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Metals X Limited (MLX)

Nifty leads stronger production

Recommendation
Hold (unchanged)
Price
$0.825
Target (12 months)
$0.85 (previously $0.60)

Expected Return	
Capital growth	3%
Dividend yield	0%
Total expected return	3%

Company Data & Ratios	
Enterprise value	$425m
Market cap	$503m
Issued capital	609.3m
Free float	56%
Avg. daily val. (52wk)	$3.9m
12 month price range	$0.38 - $0.92

GICS sector

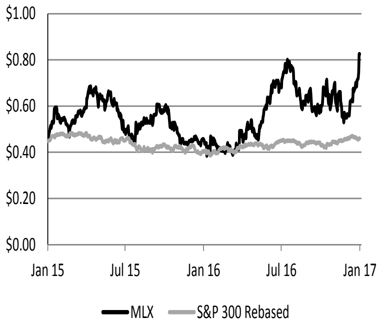
Materials

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$)	0.55	0.59	0.45
Absolute (%)	50.0	40.1	82.3
Rel market (%)	49.2	35.8	66.9

Absolute Price



SOURCE: IRESS

Nifty surprises with earlier than expected free cash flow

MLX is now a base metals company with profitable tin and copper operations and attractive tin, copper and nickel-cobalt development projects after the recent demerger of its gold business as Westgold Resources (ASX – WGX, Buy). MLX has reported improved financial performance in the December 2016 quarter, which was ahead of the company's expectations, aided by higher copper and tin prices, so it operated comfortably in the black, generating an estimated EBITDA of about $20m and net cash flow from its two operations of nearly $15m. We now forecast that MLX is likely to report a small profit for 1H FY17, a much larger profit for FY17 overall, and higher returns in FY18 and FY19, confirming our previous forecast that dividends could resume in FY18, subject to satisfactory funding arrangements for its attractive development projects, which give the company significant longer term upside.

Development pipeline looks even better

There are good signs of the improved financial performance in the December 2016 quarter being sustained and increased from the company's enhanced development projects. Each of the company's three divisions has potentially attractive development projects. The Rentails Project is under renewed consideration as it has enhanced economics from the higher tin price and indications of significantly lower operating costs. MLX is awaiting a final scope from the Project Manager for the Wingellina nickel-cobalt deposit. Maroochydore is a potential open pit copper mine near Nifty.

Investment thesis – Hold, TP $0.85/sh (Previously $0.60)

MLX has shown by its latest performance as a base metal company that with its copper and tin operations performing better than expected and with multiple potential development projects capable of providing additional strong earnings and cash flow growth when they become meaningful operations, the company is an attractive one. Our earnings forecasts and valuations have been upgraded from major improvement in Nifty's performance and encouraging recent exploration results, and from increased value in MLX's development projects. This has resulted in significantly upgraded earnings and valuations. Our 12-month forward NPV-based target price is raised 42% to $0.85/share but we retain our Hold recommendation on share price appreciation.

Earnings Forecast

Year end June	2016a	2017e	2018e	2019e
Sales (A$m)	354	203	312	361
EBITDA (A$m)	36	38	130	147
NPAT (reported) (A$m)	(24)	15	92	84
NPAT (adjusted) (A$m)	(23)	15	92	84
EPS (adjusted) (¢ps)	(5)	3	15	14
EPS growth (%)	na	na	461%	-9%
PER (x)	na	32.5	5.5	6.0
FCF Yield (%)	na	8%	22%	20%
EV/EBITDA (x)	11.7	11.0	3.3	2.9
Dividend (¢ps)	-	-	3	3
Yield (%)	0.0%	0.0%	3.6%	3.6%
Franking (%)	0%	0%	0%	100%
ROE (%)	-6%	6%	27%	20%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Strong improvement at Nifty, Renison steady

Table 1 – MLX quarterly production summaries

		Dec-15 Actual	Mar-16 Actual	Jun-16 Actual	Sep-16 Actual	Dec-16 Actual	Dec-16 Estimate	Variance % qoq	Variance % BP est.
Copper Division (Nifty)									
Ore milled	kt				277	**395**	363	42%	9%
Copper grade	%				1.73	**2.11**	1.68	22%	26%
Copper production (in concentrate)	Kt				4.5	**7.9**	5.7	76%	38%
Copper sales (in concentrate)	Kt				4.2	**8.2**	5.5	94%	50%
Average realised copper price received	US$/lb				2.14	**2.39**	2.24	11%	7%
All in sustaining costs	US$/lb				2.18	**2.15**	2.36	-2%	-9%
Operating surplus (EBITDA)	A$m				(2.2)	**10.1**	(3.6)	na	na
Tin Division (Renison)									
Ore milled	kt	176	174	165	189	**190**	187	1%	2%
Tin grade	%	1.41%	1.33%	1.05%	1.28%	**1.29%**	1.31%	1%	-2%
Tin production (in concentrate)	Kt	1,889	1,676	1,152	1,718	**1,768**	1,698	3%	4%
Tin sales (in concentrate)	Kt	1,891	1,914	1,450	1,394	**1,868**	1,850	34%	1%
Average realised tin price	US$/lb	6.81	6.94	7.52	8.51	**9.58**	8.18	13%	17%
All in sustaining costs	US$/lb	na	6.33	7.78	5.97	**6.35**	6.53	6%	-3%
Operating surplus (EBITDA)	A$m	4.5	1.8	(0.5)	5.1	**10.7**	10.2	108%	5%
Balance Sheet									
Cash	A$m	52.4	48.2	40.2	163.4	**83.2**	51.6	-49%	61%
Debt	A$m	(4.3)	(4.3)	(15.4)	(40.4)	**(5.0)**	(5.0)	-88%	0%
Net cash / (debt)	A$m	48.1	43.9	24.8	123.0	**78.2**	46.6	-36%	68%

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD

The main features of MLX's 2Q FY2017 production performance were:

- The Copper Division, which is the Nifty operation in WA, performed significantly better than expected in the December 2016 quarter, which was the first full quarter since the acquisition of ABY was finalised in August 2016. Copper in concentrate production of 7.9kt was up 76% on the prior 2-month period from treatment of 395kt of ore grading 2.11% copper and was achieved at lower than expected all in sustaining costs (AISC) of US2.15/lb. Nifty generated an EBITDA of $10.1m and net cash flow of $7.7m, which was even ahead of MLX's plan. The first results from resumed exploration activities (involving underground and surface drilling) at Nifty have been very encouraging - under the previous management, exploration had been suspended for over a year. Underground drilling intersecting thick zones of primary copper mineralisation in the Northern Limb area of the Nifty Syncline including 10.0m at 3.89% copper, 26.5m at 1.32% copper and 21.6m at 2.64% copper, shows there is scope to sustain higher grade production for better returns.
- At the Tin Division, which currently involves the Renison operations in Tasmania, production of tin in concentrate was steady at 1.8kt (up 3%) at AISC of A$18,495/t (up 6%) as continuing more efficient mining operations with lower costs are achieved as an owner operator so that, with the benefit of the higher tin price over the quarter, it generated EBITDA of $10.7m and net cash flow of $7.7m. MLX has reported excellent results from ore sorting testwork that points to an expansion of 15 – 20% in tin production from the current rate of around 7.1ktpa. Previous trials by ore sorting vendors has shown that approximately 25% of waste can be rejected from underground ore with tin losses of less than 3%. Ore sorting would enable a cost-effective expansion of Renison that would enable an increase in mining production and head grade without the requirement to expand the processing plant. Engineering work for the addition of ore sorting to enable a lift in mine capacity over the next 18 months to

920ktpa has been completed and after completion of economic modelling, a decision on the development is expected to be made in early 2017. Significant in-mine and extensional drilling was conducted at Renison during the quarter with a second underground drill rig mobilized late in the quarter to assist in advancing the resource definition work at a series of new targets including Upper Huon North, Mid-South Federal Bassett, and South Bassett. Better drill results include 7.1m at 1.39% tin and 0.13% copper and 8m at 1.67% tin and 0.21% copper from the Blackwood orebody, which is an historical production source that is currently being re-evaluated in the current higher tin price environment.

- A review of the Definitive Feasibility Study (DFS) for the Rentails Project, which is a tin expansion project that consists of 22.5Mt of tailings with an average grade of 0.45% tin and 0.22% copper from the historical processing of tin ore at Renison was begun. The DFS had previously estimated this could be processed with total cash cost of sales of A$11,875/t of tin (after copper credits at an assumed copper price of A$6,250/t compared to a current copper price of about A$7,700/t). This review will update the DFS for current capital and operating costs. The DFS had previously estimated capital costs of about $194m and preliminary analysis indicates only a minor increase in capital (about 2%) and operating costs (about 15%) are expected. At currently higher tin prices, the economics of this development are very attractive and the partners (MLX 50% and Yunnan Tin 50%) are considering a revised development plan and will consider financing options for the development of the project in the March 2017 quarter.
- MLX received EPA approval for the development of the very significant Wingellina Nickel-Cobalt-Scandium-Iron Project in November 2016, subject to satisfying various standard conditions. The company's objective is to ensure its 100% owned project is ready for development once the nickel market improves. The Northern Territory Government has recognised the potential benefits of the project to the Territory and has provided a Project Manager to assist with co-ordinating the approval of various logistic options. The company is awaiting a final scope from the Project manager, after which it will commence assessing the most optimal logistic options.
- Balance sheet strengthened from the proforma position at the time of the Westgold demerger. MLX had cash and working capital of $112m plus investments of $15.3m at 31 December 2016. We estimate the company had net cash of about $78m at the end of the quarter after having generated an estimated EBITDA of about $20m and net cash flow from its two operations of nearly $15m.
- During the quarter, MLX took advantage of the lift in copper prices to take out some hedging. In December it hedged 1,500t of copper per month for the period from January to June 2017 using a collar arrangement so as to preserve prices for about half of its expected production. The company has granted calls at A$8,100 per tonne of LME copper and has bought puts at about A$7,000 per tonne of copper.

Major earnings and valuation changes

Increased contribution from Nifty to earnings and valuation

We have updated our commodity price forecasts to include the impact of actual tin and copper prices for December 2016 and we have revised our earnings forecasts to incorporate the impact of the much stronger than expected performance by the Nifty mine in the latest quarter and expectations for that to continue, especially after the very positive initial underground drilling results there (following MLX moving quickly to initiate exploration after a prolonged absence of any under the final part of ABY's ownership), resulting in earnings upgrades of 423% for FY17, 10% for FY18, and 17% for FY19 (Table 2).

We have increased our target price, which is based on our 12-month forward NPV valuation, by 42% to $0.85 per share reflecting the impact of the improved performance of Nifty and the enhanced potential for development of other projects such as Rentails, Maroochydore and Wingellina.

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$/lb)	2.40	2.88	3.00	**2.40**	**2.88**	**3.00**	0%	0%	0%
Tin (US$/lb)	8.48	8.93	9.50	**8.59**	**8.93**	**9.50**	1%	0%	0%
US$/A$	0.74	0.75	0.75	**0.75**	**0.75**	**0.75**	1%	0%	0%
Equity production & costs									
Copper in concentrate (kt)	21.2	26.2	30.4	**25.0**	**30.1**	**34.8**	18%	15%	14%
Copper all in sustaining costs (US$/lb)	2.06	1.93	1.95	**1.91**	**1.78**	**1.84**	-7%	-7%	-5%
Tin in concentrate (kt)	3.5	3.7	3.7	**3.6**	**3.9**	**3.9**	3%	4%	4%
Tin all in sustaining costs (net of by-products) (US$/lb)	6.36	6.19	6.45	**5.52**	**5.34**	**5.56**	-13%	-14%	-14%
Earnings									
Revenue ($m)	172	281	325	**203**	**312**	**361**	18%	11%	11%
EBITDA ($m)	23	112	129	**38**	**130**	**147**	65%	16%	14%
EBIT ($m)	3	86	98	**15**	**104**	**116**	467%	21%	18%
NPAT (adjusted) ($m)	3	82	70	**15**	**92**	**84**	429%	11%	19%
EPS (adjusted) (cps)	1	13	12	**3**	**15**	**14**	423%	10%	17%
PER (x)	na	4.5	5.3	**32.5**	**5.5**	**6.0**	na	21%	13%
EPS Growth (%)	na	na	-14%	**na**	**461%**	**-9%**	na	na	na
DPS (reported) (cps)	0	2.5	2.5	**0**	**3**	**3**	na	20%	20%
Yield	0.0%	4.1%	4.1%	**0.0%**	**3.6%**	**3.6%**	na	-11%	-11%
Net debt/equity	na	na	na	**na**	**na**	**na**	na	na	na
Valuation ($/sh)	0.57	0.60	0.73	**0.84**	**0.85**	**0.97**	47%	42%	33%
Price Target ($/sh)	0.60			**0.85**			42%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Valuation increased 42% $0.85/share on Nifty performance

Our valuation of MLX (Table 2) is 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$1.91/lb for the 11 months of FY17 for which MLX will have owned Nifty, followed by AISCs of about US$1.78/lb in FY18 and US$1.84/lb in FY19 as forecast 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$5.34/lb to US$5.56/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% but we have not factored such an outcome 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 an indicative 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. Total indicative project cost of about A$194m (MLX 50% share being A$90m) 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 confirmatory exploration drilling and pre-development studies before deciding to develop the project; and
  7. The Wingellina Nickel Project 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 ~2Mtpa to produce about 18kt of nickel metal and 1.2kt of contained cobalt and possibly very significant additional by-product scandium with potential for the project to be scaled up to a much larger operation over time.

Table 2 - 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	182	0.30	163	0.26	123	0.20
Tin Division	184	0.30	191	0.31	198	0.32
Nickel Division	69	0.11	69	0.11	69	0.11
Exploration and other assets	14	0.02	14	0.02	14	0.02
Corporate	(19)	(0.03)	(16)	(0.03)	(13)	(0.02)
Total enterprise value	**431**	**0.70**	**422**	**0.68**	**392**	**0.64**
Net cash/ (debt)[2]	84	0.14	99	0.16	209	0.34
Equity Value	**515**	**0.84**	**521**	**0.85**	**600**	**0.97**

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 by 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.

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: Hold, TP$0.85/share (Prev. $0.60/sh)

MLX has shown by its latest performance as a base metal company that with its copper and tin operations performing better than expected and with multiple potential development projects capable of providing additional strong earnings and cash flow growth when they become meaningful operations, the company is an attractive one. Our earnings forecasts and valuations have been upgraded from major improvement in Nifty's performance and encouraging recent exploration results, and from increased value in MLX's development projects. This has resulted in significantly upgraded earnings and valuations. Our 12-month forward NPV-based target price is raised 42% to $0.85/share but we retain our Hold recommendation on share price appreciation.

Shareholders

Major shareholders include: APAC Resources Ltd (12.9%); the Blackrock Group (12.8%); the Jinchuan Group Limited (7.3%); and Ausbil Investment Management Ltd (5.3%). Directors and management currently have a total interest of over 5%.

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 27 January 2017

Recommendation	Hold
Price	$0.825
Target (12 months)	$0.85

Table 3 - Financial summary

PROFIT AND LOSS						
Year ending 30 Jun	**Unit**	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
Revenue	$m	314	354	203	312	361
Operating expenses	$m	(226)	(318)	(164)	(182)	(214)
EBITDA	$m	**89**	**36**	**38**	**130**	**147**
Depreciation and amortisation	$m	(44)	(64)	(24)	(27)	(31)
EBIT	**$m**	**44**	**(28)**	**15**	**104**	**116**
Net interest	$m	3	1	1	2	3
PBT	$m	**47**	**(27)**	**15**	**105**	**120**
Tax expense	$m	-	4	-	(14)	(36)
Impairments/write-offs/other	$m	(6)	(1)	-	-	-
NPAT (reported)	$m	**41**	**(24)**	**15**	**92**	**84**
Abnormal items	$m	6	1	-	-	-
NPAT (adjusted)	$m	**47**	**(23)**	**15**	**92**	**84**

PROFIT AND LOSS (INTERIM)						
Half year ending	**Unit**	**Dec-14a**	**Jun-15a**	**Dec-15a**	**Jun-16a**	**Dec-16e**
Revenue	$m	150	164	148	207	98
Expense	$m	(94)	(131)	(116)	(202)	(89)
EBITDA	$m	**56**	**33**	**32**	**4**	**9**
Depreciation	$m	(20)	(24)	(33)	(31)	(11)
EBIT	$m	36	8	(1)	(27)	(2)
Net interest expense	$m	1	2	(0)	1	0
PBT	$m	**37**	**10**	**(1)**	**(26)**	**(2)**
Tax (expense)/benefit	$m	-	-	2	2	-
Impairments/write-offs/other	$m	(11)	4	-	(1)	-
NPAT (reported)	$m	**27**	**14**	**1**	**(24)**	**(2)**
Abnormal items	$m	(11)	17	-	1	-
NPAT (adjusted)	$m	**16**	**31**	**1**	**(23)**	**(2)**

CASH FLOW						
Year ending 30 Jun	**Unit**	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
OPERATING CASHFLOW						
Receipts	$m	298	334	209	307	354
Payments	$m	(220)	(275)	(146)	(174)	(197)
Tax	$m	-	-	-	-	(32)
Net interest	$m	3	1	0	2	3
Other	$m	2	2	-	-	-
Operating cash flow	$m	**83**	**62**	**63**	**135**	**129**
INVESTING CASHFLOW						
Capex and exploration	$m	(74)	(128)	(25)	(26)	(27)
Other	$m	(1)	(4)	(79)	-	-
Investing cash flow	$m	**(74)**	**(132)**	**(103)**	**(26)**	**(27)**
FINANCING CASHFLOW						
Net equity proceeds	$m	-	-	111	-	-
Debt proceeds/(repayments)	$m	(1)	(3)	(10)	-	-
Dividends	$m	(10)	(10)	-	-	(18)
Other	$m	44	23	-	-	-
Financing cash flow	$m	**33**	**10**	**100**	**-**	**(18)**
Change in cash	$m	42	(60)	59	109	84
Free cash flow	$m	9	(66)	38	109	102

BALANCE SHEET						
Year ending 30 Jun	**Unit**	**2015a**	**2016a**	**2017e**	**2018e**	**2019e**
ASSETS						
Cash & short term investments	$m	99	39	99	208	292
Accounts receivable	$m	16	16	10	15	22
Inventory	$m	37	52	18	18	18
Mine development and PPE	$m	225	277	140	134	123
Exploration & evaluation	$m	100	165	65	71	77
Other	$m	10	50	19	19	19
Total assets	$m	**487**	**599**	**351**	**465**	**551**
LIABILITIES						
Accounts payable	$m	37	68	21	26	37
Borrowings	$m	5	15	5	5	5
Other	$m	99	120	73	90	99
Total liabilities	$m	**141**	**204**	**99**	**121**	**142**
SHAREHOLDER'S EQUITY						
Share capital	$m	333	407	195	195	195
Reserves	$m	23	34	34	34	34
Retained earnings	$m	(10)	(46)	24	115	181
Non-controlling interest	$m	-	-	-	-	-
Total equity	$m	**346**	**395**	**253**	**344**	**410**
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)	15.5	91.7	83.7
Adjusted EPS	c/sh	11.4	(5.2)	2.7	14.9	13.6
EPS growth	%	28%	na	na	461%	-9%
PER	x	11x	na	32x	5.5x	6.0x
DPS	c/sh	5.7	-	-	3.0	3.0
Franking	%	61%	0%	0%	0%	100%
Yield	%	6.9%	0.0%	0.0%	3.6%	3.6%
FCF/share	c/sh	2	(15)	7	18	17
FCF yield	%	3%	na	8%	22%	20%
EV/EBITDA	x	4.8x	11.7x	11.0x	3.3x	2.9x
PROFITABILITY RATIOS						
EBITDA margin	%	28%	10%	19%	42%	41%
EBIT margin	%	14%	-8%	7%	33%	32%
Return on assets	%	10%	-4%	4%	20%	15%
Return on equity	%	14%	-6%	6%	27%	20%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(94)	(24)	(94)	(203)	(287)
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$/lb	2.89	2.22	2.40	2.88	3.10
Tin - Spot	US$/lb	8.60	7.12	8.59	8.93	9.50
Nickel - Spot	US$/lb	7.00	4.23	5.20	6.70	7.00
CURRENCY						
USD/AUD	US$/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			1.3	1.6	1.8
Average head grade	% Cu			2.00	2.05	2.10
Recovery	%			94.5	94.5	94.5
Copper production (in concentrate)	kt			25.0	30.1	34.8
Copper all in sustaining costs	US$/lb			1.91	1.78	1.84
Tin Division						
Ore treated	kt	641	687	753	740	740
Average head grade	% Sn	1.56	1.29	1.33	1.40	1.40
Recovery	%	70.5	72.0	72.8	74.5	74.5
Tin production (in concentrate)	kt	3.5	3.2	3.6	3.9	3.9
Tin all in sustaining costs	US$/lb	7.65	6.17	5.52	5.34	5.56

SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS		
Shareholder	**M Shares**	**Interest**
APAC Resources Ltd	78.4	12.9%
BlackRock Group	78.2	12.8%
Jinchuan Group Limited	44.0	7.2%
Ausbil Investment Management Ltd	32.1	5.3%
Directors and management	34.0	5.6%

VALUATION		
Issued capital	**Unit**	
Ordinary shares	m	609.3
Performance rights	m	7.3
Total	**m**	**616.6**

	Current		+ 12 months		+ 24 months	
Sum of parts valuation	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**
Copper Division	182	0.30	163	0.26	123	0.20
Tin Division	184	0.30	191	0.31	198	0.32
Nickel Division	69	0.11	69	0.11	69	0.11
Other exploration and shareholdings	14	0.02	14	0.02	14	0.02
Corporate	(19)	(0.03)	(16)	(0.03)	(13)	(0.02)
Enterprise value	**431**	**0.70**	**422**	**0.68**	**392**	**0.64**
Net cash/(debt)[2]	84	0.14	99	0.16	209	0.34
Equity value	**515**	**0.84**	**521**	**0.85**	**600**	**0.97**

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.

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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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