper production fell by more than we expected in the latest quarter, we still expect Nifty to perform much better under the new mine plan and from the results of recent exploration. Our earnings forecasts have been revised for the 3Q FY17 outcome and incorporation of some minor changes to commodity price forecasts, resulting in decreases of 95% in FY17, 14% in FY18 and 16% in FY19 estimates. Our 12-month forward NPV-based target price is maintained at $0.85/share, however, and we upgrade our recommendation to Buy following recent share price retracement.

Earnings Forecast

Year end June	2016a	2017e	2018e	2019e
Sales (A$m)	354	231	311	354
EBITDA (A$m)	36	26	106	125
NPAT (reported) (A$m)	(24)	132	79	70
NPAT (adjusted) (A$m)	(23)	1	79	70
EPS (adjusted) (¢ps)	(5)	0	13	11
EPS growth (%)	na	na	na	-11%
PER (x)	na	na	5.7	6.4
FCF Yield (%)	na	1%	19%	22%
EV/EBITDA (x)	11.8	16.4	4.0	3.4
Dividend (¢ps)	-	-	2.5	2.5
Yield (%)	0.0%	0.0%	3.4%	3.4%
Franking (%)	0%	0%	0%	100%
ROE (%)	-6%	0%	28%	21%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Nifty output sags, Renison output steady

Table 1 – MLX 3Q FY17 production summary

		Mar-16 Actual	Jun-16 Actual	Sep-16 Actual	Dec-16 Actual	Mar-17 Actual	Mar-17 Estimate	Variance % qoq	Variance % BP est.
Copper Division (Nifty)									
Ore milled	kt			277	395	**344**	375	-13%	-8%
Copper grade	%			1.73%	2.11%	**1.59%**	1.78%	-25%	-11%
Copper production (in concentrate)	Kt			4.5	7.9	**5.1**	6.3	-36%	-19%
Copper sales (in concentrate)	Kt			4.2	8.2	**5.1**	6.3	-38%	-19%
Average realised copper price received	US$/lb			2.14	2.40	**2.66**	2.48	11%	8%
All in sustaining costs	US$/lb			2.18	2.15	**2.94**	2.36	37%	24%
Operating surplus (EBITDA)	A$m			(2.2)	10.1	**(3.3)**	1.9	na	na
Tin Division (Renison)									
Ore milled	kt	174	165	189	190	**185**	188	-3%	-2%
Tin grade	%	1.33%	1.05%	1.28%	1.29%	**1.27%**	1.34%	-2%	-5%
Recovery	%	72.3%	66.8%	71.0%	72.3%	**75.7%**	72.8%	5%	4%
Tin production (in concentrate)	Kt	1,676	1,152	1,718	1,768	**1,783**	1,852	1%	-4%
Tin sales (in concentrate)	Kt	1,914	1,450	1,394	1,868	**1,730**	2,075	-7%	-17%
Average realised tin price	US$/lb	6.94	7.52	8.51	9.58	**9.10**	8.20	-5%	11%
All in sustaining costs	US$/lb	6.33	7.78	5.97	6.35	**6.53**	5.94	3%	10%
Operating surplus (EBITDA)	A$m	1.8	(0.5)	5.1	10.7	**10.0**	10.4	-7%	-4%
Balance Sheet									
Cash	A$m	48.2	40.2	163.4	28.3	**28.3**	50.6	0%	-44%
Debt	A$m	(4.3)	(15.4)	(40.4)	(9.9)	**(9.9)**	(9.9)	0%	0%
Net cash / (debt)	A$m	43.9	24.8	123.0	18.4	**18.4**	40.8	0%	-55%

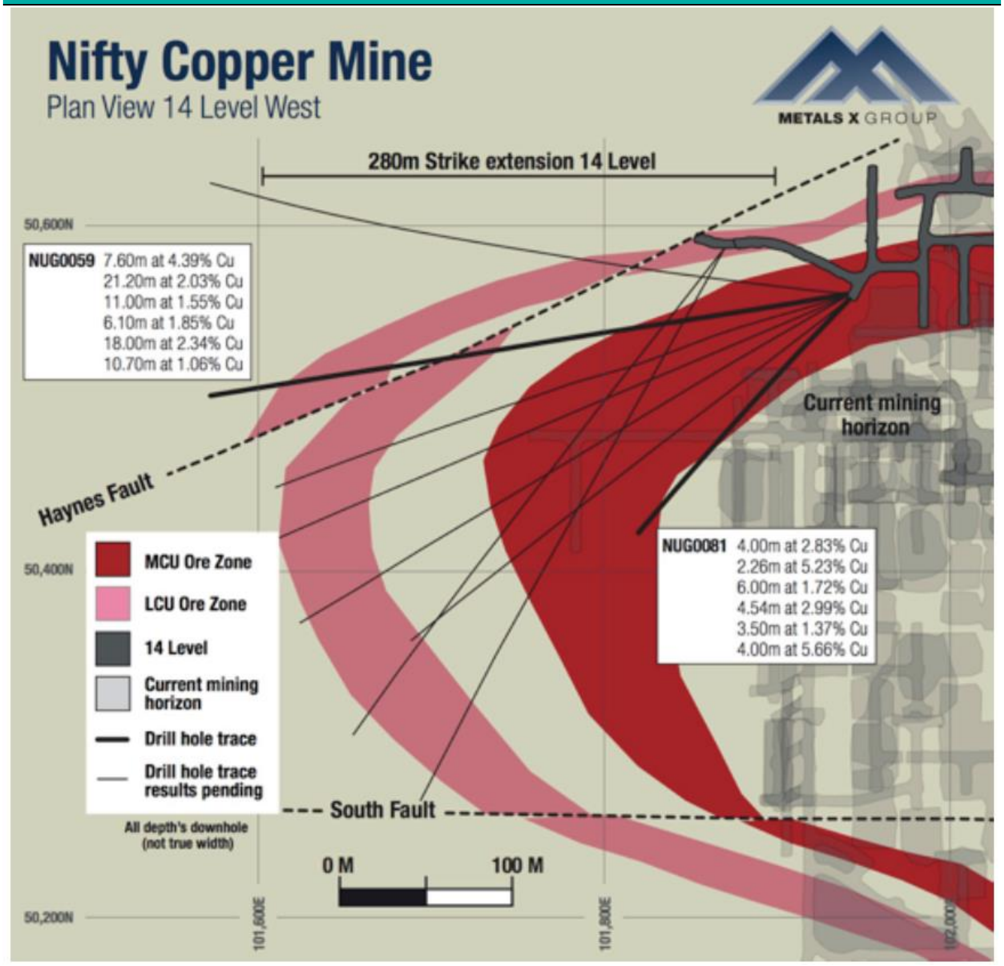
SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

The main features of the 3Q FY17 production report were:

- Nifty's copper production was even lower than expected in the latest quarter from the legacy effects of a lack of capital development in the mine prior to the acquisition by MLX. Operations at Nifty also suffered from additional dilution resulting from mining in the checker board (stope and fill mining) areas. These issues impacted the sourcing of ore from the historic mining areas while new stoping areas are being opened up. Copper in concentrate was down 36% on the previous quarter at 5.1kt from the combination of a 25% fall in head grade and 13% decline in ore processed (Table 1). While Nifty's total cost of operations was lower in the latest quarter than the previous one, unit costs of copper production in concentrate were higher, with the average cash cost being up by 11% at US$2.48/lb and the average AISC up by 37% at US$2.94/lb. The company continues to work hard implementing its operational improvement and ramp-up plan, which is on track to deliver targeted copper in concentrate output at a rate of 35ktpa in 2H of 2017 and 40ktpa in 1H of 2018.
- Exploration drilling at Nifty yielded promising results. A substantial tonnage of mineralisation was identified in the 280m of strike extension in the North West Limb (Figure 1 over page). High grade intersections from the Nifty drilling included 7.6m at 3.21% copper in the East Hinge; 7.6m at 4.39% copper, 21.2m at 2.03% copper and 18m at 2.34% copper in the West Hinge; 29.0m at 4.26% copper in the North East Limb; and 27.4m at 2.23% copper in the North West Limb. The increased geological definition and confidence in grade distribution from the drilling has led to the West end of the limb being currently accessed for production during the June 2017 quarter. Access to the East end is planned to be completed in the September 2017 quarter. The Northern Limb already has extensive capital development in close proximity. Near mine and regional exploration is also underway as part of the company's major exploration programs following a period of several years under the previous ownership when exploration completely ceased. A 3D seismic survey is due to commence at Nifty in early May 2017 to define the down plunge extension of the Nifty Syncline. A regional gravity survey is also planned and an aerial magnetics survey at Nifty North has commenced.

- Exploration diamond drilling is about to start at the nearby Maroochydore deposit to test high grade sulphide and 3D induced polarisation (IP) targets following completion of the reprocessing of the 3D IP data, which identified various anomalous targets.
- Total tin in concentrate production from the company's 50% owned Renison mine was steady on the previous quarter at 1,783t as slightly lower ore throughput and head grade were offset by higher recovery (Table 1). Although the average AISC was 3% higher at US$6.53/lb and the average realised tin price was 5% lower at US$9.10/lb, Renison still produced another solid operating EBITDA of $10.0m. Engineering for the ore sorting facility at Renison has been completed and construction is due to start in May 2017. The ore sorting facility is targeting a 15-20% increase in tin production.
- Operating EBITDA was $6.7m, down 68% on the previous quarter. MLX reported that its balance sheet remained strong at 31 March 2017 with cash and working capital of $113m and investments of $14.8m. In the absence of specific information on its cash and borrowings position, we have assumed they are still $28.3m and $9.9m respectively, the same as at 31 December 2016, when the company disclosed that it had a $42.6m copper receivable, the proceeds of which it expected to fully receive.
- MLX continued to have some copper hedging. The company has hedged 1,500t of copper per month for April to June 2017 and has granted calls at A$8,100 per tonne of LME copper and has bought puts at A$7,500 per tonne of LME copper.

Figure 1 - Plan view of extensional drilling on the current mining level at the Nifty mine



SOURCE: METALS X LTD

No guidance

MLX has not given any formal production or cost guidance for FY17.

Minor changes to earnings and valuations

Softer Nifty production reduces earnings, valuations retained

We have updated our forecasts for the March quarter production and cost report and for minor changes to the forecasts for tin prices over the next 18 months. As a result, we have updated our earnings forecasts, which have decreased by 95% in FY17, 14% in FY18 and 16% in FY19 (Table 2).

We have retained our target price, however, which is based on our 12-month forward NPV valuation, at $0.85 per share and we upgrade our recommendation to Buy following recent share price weakness.

Table 2 – Summary of revised earnings estimates, valuations and price target for MLX

Year ending 30 June	2017e	2018e	2019e	**2017e**	**2018e**	**2019e**	2017e	2018e	2019e
Prices & currency									
Copper (US$/lb)	2.40	2.88	3.00	**2.43**	**2.88**	**3.00**	1%	0%	0%
Tin (US$/lb)	8.59	8.93	9.50	**9.02**	**9.15**	**9.50**	5%	3%	0%
US$/A$	0.75	0.75	0.75	**0.75**	**0.75**	**0.75**	1%	0%	0%
Equity production & costs									
Copper in concentrate (kt)	25.0	30.1	34.8	**23.6**	**29.5**	**34.3**	-6%	-2%	-1%
Copper all in sustaining costs (US$/lb)	1.91	1.78	1.84	**2.44**	**2.03**	**2.01**	27%	14%	9%
Tin in concentrate (kt)	3.6	3.9	3.9	**3.6**	**3.9**	**3.9**	-1%	1%	1%
Tin all in sustaining costs (net of by-products) (US$/lb)	5.52	5.34	5.56	**5.85**	**5.50**	**5.73**	6%	3%	3%
Earnings									
Revenue ($m)	203	312	361	**231**	**311**	**354**	14%	0%	-2%
EBITDA ($m)	38	130	147	**26**	**106**	**125**	-32%	-18%	-15%
EBIT ($m)	15	104	116	**2**	**79**	**94**	-89%	-24%	-19%
NPAT (adjusted) ($m)	15	92	84	**1**	**79**	**70**	-95%	-14%	-16%
EPS (adjusted) (cps)	3	15	14	**0**	**13**	**11**	-95%	-14%	-16%
PER (x)	32.5	5.5	6.0	**na**	**5.7**	**6.4**	na	3%	6%
EPS Growth (%)	na	461%	-9%	**na**	**na**	**-11%**	na	na	31%
DPS (reported) (cps)	0	3.0	3.0	**0**	**2.5**	**2.5**	na	-17%	-17%
Yield	0.0%	3.6%	3.6%	**0.0%**	**3.4%**	**3.4%**	na	-6%	-6%
Net cash (debt)	94	203	287	**74**	**159**	**243**	-21%	-22%	-16%
Valuation ($/sh)	0.84	0.85	0.97	**0.79**	**0.85**	**0.96**	-6%	0%	-1%
Price Target ($/sh)	0.85			**0.85**			0%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

12-month forward valuation of $0.85/share retained

Our valuations of MLX (Table 3) are based on:

- A sum-of-the-parts DCF valuation for each of the current tin and copper mining operations plus the Wingellina Nickel Project using a discount rate of 10%. The projects not in production have been risk weighted to reflect their development uncertainty.
- Key modelled assumptions, as follows:
    1. Copper production at Nifty increasing to around 35ktpa over the next few years at reducing AISCs from about US$2.44/lb for the 11 months of FY17 for which MLX will have owned Nifty, followed by AISCs of about US$2.03/lb in FY18 and

US$2.01/lb in FY19 as increased production is achieved on a more efficient basis;

2. Tin production at Renison (100% basis) is expected to be sustained at around 7.5ktpa with AISCs forecast to be around US$5.50/lb to US$5.85/lb over the next three years (FY17 to FY19) as the ongoing impact of improved efficiencies and lower costs from the recent move to owner-operator are realised. Positive results from recent metallurgical testwork has pointed to the potential for ore sorting to lift tin production by 15 – 20% and although the construction of that facility is about to commence, we have not factored any improvements from ore sorting into our forecasts at this stage;
3. Sustaining capex of around $19mpa for MLX's share of Renison and for Nifty;
4. Annual exploration spend of around $6mpa;
5. The Renison expansion project, the Rentails Project, is believed to be under more active development consideration with the firmer tin price making development a more attractive consideration given the Project has an indicative average AISC of A$16,500/t of tin after copper credits based on prospective annual production of 5,000t of tin metal and 2,000t of copper in high grade matte. The total indicative project cost is about A$194m (MLX 50% share being A$97m) for a 2Mtpa concentrator, tin fuming plant and new tailings dam;
6. The Maroochydore Copper Project is expected to come under consideration for development as an open pit mining operation with ore trucked about 90km to the under-utilised modern Nifty concentrator (with processing capacity of 2.5Mtpa compared to current treatment rate of around 1.6Mtpa). It is likely that MLX will need to do considerable confirmatory drilling (which is about to start) and pre-development studies before deciding to develop the project; and
7. The Wingellina Nickel Project is expected to be developed when nickel prices recover, initially as a modest scale operation targeting higher grade mineralisation grading around 1.5% nickel at a rate of about 2Mtpa to produce about 18kt of nickel metal and 1.2kt of contained cobalt and possibly very significant additional by-product scandium. There is considerable potential for the project to be scaled up to a much larger operation over time.

Table 3 - MLX valuations

	Now		+12 months		+24 months	
DCF sum-of-parts valuation	**A$m**	**$/sh[1]**	**A$m**	**$/sh[1]**	**A$m**	**$/sh[1]**
Copper Division	176	0.29	186	0.30	165	0.27
Tin Division	180	0.29	187	0.30	194	0.31
Nickel Division	69	0.11	69	0.11	69	0.11
Exploration and other assets	59	0.10	15	0.02	15	0.02
Corporate	(19)	(0.03)	(16)	(0.03)	(13)	(0.02)
Total enterprise value	**465**	**0.75**	**442**	**0.72**	**430**	**0.70**
Net cash/ (debt)[2]	24	0.04	79	0.13	165	0.27
Equity Value	**489**	**0.79**	**521**	**0.85**	**594**	**0.96**

SOURCE: BELL POTTER SECURITIES ESTIMATES NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION
2. INCLUDES CASH FROM EXERCISE OF OPTIONS

Metals X Limited (MLX)

Company description

Following the demerger of its gold business in December 2016, MLX is now a diversified base metals producer with two key operating divisions being the Tin Division and the Copper Division. The company also has major undeveloped nickel assets at Wingellina in the Musgrave Ranges in Central Australia.

The Tin Division comprises a 50% interest in and management of several major tin assets around Renison Bell in Tasmania of which the principal one is the Renison tin mine, which is the only significant tin operation in Australia and is one of the world's great tin mines; the Rentails Project (a planned tailings retreatment with downstream fumer processing); and the Mt Bischoff Project (a potential open pit and underground mining project).

The Copper Division comprises the Nifty underground mining and associated modern processing operations in the Great Sandy Desert region of Western Australia (WA) and the Maroochydore copper deposit located 90km away, which is a potential near term development involving open pit mining and trucking of ore for processing at Nifty.

The Nickel Division contains the globally significant Wingellina Nickel-Cobalt Project in the Central Musgrave Ranges near the WA/NT border, (MLX 100%) as the main asset. This Project is continuing to advance towards a potential development that would see potentially significant amounts of nickel, cobalt, scandium and iron production based on targeting higher grade zones in a very large nickel limonite deposit and incorporating important new processing technology, provided a suitable development arrangement can be agreed with the developer of the processing technology and the nickel price recovers.

Valuation

Our valuation of MLX is based on Net Present Value (NPV) estimates for the company's major assets and for which there is considerable information available on their Resources and Reserves. We have applied varying risk-weightings to the NPV estimates for the non-producing assets to reflect the development uncertainty.

Investment thesis: Buy (prev. Hold), TP$0.85/shr (unchanged)

While Nifty's copper production fell by more than we expected in the latest quarter, we still expect Nifty to perform much better under the new mine plan and from the results of recent exploration. Our earnings forecasts have been revised for the 3Q FY17 outcome and incorporation of some minor changes to commodity price forecasts, resulting in decreases of 95% in FY17, 14% in FY18 and 16% in FY19 estimates. Our 12-month forward NPV-based target price is maintained at $0.85/share, however, and we upgrade our recommendation to Buy following recent share price retracement.

Shareholders

Major shareholders include: the Blackrock Group (12.8%); APAC Resources Ltd (9.2%); the Jinchuan Group Limited (7.2%); and Ausbil Investment Management Ltd (5.3%). Directors and management currently have a total interest of about 3%.

Risks of investment

- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign exchange rates.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon exploration success and resource and reserve growth to extend mine lives.
- **Regulatory changes risks.** Changes to the regulation of access to infrastructure; to environmental approvals; and to taxation (among other things) can impact the earnings and valuation of resources companies.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining). Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Inappropriate acquisition risks.** The acquisition of other assets can divert management effort from the current focus and may yield inadequate returns.

Metals X Ltd
as at 1 May 2017

Recommendation	Buy
Price	$0.735
Target (12 months)	$0.85

Table 4 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e
Revenue	$m	314	354	231	311	354
Operating expenses	$m	(226)	(318)	(205)	(205)	(228)
EBITDA	$m	**89**	**36**	**26**	**106**	**125**
Depreciation and amortisation	$m	(44)	(64)	(24)	(27)	(31)
EBIT	**$m**	**44**	**(28)**	**2**	**79**	**94**
Net interest	$m	3	1	1	2	5
PBT	$m	**47**	**(27)**	**3**	**82**	**100**
Tax expense	$m	-	4	(2)	(3)	(30)
Impairments/write-offs/other	$m	(6)	(1)	131	-	-
NPAT (reported)	$m	**41**	**(24)**	**132**	**79**	**70**
Abnormal items	$m	6	1	(131)	-	-
NPAT (adjusted)	$m	**47**	**(23)**	**1**	**79**	**70**

PROFIT AND LOSS (INTERIMS)

Half year ending	Unit	Dec-14a	Jun-15a	Dec-15a	Jun-16a	Dec-16a
Revenue	$m	150	164	37	318	129
Expense	$m	(94)	(131)	(6)	(312)	(102)
EBITDA	$m	**56**	**33**	**31**	**5**	**27**
Depreciation	$m	(20)	(24)	(33)	(31)	(11)
EBIT	$m	36	8	(2)	(26)	16
Net interest expense	$m	1	2	1	0	1
PBT	$m	**37**	**10**	**(1)**	**(26)**	**16**
Tax (expense)/benefit	$m	-	-	2	2	(2)
Impairments/write-offs/other	$m	(11)	4	-	(1)	131
NPAT (reported)	$m	**27**	**14**	**1**	**(24)**	**145**
Abnormal items	$m	(11)	17	-	1	(131)
NPAT (adjusted)	$m	**16**	**31**	**1**	**(23)**	**14**

CASH FLOW

Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e
OPERATING CASHFLOW						
Receipts	$m	298	334	405	311	349
Payments	$m	(220)	(275)	(344)	(202)	(212)
Tax	$m	-	-	-	-	(18)
Net interest	$m	3	1	3	2	5
Other	$m	2	2	5	-	-
Operating cash flow	$m	**83**	**62**	**70**	**111**	**125**
INVESTING CASHFLOW						
Capex and exploration	$m	(74)	(128)	(67)	(26)	(27)
Other	$m	(1)	(4)	(66)	-	-
Investing cash flow	$m	**(74)**	**(132)**	**(133)**	**(26)**	**(27)**
FINANCING CASHFLOW						
Net equity proceeds	$m	-	-	110	-	-
Debt proceeds/(repayments)	$m	(1)	(3)	(2)	-	-
Dividends	$m	(10)	(10)	-	-	(15)
Other	$m	44	23	-	-	-
Financing cash flow	$m	**33**	**10**	**108**	**-**	**(15)**
Change in cash	$m	42	(60)	45	85	84
Free cash flow	$m	9	(66)	2	85	99

BALANCE SHEET

Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e
ASSETS						
Cash & short term investments	$m	99	39	84	169	252
Accounts receivable	$m	16	16	20	20	24
Inventory	$m	37	52	40	40	40
Mine development and PPE	$m	225	277	121	113	103
Exploration & evaluation	$m	100	165	10	15	21
Other	$m	10	50	28	28	28
Total assets	$m	**487**	**599**	**303**	**387**	**470**
LIABILITIES						
Accounts payable	$m	37	68	31	30	41
Borrowings	$m	5	15	10	10	10
Other	$m	99	120	62	68	86
Total liabilities	$m	**141**	**204**	**103**	**108**	**137**
SHAREHOLDER'S EQUITY						
Share capital	$m	333	407	253	253	253
Reserves	$m	23	34	33	33	33
Retained earnings	$m	(10)	(46)	(85)	(6)	48
Non-controlling interest	$m	-	-	-	-	-
Total equity	$m	**346**	**395**	**200**	**279**	**333**
Weighted average shares	m	415	448	577	609	609

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e
VALUATION						
NPAT (adjusted)	$m	47.2	(23.1)	0.8	78.9	69.9
Adjusted EPS	c/sh	11.4	(5.2)	0.1	12.8	11.3
EPS growth	%	28%	na	na	9376%	-11%
PER	x	9x	na	568x	5.7x	6.4x
DPS	c/sh	5.7	-	-	2.5	2.5
Franking	%	61%	0%	0%	0%	100%
Yield	%	7.7%	0.0%	0.0%	3.4%	3.4%
FCF/share	c/sh	2	(15)	0	14	16
FCF yield	%	3%	na	1%	19%	22%
EV/EBITDA	x	4.8x	11.8x	16.4x	4.0x	3.4x
PROFITABILITY RATIOS						
EBITDA margin	%	28%	10%	11%	34%	35%
EBIT margin	%	14%	-8%	1%	25%	27%
Return on assets	%	10%	-4%	0%	20%	15%
Return on equity	%	14%	-6%	0%	28%	21%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(94)	(24)	(74)	(159)	(243)
ND / E	%	nc	nc	nc	nc	nc
ND / (ND + E)	%	nc	nc	nc	nc	nc

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	LT real
Copper - Spot	US$/lb	2.89	2.22	2.43	2.88	3.10
Tin - Spot	US$/lb	8.60	7.12	9.02	9.15	9.50
Nickel - Spot	US$/lb	7.00	4.23	4.84	5.65	6.65
CURRENCY						
USD/AUD	US$/A$	0.83	0.73	0.75	0.75	0.75

ASSUMPTIONS - Production (equity %)

Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e
Copper Division						
Ore treated	Mt			1.4	1.6	1.8
Average head grade	% Cu			1.81	1.93	2.07
Recovery	%			94.0	94.2	94.5
Copper production (in concentrate)	kt			23.6	29.5	34.3
Copper all in sustaining costs	US$/lb			2.44	2.03	2.01
Tin Division						
Ore treated	kt	641	687	749	740	740
Average head grade	% Sn	1.56	1.29	1.31	1.39	1.39
Recovery	%	70.5	72.0	73.7	75.5	75.5
Tin production (in concentrate)	kt	3.5	3.2	3.6	3.9	3.9
Tin all in sustaining costs	US$/lb	7.65	6.17	5.85	5.50	5.73

SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS

Shareholder	M Shares	Interest	Date of Latest Change
BlackRock Group	78.2	12.8%	15/07/16
APAC Resources Ltd	55.9	9.2%	16/02/17
Jinchuan Group Limited	44.0	7.2%	9/09/16
Ausbil Investment Management Ltd	32.1	5.3%	21/03/17
Directors and management	17.0	2.8%	various
Total	**227.2**	**37.3%**	

VALUATION

Issued capital	Unit	
Ordinary shares	m	609.3
Unlisted employee options	m	7.3
Total securities	**m**	**616.6**

	Current		+ 12 months		+ 24 months	
Sum of parts valuation	$m	$/sh[1]	$m	$/sh[1]	$m	$/sh[1]
Copper Division	176	0.29	186	0.30	165	0.27
Tin Division	180	0.29	187	0.30	194	0.31
Nickel Division	69	0.11	69	0.11	69	0.11
Exploration; shareholdings; and other assets	59	0.10	15	0.02	15	0.02
Corporate	(19)	(0.03)	(16)	(0.03)	(13)	(0.02)
Enterprise value	**465**	**0.75**	**442**	**0.72**	**430**	**0.70**
Net cash/(debt)[2]	24	0.04	79	0.13	165	0.27
Equity value	**489**	**0.79**	**521**	**0.85**	**594**	**0.96**

Notes: 1. May not add due to rounding and dilution
2. Includes cash from exercise of options

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
TS Lim	Head of Research	612 8224 2810	tslim
Industrials			
Sam Haddad	Industrials	612 8224 2819	shaddad
Jonathon Higgins	Industrials	613 9235 5706	jhiggins
Tim Piper	Industrials	612 8224 2825	tpiper
Chris Savage	Industrials	612 8224 2835	csavage
Jonathan Snape	Industrials	613 9235 1601	jsnape
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare/Biotech	612 8224 2849	tnjain
Financials			
TS Lim	Banks/Regionals	612 8224 2810	tslim
Lafitani Sotiriou	Diversified	613 9235 1668	lsotiriou
Resources			
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Associates			
James Filius	Research Associate	613 9235 1612	jfilius

Bell Potter Securities Limited
ACN 25 006 390 7721
Level 38, Aurora Place
88 Phillip Street, Sydney 2000
Telephone +61 2 9255 7200
www.bellpotter.com.au

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Peter Arden owns 128614 shares in MLX.

Disclosure: Bell Potter Securities acted as Co-Manager for the $100.6m August 2016 placement and received fees for that service.

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