



AUSTRALIA

MLX AU Outperform

Price (at 03:04, 23 Nov 2017 GMT) A\$1.03

Valuation A\$ 1.42

- DCF (WACC 9.0%, beta 1.4, ERP 5.0%, RFR 3.8%)

12-month target A\$ 1.20

12-month TSR % +19.1

Volatility Index High

GICS sector Materials

Market cap A\$m 630

30-day avg turnover A\$m 3.1

Number shares on issue m 611.4

Investment fundamentals

Year end 30 Jun		2017A	2018E	2019E	2020E
Revenue	m	264.5	299.2	438.4	505.0
EBIT	m	-14.6	12.2	66.4	100.1
Reported profit	m	134.0	14.1	68.8	94.1
Adjusted profit	m	-42.3	14.1	68.8	94.1
Gross cashflow	m	-2.9	53.8	118.8	151.0
CFPS	¢	-0.5	8.8	19.4	24.7
CFPS growth	%	nfm	nfm	120.8	27.1
PGCFPS	x	nfm	11.7	5.3	4.2
PGCFPS rel	x	nfm	0.92	0.47	0.41
EPS adj	¢	-7.1	2.3	11.3	15.4
EPS adj growth	%	-34.7	nfm	390.0	36.7
PER adj	x	nfm	44.8	9.1	6.7
PER rel	x	nfm	2.37	0.56	0.48
Total DPS	¢	1.0	1.0	4.0	4.0
Total div yield	%	1.0	1.0	3.9	3.9
Franking	%	0	0	0	0
ROA	%	-3.3	3.8	16.4	21.4
ROE	%	-14.2	6.9	29.7	32.2
EV/EBITDA	x	23.1	11.3	5.1	3.7
Net debt/equity	%	-20.9	-19.6	-13.7	-25.1
P/BV	x	3.1	3.0	2.4	1.9

MLX AU vs Small Ordinaries, & rec history



Note: Recommendation timeline - if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, November 2017
(all figures in AUD unless noted)

Analyst(s)

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23 November 2017

Macquarie Securities (Australia) Limited

Metals X

Focus on growth and exploration

Event

- We attended MLX's AGM in Perth. The presentation from CEO Warren Hallam focused on MLX's strong growth profile in both copper and tin as well as the longer-term upside potential of regional exploration at Nifty and the potential development of the Wingellina nickel/cobalt project.

Impact

- Ramp-up at Nifty a key focus:** Production at Nifty has disappointed over the past few months; however, with new stoping areas opening up, MLX is confident in the outlook for the mine and reiterated its target production run rate of 40ktpa of copper at a cash cost of A\$2.35/lb during 4QFY18. We note that our forecasts assume this run rate is sustained from FY19 and beyond, hence delivering on this target is an important hurdle for MLX.
- Nifty exploration delivers mine life extension:** A major drill out of the existing reserve and resource base has extended the mine life at Nifty from less than 2 years to over 6 years. Extension drilling is ongoing and we believe further upgrades to both the reserve and resource life at Nifty will be achieved this year. Our base case forecasts assume a 9-year mine life.
- Rising tin output at Renison Bell:** MLX is focused on ramping up tin production at Renison Bell. Leveraging off an 8-year reserve and 16-year resource life, MLX is installing an ore sorter, which should lift the average ore grade feed to the process plant, lifting tin production by 15-20%. The development of the Rentails project could deliver a further 70% rise in tin output from the Renison Bell. We include both projects in our forecasts.
- Long-term optionality in nickel/cobalt:** The Wingellina nickel/cobalt project boasts a very large, low grade nickel/cobalt resource. Recent work on the project has focused on defining higher grade cobalt zones within the resource. Drilling of these target zones has commenced and if successful could unlock a smaller scale development option for Wingellina.

Earnings and target price revision

- No change.

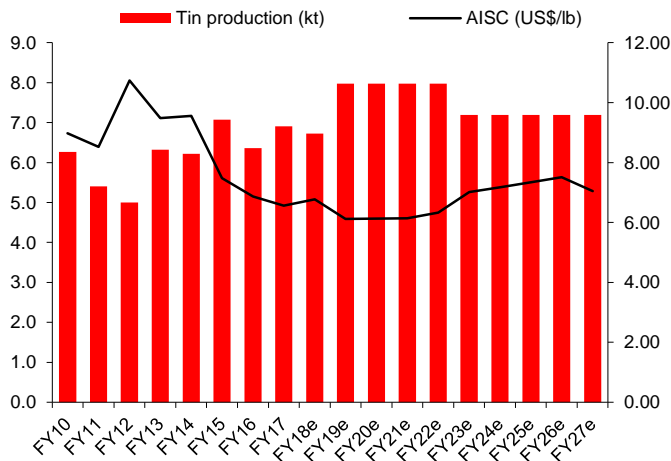
Price catalyst

- 12-month price target: A\$1.20 based on a 50/50 Blend NPV / 5.0x EV/Ebitda methodology.
- Catalyst: Exploration updates from drilling around Nifty present potential positive catalysts for MLX.

Action and recommendation

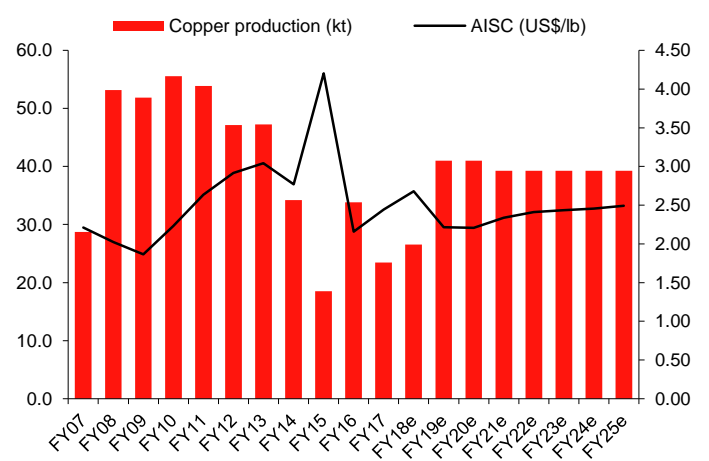
- Maintain Outperform:** MLX has enjoyed strong share price performance since the de-merger of Westgold Resources (WGX AU, Not rated) in late 2016. Exploration drilling at Nifty has already delivered a material improvement in the mine life and we believe further upside to the reserve and resource base exists. Hitting the forecast production improvement targets at Nifty remains a key near-term catalyst for MLX while exploration success both near-mine and regionally could yield upside to our base case forecasts.

Fig 1 Renison Bell production and costs



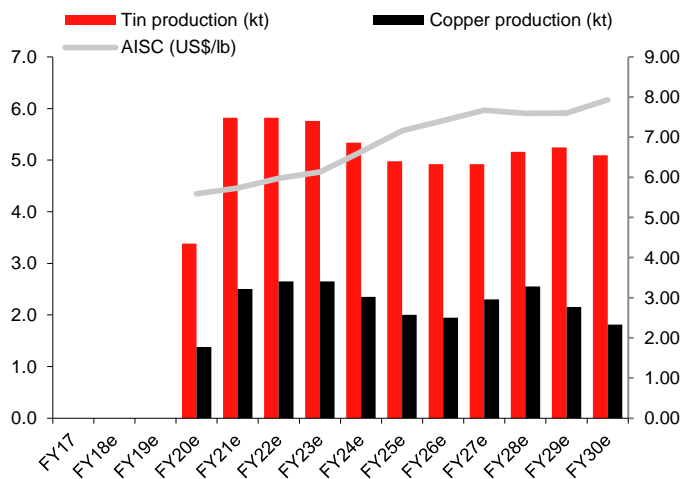
Source: MLX, Macquarie Research, November 2017

Fig 2 Nifty production and costs



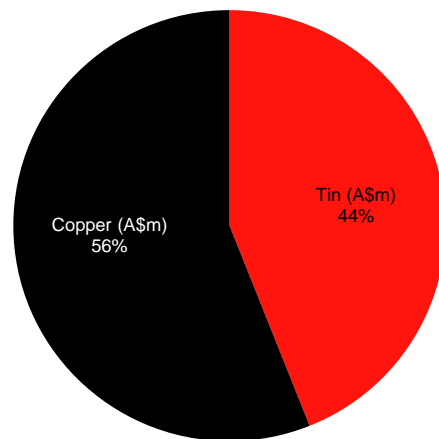
Source: MLX, Macquarie Research, November 2017

Fig 3 Renison Bell production and costs



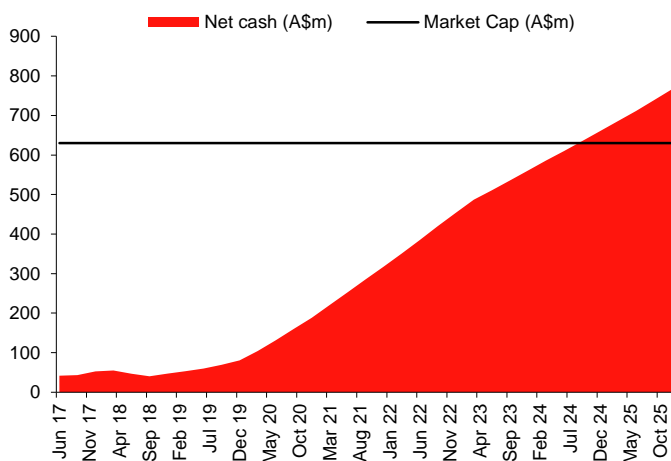
Source: MLX, Macquarie Research, November 2017

Fig 4 MLX Ebitda by commodity



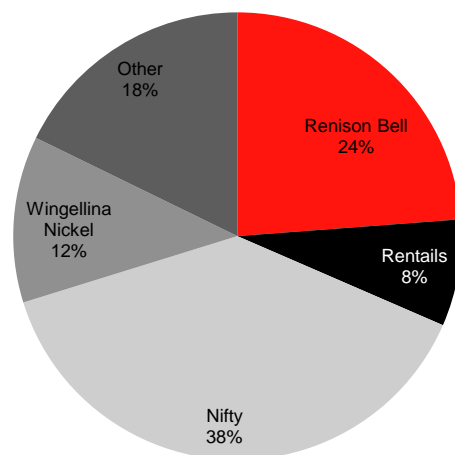
Source: MLX, Macquarie Research, November 2017

Fig 5 MLX cash build vs market cap



Source: MLX, Macquarie Research, November 2017

Fig 6 MLX NPV breakdown



Source: MLX, Macquarie Research, November 2017

Fig 7 MLX summary financials

Metals X								Metals X												
ASX: MLX								Price: (A\$ps)	1.03	Year end: Jun	Rating: Outperform	Up/dn	TSR							
								Mkt cap: (A\$m)	630	Diluted shares (m)	611.4	Target: 1.20	17%	19%						
								Mkt cap: (US\$m)	475											
ASSUMPTIONS		FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e	PRODUCTION DATA		FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e			
Exchange Rate	A\$/US\$	0.84	0.73	0.75	0.78	0.75	0.74	0.74	Renison Bell/Rentails (MLX share)											
Copper	(US\$/lb)	2.89	2.22	2.44	2.79	2.64	2.77	3.12	Renison Bell	(kt)	3.5	3.2	3.5	3.4	4.0	4.0	4.0			
Tin	(US\$/lb)	8.60	7.12	9.02	9.33	10.21	9.98	9.41	Rentails	(kt)	0.0	0.0	0.0	0.0	0.0	1.7	2.9			
Nickel	(US\$/lb)	7.00	4.23	4.60	4.88	5.84	6.52	7.03	Total Tin	(kt)	3.5	3.2	3.5	3.4	4.0	5.7	6.9			
RATIO ANALYSIS		FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e	Cash costs	(US\$/lb)	5.48	4.82	4.06	4.28	4.02	4.07	4.15			
Diluted share capital	m	414.9	453.4	595.4	611.4	611.4	611.4	611.4	AISC	(US\$/lb)	7.48	6.87	6.56	6.77	6.12	5.97	5.97			
EPS (diluted and pre sig. items)	A¢	11.1	-5.3	-7.1	2.3	11.3	15.4	16.2	Nifty											
P/E	x	9.3x	-19.6x	-14.5x	44.8x	9.1x	6.7x	6.4x	Copper produced	(kt)	0.0	0.0	24.8	26.6	41.0	41.0	39.2			
CFPS	A¢	17.1	10.6	1.9	10.8	15.9	20.6	24.7	Cash costs	(US\$/lb)	0.00	0.00	1.80	1.84	1.46	1.47	1.57			
P/CF	x	6.0x	9.8x	53.6x	9.6x	6.5x	5.0x	4.2x	AISC	(US\$/lb)	0.00	0.00	2.44	2.68	2.22	2.21	2.34			
DPS	A¢	3.0	0.0	1.0	1.0	4.0	4.0	5.0	RENISON BELL PRODUCTION OUTLOOK				NIFTY PRODUCTION OUTLOOK							
Dividend yield	%	2.9%	0.0%	1.0%	1.0%	3.9%	3.9%	4.9%												
Franking Level	%	26%	0%	0%	0%	0%	0%	100%												
Book value per share	x	0.83	0.87	0.33	0.34	0.42	0.53	0.66												
P/Book value	x	1.2x	1.2x	3.1x	3.0x	2.4x	1.9x	1.6x												
R.O.E. (pre sig items)	%	13%	-6%	-21%	7%	27%	29%	25%												
R.O.A. (pre sig items)	%	9%	-5%	-5%	3%	15%	20%	20%												
Interest Cover	x	-15.9x	150.8x	12.5x	-6.8x	-27.5x	-38.5x	-31.6x												
EBITDA per share	A\$ps	0.21	0.08	0.04	0.08	0.19	0.26	0.28												
EV/EBITDA	x	6.4x	17.8x	25.0x	11.5x	5.1x	3.5x	2.6x												
Free cash flow yield	%	3%	(9%)	(15%)	1%	2%	11%	19%												
EARNINGS		FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e	RESERVES AND RESOURCES (ATTRIBUTABLE)											
Sales Revenue	A\$m	312	351	264	299	438	505	561	Tin Reserves											
Other Revenue	A\$m	2	3	3	0	0	0	0	Project											
Total Revenue	A\$m	314	354	267	299	438	505	561	Renison Bell											
Treatment & payability	A\$m	(32)	(55)	(37)	(42)	(66)	(72)	(76)	Rentails											
Operating Costs	A\$m	(173)	(224)	(182)	(191)	(241)	(262)	(295)	Total Tin Reserves											
Operational EBITDA	A\$m	109	75	48	66	131	172	190	Tin Resources											
Exploration Expense/Write-offs	A\$m	(6)	(27)	(1)	(1)	(0)	(0)	(0)	Project											
Corporate & Other Costs	A\$m	(16)	(12)	(23)	(14)	(14)	(15)	(15)	Renison Bell											
EBITDA	A\$m	88	36	23	51	116	156	174	Rentails											
D&A	A\$m	(44)	(64)	(38)	(39)	(50)	(56)	(62)	Mt Bischoff											
EBIT	A\$m	43	(28)	(15)	12	66	100	113	Total Tin Reserves											
Net Interest	A\$m	3	0	1	2	2	3	4	Copper Reserves											
Profit Before Tax	A\$m	46	(28)	(13)	14	69	103	116	Project											
Tax Expense	A\$m	0	4	(29)	0	0	(9)	(17)	Nifty											
Minorities	A\$m	0	0	0	0	0	0	0	Total Copper Reserves											
Adjusted NPAT	A\$m	46	(24)	(42)	14	69	94	99	Copper Resources											
Significant Items (post tax)	A\$m	(5)	0	176	0	0	0	0	Project											
Reported NPAT	A\$m	41	(24)	134	14	69	94	99	Nifty - Sulphide											
CASHFLOW		FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e	Nifty - Oxide											
Net Profit	A\$m	41	(24)	134	14	69	94	99	Nifty - Heap Leach											
Interest/Tax/D&A	A\$m	28	60	54	32	46	53	58	Maroochydore - Oxide											
Working Capital/other	A\$m	3	11	(176)	20	(17)	(21)	(6)	Maroochydore - Sulphide											
Net Operating Cashflow	A\$m	71	48	11	66	97	126	151	Total Copper Resources											
Capex	A\$m	(52)	(102)	(50)	(61)	(84)	(54)	(29)	Nickel Reserves											
Investments	A\$m	0	(4)	(57)	0	0	0	0	Project											
Sale of PPE and Other	A\$m	0	0	0	0	0	0	0	Wingellina											
Free cash flow	A\$m	20	(58)	(96)	5	13	71	122	Total Nickel Reserves											
Dividends Paid	A\$m	(21)	(22)	(0)	(6)	(18)	(24)	(24)	Nickel Resources											
Debt	A\$m	43	20	(4)	32	10	(30)	(20)	Project											
Equity Issuance	A\$m	0	(0)	110	0	0	0	0	Wingellina											
Other	A\$m	0	0	0	0	0	0	0	Claude Hills											
Net Financing Cashflow	A\$m	22	(2)	107	25	(8)	(54)	(44)	Total Nickel Resources											
Net change in cash	A\$m	42	(60)	11	30	5	17	77												
BALANCE SHEET		FY15	FY16	FY17	FY18e	FY19e	FY20e	FY21e	EQUITY DCF VALUATION				Spot prices				Macquarie forecasts			
Cash	A\$m	99	39	50	80	85	102	179	Projects				A\$m	A\$ps	A\$m	A\$ps				
PP&E & Mine Development	A\$m	225	277	118	140	175	173	140	Renison Bell		205	0.33		207	0.34					
Exploration	A\$m	100	165	5	12	16	19	23	Rentails		82	0.13		67	0.11					
Total Assets	A\$m	487	599	283	368	442	494	552	Nifty		551	0.90		336	0.55					
Debt	A\$m	30	44	8	40	50	20	0	Wingellina Nickel		103	0.17		105	0.17					
Total Liabilities	A\$m	141	204	84	161	184	167	151	Resources		172	0.28		175	0.29					
Total Net Assets / Equity	A\$m	346	395	199	207	257	327	401	Investments		10	0.02		10	0.02					
Net Debt / (Cash)	A\$m	(69)	5	(42)	(40)	(35)	(82)	(179)	Options and forwards		(7)	(0.01)		13	0.02					
Gearing (net debt/(nd + equity))	%	(25%)	1%	(26%)	(24%)	(16%)	(34%)	(81%)	Corporate		(81)	(0.13)		(81)	(0.13)					
Gearing (net debt/equity)	%	(20%)	1%	(21%)	(20%)	(14%)	(25%)	(45%)	Cash		45	0.07		45	0.07					
									Debt		(8)	(0.01)		(8)	(0.01)					
									Net Equity Value (WACC @ 9%)		1,072	1.75		869	1.42					
									Price Target (50/50 Blend of 5.0x Ebitda and NPV)											1.20

Source: MLX, Macquarie Research, November 2017

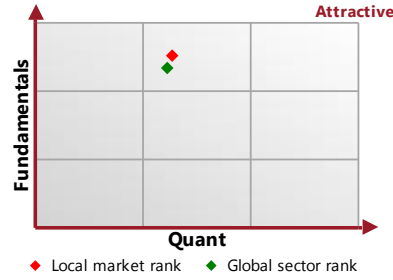
Macquarie Quant View

The quant model currently holds a neutral view on Metals X. The strongest style exposure is Price Momentum, indicating this stock has had strong medium to long term returns which often persist into the future. The weakest style exposure is Valuations, indicating this stock is over-priced in the market relative to its peers.

944/1591

Global rank in Materials

% of BUY recommendations 100% (4/4)
Number of Price Target downgrades 0
Number of Price Target upgrades 1

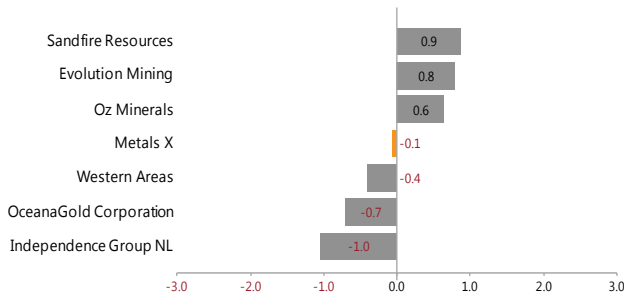


Displays where the company's ranked based on the fundamental consensus Price Target and Macquarie's Quantitative Alpha model.

Two rankings: Local market (Australia & NZ) and Global sector (Materials)

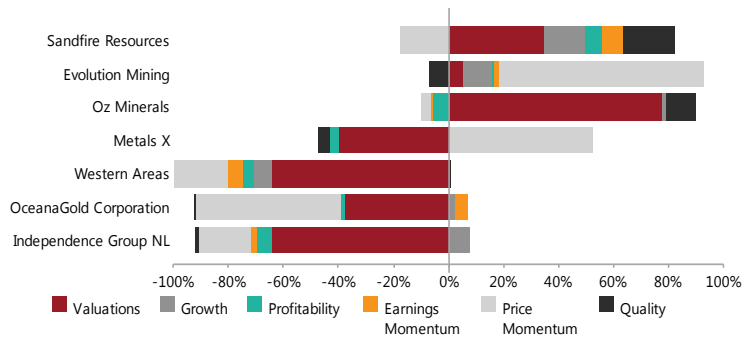
Macquarie Alpha Model ranking

A list of comparable companies and their Macquarie Alpha model score (higher is better).



Factors driving the Alpha Model

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



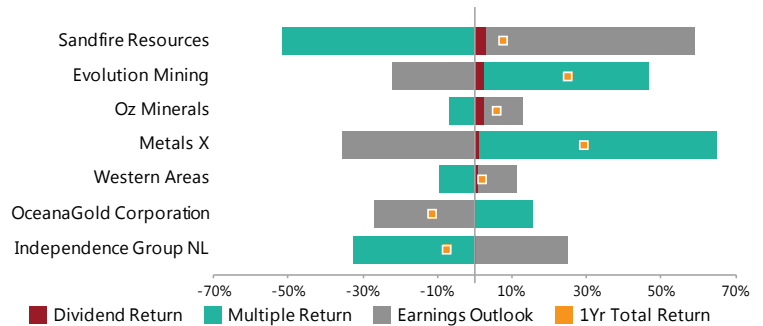
Macquarie Earnings Sentiment Indicator

The Macquarie Sentiment Indicator is an enhanced earnings revisions signal that favours analysts who have more timely and higher conviction revisions. Current score shown below.



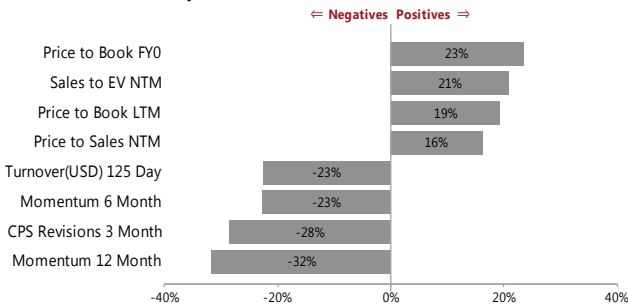
Drivers of Stock Return

Breakdown of 1 year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



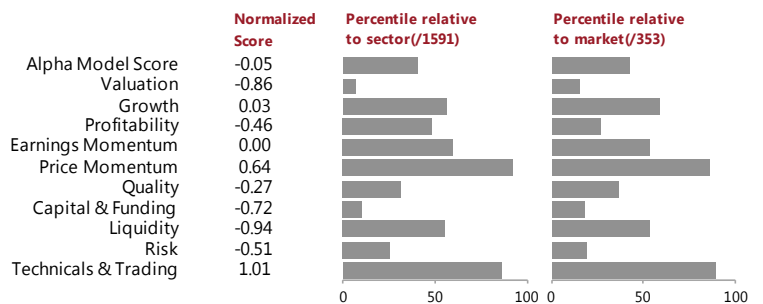
What drove this Company in the last 5 years

Which factor score has had the greatest correlation with the company's returns over the last 5 years.



How it looks on the Alpha model

A more granular view of the underlying style scores that drive the alpha (higher is better) and the percentile rank relative to the sector and market.



Source (all charts): FactSet, Thomson Reuters, and Macquarie Research. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative/Custom Products Group (cpq@macquarie.com)

Important disclosures:**Recommendation definitions****Macquarie - Australia/New Zealand**

Outperform – return >3% in excess of benchmark return
 Neutral – return within 3% of benchmark return
 Underperform – return >3% below benchmark return

Benchmark return is determined by long term nominal GDP growth plus 12 month forward market dividend yield

Macquarie – Asia/Europe

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie – South Africa

Outperform – expected return >+10%
 Neutral – expected return from -10% to +10%
 Underperform – expected return <-10%

Macquarie - Canada

Outperform – return >5% in excess of benchmark return
 Neutral – return within 5% of benchmark return
 Underperform – return >5% below benchmark return

Macquarie - USA

Outperform (Buy) – return >5% in excess of Russell 3000 index return
 Neutral (Hold) – return within 5% of Russell 3000 index return
 Underperform (Sell) – return >5% below Russell 3000 index return

Volatility index definition*

This is calculated from the volatility of historical price movements.

Very high–highest risk – Stock should be expected to move up or down 60–100% in a year – investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium – stock should be expected to move up or down at least 30–40% in a year.

Low–medium – stock should be expected to move up or down at least 25–30% in a year.

Low – stock should be expected to move up or down at least 15–25% in a year.
 * Applicable to Asia/Australian/NZ/Canada stocks only

Recommendations – 12 months

Note: Quant recommendations may differ from Fundamental Analyst recommendations

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense
 Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / epowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit / average total assets

ROE = adjusted net profit / average shareholders funds

Gross cashflow = adjusted net profit + depreciation

*equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions – For quarter ending 30 September 2017

	AU/NZ	Asia	RSA	USA	CA	EUR	
Outperform	50.38%	56.22%	40.70%	46.21%	63.85%	41.61%	(for global coverage by Macquarie, 4.18% of stocks followed are investment banking clients)
Neutral	37.50%	28.16%	43.02%	47.52%	30.00%	39.51%	(for global coverage by Macquarie, 2.68% of stocks followed are investment banking clients)
Underperform	12.12%	15.62%	16.28%	6.27%	6.15%	18.88%	(for global coverage by Macquarie, 1.08% of stocks followed are investment banking clients)

MLX AU vs Small Ordinaries, & rec history

(all figures in AUD currency unless noted)

Note: Recommendation timeline – if not a continuous line, then there was no Macquarie coverage at the time or there was an embargo period.

Source: FactSet, Macquarie Research, November 2017

12-month target price methodology

MLX AU: A\$1.20 based on a 50/50 Blend NPV / 5.0x EV/Ebitda methodology

Company-specific disclosures:

MLX AU: Macquarie Group Limited together with its affiliates beneficially owns 1% or more of the equity securities of Metals X Ltd.

Important disclosure information regarding the subject companies covered in this report is available at www.macquarie.com/research/disclosures.

Date	Stock Code (BBG code)	Recommendation	Target Price
10-Oct-2017	MLX AU	Outperform	A\$1.20
30-Aug-2017	MLX AU	Outperform	A\$1.10
24-Mar-2017	MLX AU	Outperform	A\$1.00

Target price risk disclosures:

MLX AU: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification:

We hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The Analysts responsible for preparing this report receive compensation from Macquarie that is based upon various factors including Macquarie Group Ltd total revenues, a portion of which are generated by Macquarie Group's Investment Banking activities.

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