Analyst
Peter Arden 613 9235 1833

Authorisation
David Coates 612 8224 2887

Metals X Limited (MLX)

Still working on Nifty improvements

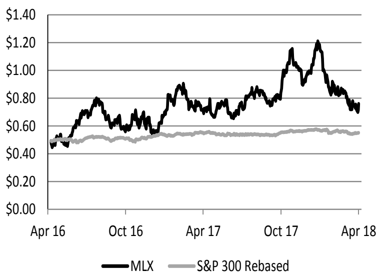
Recommendation
Buy (unchanged)
Price
$0.76
Target (12 months)
$0.98 (previously $1.00)

Expected Return	
Capital growth	29%
Dividend yield	0%
Total expected return	29%
Company Data & Ratios	
Enterprise value	$443m
Market cap	$465m
Issued capital	612.0m
Free float	62%
Avg. daily val. (52wk)	$2.4m
12 month price range	$0.645 - $1.23
GICS sector	
Materials	

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.85	1.21	0.72
Absolute (%)	-10.6	-37.2	6.3
Rel market (%)	-9.1	-33.8	6.5

Absolute Price



SOURCE: IRESS

Nifty improving slower than expected

The 3Q FY18 production performance of MLX was less than expected with the Nifty copper mine showing less than expected improvement while the Renison tin mine's performance was steady but a bit below our expectations from the impact of preparations for the new ore sorter facility. Nifty only lifted copper production by 6% to 5,003t on the mining issues-affected previous quarter with head grade improving 11% but ore processed falling 6% despite moving to full-time operations. Renison tin production was 3% lower qoq at 1,725t (100% basis) as mining ramped up to produce more ore than was processed ahead of the ore sorter starting at the end of May. Total operating EBITDA was 59% higher (qoq) at $13.5m (BPe $20.8m) and total capex was estimated at $9.8m (BPe $10.5m). MLX is estimated to have had cash of about $29m within cash and working capital of $83m and estimated debt of $7m at 31 March 2018.

Reported loss now likely for FY18

Even with our forecasts of improved production at Nifty and Renison in 4Q FY18, the financial impact of lower than expected output in 3Q FY18 means we are now forecasting that MLX is likely to report a sizeable loss for FY18 of around $18m. The company still expects Nifty to be producing at the revised rate of 35,000tpa of copper by mid-2018 and the ore sorter facility at Renison is also due to be operational then. The forecast lift in copper and tin production from FY19 should lift returns significantly.

Investment thesis – Buy, TP $0.98/sh (prev. $1.00)

MLX continues with the process of lifting copper production at Nifty as it progressively moves to new mining areas. The tin price is remaining firm so the Renison expansions (ore sorter and Rentails) are expected to generate very useful returns. The company is also continuing with pre-development studies into high grade cobalt production from its Wingellina Nickel-Cobalt Project. We have revised our forecasts after analysis of the 3Q FY18 production result, which has led to our forecast of a reported loss of around $18m in FY18 and reductions in our earnings forecasts of 23% and 14% for FY19 and FY20 respectively. Our 12-month forward NPV-based target price is lowered by 2% to $0.98 per share and our Buy recommendation is retained.

Earnings Forecasts

Year end June	2017a	2018e	2019e	2020e
Sales (A$m)	267	234	422	452
EBITDA (A$m)	42	9	91	101
NPAT (reported) (A$m)	134	(18)	54	63
NPAT (adjusted) (A$m)	5	(18)	54	63
EPS (adjusted) (¢ps)	1	(3)	9	10
EPS growth (%)	na	na	na	17%
PER (x)	95.8	na	8.6	7.3
FCF Yield (%)	-8%	-4%	7%	12%
EV/EBITDA (x)	10.6	47.7	4.9	4.4
Dividend (¢ps)	1.0	-	1.0	2.0
Yield (%)	1.3%	0.0%	1.3%	2.6%
Franking (%)	0%	0%	0%	0%
ROE (%)	2%	-10%	23%	22%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Nifty performance improvement less than expected

The 3Q FY18 production results of MLX (Table 1) was less than expected with the Nifty copper mine showing less than expected improvement while the Renison tin mine's performance was steady but a bit below our expectations from the impact of preparations for the new ore sorter facility.

Table 1 – MLX 3Q FY18 production report summary

Year to 30 June		Mar-17 Actual	Jun-17 Actual	Sep-17 Actual	Dec-17 Actual	Mar-18 Actual	Mar-18 BP est	Change on pcp (%)	Actual vs BP est (%)
Copper Division (Nifty)									
Ore milled	kt	344	381	259	387	**366**	550	-6%	-34%
Copper grade	%	1.59%	1.66%	1.35%	1.32%	**1.46%**	1.40%	11%	4%
Recovery	%	93.1%	93.6%	91.5%	92.4%	**93.8%**	92.8%	1%	1%
Copper production (in concentrate)	Kt	5.1	5.9	3.2	4.7	**5.0**	7.1	6%	-30%
Copper sales (in concentrate)	Kt	4.5	7.9	0.1	4.3	**7.3**	8.7	70%	-16%
Average realised copper price received	US$/lb	2.66	2.57	2.87	3.10	**3.13**	3.05	1%	3%
All in sustaining costs	US$/lb	2.94	2.69	4.85	3.34	**3.02**	3.08	-9%	-2%
Operating EBITDA	A$m	(3.3)	0.6	(14.8)	(1.5)	**3.3**	8.8	-320%	-62%
Tin Division (Renison)									
Ore milled (100% basis)	kt	185	174	177	186	**185**	185	-1%	0%
Tin grade	%	1.28%	1.32%	1.38%	1.26%	**1.27%**	1.35%	0%	-6%
Recovery	%	75.7%	74.1%	74.3%	75.8%	**73.3%**	74.8%	-3%	-2%
Tin production (in concentrate, 100% basis)	Kt	1,783	1,703	1,811	1,785	**1,725**	1,869	-3%	-8%
Tin sales (in concentrate, 100% basis))	Kt	1,730	1,709	1,803	1,560	**1,790**	2,124	15%	-16%
Average realised tin price	US$/lb	9.10	9.05	9.32	8.99	**9.49**	9.30	6%	2%
All in sustaining costs	US$/lb	6.53	6.60	6.47	6.31	**6.08**	5.84	-4%	4%
Operating EBITDA	A$m	10.0	8.8	10.3	10.3	**10.2**	12.5	-1%	-18%
Corporate & Balance Sheet	A$m								
Operating EBITDA	A$m	6.7	9.4	(4.5)	8.5	**13.5**	20.8	59%	-35%
Capital expenditure	A$m	(6.6)	(8.6)	(12.9)	(10.0)	**(9.8)**	(10.5)	-2%	-7%
Cash	A$m	35.9	50.1	40.5	31.0	**28.6**	23.8	-8%	20%
Total debt	A$m	(8.5)	(8.5)	(7.7)	(7.0)	**(7.0)**	(7.0)	0%	0%
Net cash/(debt)	A$m	27.4	41.6	32.8	24.0	**21.7**	16.8	-10%	29%

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

The main features of MLX's 3Q FY18 production result were:

- Nifty only lifted copper production by 6% to 5,003t on the mining issues-affected previous quarter with head grade improving 11% to 1.46% copper but ore processed was 6% lower despite moving to full-time operations at the start of December 2017 with the plant having about 40% spare capacity. Copper production in the latest quarter was at a 10% lower average C1 cash cost of US$2.44/lb (A$6,906/t, down 12%) qoq and a 9% lower qoq average all in sustaining cost (AISC) of US$3.02/lb (A$8,543/t, down 11%). Sales of copper in concentrate were up 70% qoq to 7,316t at a 1% higher average realised price of US$3.13/lb (A$8,842/t, unchanged) during which the spot copper price for the latest quarter was up 2.1% in US$ terms qoq. MLX delivered 4,500t of copper into lower priced hedges, realising a loss of $3.1m. Nifty operated very modestly back in the black in the latest quarter, achieving an operating EBITDA of $3.3m (BPe $8.8m) compared to loss of $1.5m in previous quarter.
- Renison tin production was below expectation, being 3% lower qoq at 1,725t (100% basis) (BPe 1,869t) even though mining ramped up to produce 11% more ore, which was more than was processed as ore was stockpiled ahead of the planned start-up of the ore sorter at the end of May 2018. Ore processed was down 1% qoq at 185kt at virtually unchanged head grade of 1.27% tin but recoveries were 3% lower at 73.3%.

Tin production was achieved at a 7% higher average C1 cash cost of A$4.04/lb (A$11,429/t, up 5%) qoq but at a 4% lower average AISC of US$6.08/lb (A$17,196/t, down 5%) qoq. Sales of tin in concentrate were up 15% qoq to 1,790t at a 6% higher average realised price of US$6.49/lb (A$26,825/t, up 4%) qoq. Renison generated a steady return in the latest quarter, achieving an operating EBITDA of $10.2m (BPe $12.5m), 1% lower than in the previous quarter.

- Total operating EBITDA was 59% higher (qoq) at $13.5m (BPe $20.8m) and total capex was estimated at $9.8m (BPe $10.5m). MLX is estimated to have had cash of about $29m within total cash and working capital of $83m and it had estimated debt of $7m at 31 March 2018.
- While copper production at Nifty only improved by a small amount, significant progress was made in the latest quarter on bringing additional mining areas outside the historic "chequerboard" into production to reduce dilution and ramp-up ore tonnage. Additional mining equipment was received and a raise boring machine deployed to site to expedite stope slot rising. A full refurbishment of the underground conveyor was also completed except for the fitting of a new conveyor belt, which will be done in the June 2018 quarter and is expected to result in the loss of about five to six days of production. Grade control and infill drilling continued to confirm continuity of mineralisation and significantly improve geological models and mine planning at Nifty. Further results were received during the quarter from three more near mine extension drill holes, which intersected relatively narrow zones of copper mineralisation grading 0.7% to 1.8% copper within the Nifty Syncline approximately 700 to 900 metres further down plunge from the currently defined area of mineralisation. Regional exploration activities were focussed on data reviews and target generation for the forthcoming 2018 field season as the wet season restricted field activities.
- Construction of the ore sorter at Renison accelerated over the quarter with completion of fabrication and commencement of construction. The underground mine progressed during the period towards opening up additional stoping areas in preparation for higher ore production, which is targeted to reach an annualised rate of 940kt over the next year, and commissioning of the ore sorter. A third underground diamond drill was introduced to the Renison mine in anticipation of the expansion of underground production. Underground drilling has focused on resource definition programs in the Area 5, Deep Federal, Leatherwood and Central Federal Bassett lodes. Results so far have demonstrated the continuance of strong mineralisation in the Area 5 zone, with recent intersections including 6.3m averaging 1.79% tin; 6m averaging 2.51% tin; 3m averaging 3.59% tin; 3.2m averaging 2.72% tin; and 4.8m averaging 4.97% tin. The majority of the metallurgical testwork for design and environmental approvals for the Rentails Project was substantially completed in the latest quarter. Some of the testwork considering new technologies and improvements that have been made since the original feasibility study was completed of which some improvements are likely to be included in the final design. The Commonwealth Government confirmed that approval for the Project will be required under the Environmental Protection and Biodiversity Conservation Act. Under the Level 2 assessment process, which was the level set by the Tasmanian Government at the end of 2017, the expected timeline for environmental approvals is approximately 12 months. The Renison joint venture partners expect to lodge the Development Proposal and Environmental Management Plan, which is the key project approval document, early in the December 2018 quarter.
- At the Wingellina Nickel Project, metallurgical testwork for the production of high quality cobalt and nickel sulphates from MLX's huge nickel-cobalt limonite deposit in Central Australia continued and is expected to be completed in April 2018. Optimisation of high grade cobalt-nickel pits incorporating the latest drill results from selected high grade zones within the large orebody is continuing with the objective of defining a potential higher grade nickel-cobalt inventory as the basis for a lower capital cost operation.

Earnings and target price changes

Earnings forecasts reduced, target price slightly lowered

We have updated our forecasts following analysis of the 3Q FY18 production result. As a result, we have revised our earnings forecasts. We are now forecasting a reported loss of about $18m for FY18 and we have decreased our earnings forecasts by 23% for FY19 and by 14% for FY20 (Table 2).

We have slightly lowered our target price, which is based on our 12-month forward NPV valuation, reducing it by 2% to $0.98 per share. We have retained our Buy recommendation.

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

Year ending 30 June	2018e	2019e	2020e	**2018e**	**2019e**	**2020e**	2018e	2019e	2020e
Prices & currency									
Copper (US$/lb)	3.09	3.28	3.25	**3.09**	**3.28**	**3.25**	0%	0%	0%
Tin (US$/lb)	9.23	9.40	9.70	**9.23**	**9.40**	**9.70**	0%	0%	0%
US$/A$	0.78	0.77	0.76	**0.78**	**0.77**	**0.76**	0%	0%	0%
Equity production & costs									
Copper in concentrate (kt)	23.0	36.4	39.4	**19.7**	**36.4**	**39.5**	-14%	0%	0%
Copper all in sustaining costs (US$/lb)	3.56	2.84	2.72	**3.62**	**2.83**	**2.73**	2%	0%	0%
Tin in concentrate (kt)	3.7	4.0	4.1	**3.5**	**3.8**	**4.0**	-4%	-4%	-2%
Tin all in sustaining costs (net of by-products) (US$/lb)	5.70	5.27	5.30	**6.17**	**5.42**	**5.44**	8%	3%	3%
Earnings									
Revenue ($m)	262	429	455	**234**	**422**	**452**	-11%	-2%	0%
EBITDA ($m)	34	107	110	**9**	**91**	**101**	-73%	-15%	-8%
EBIT ($m)	7	69	71	**-18**	**56**	**65**	na	-20%	-8%
NPAT (adjusted) ($m)	7	70	74	**-18**	**54**	**63**	na	-23%	-14%
EPS (adjusted) (cps)	1	11	12	**-3**	**9**	**10**	na	-23%	-14%
PER (x)	81.9	8.7	8.3	**na**	**8.1**	**6.9**	na	-0.6	-1.4
EPS Growth (%)	na	841%	5%	**na**	**na**	**17%**	na	na	237%
DPS (reported) (cps)	0.0	2.0	2.0	**0.0**	**1.0**	**2.0**	na	-50%	0%
Yield	0.0%	2.0%	2.0%	**0.0%**	**1.4%**	**2.8%**	na	-30%	40%
Net cash (debt)	16	90	150	**19**	**54**	**104**	23%	-40%	-31%
Valuation ($/sh)	1.00	1.00	1.03	**0.97**	**0.98**	**0.95**	-3%	-2%	-8%
Price Target ($/sh)	1.00			**0.98**			-2%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

12-month forward valuation reduced by 2% to $0.98/share

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

- A sum-of-the-parts DCF valuation for each of the current tin and copper mining operations using a discount rate of 10% plus an NPV-related estimate for the Wingellina Nickel Project. Projects not in production (including expansion projects at existing operations) have been risk weighted to reflect their development uncertainty.
- Key modelled assumptions, as follows:
  1. Copper production at Nifty is now forecast to increase to a rate of around 35ktpa in the early part of FY19 and to gradually rise to about 40ktpa by 2020 at AISCs of about US$2.83/lb in FY19 and US$2.73/lb in FY20 as increased production is progressively achieved on a more efficient basis by mining mostly in new areas outside of the historic "chequerboard" mining area that has caused delays and production short-falls;

2. Tin production at Renison (100% basis) is expected to be increased to between 8.0ktpa to 8.5ktpa with AISCs that we forecast will be in the range of US$5.30/lb to US$5.70/lb over the course of the next three years from the incorporation of ore sorting, which is expected to lift tin production by 15 – 20% from current levels when it is at the targeted operating levels after capex of about $14m;
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, Rentails, is now under active development consideration with the firmer tin price making development attractive given the project has an indicative average AISC of A$16,500/t of tin after copper credits based on prospective annual production of about 5.4kt of tin metal and 2.2kt of copper in high grade matte. The total indicative project construction cost is now estimated to be about A$205m (MLX 50% share being A$102.5m) for a 2Mtpa concentrator, tin fuming plant and new tailings dam. MLX and its partner are currently investigating possible funding arrangements;
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 the current treatment rate of around 1.6Mtpa). MLX has begun a program of confirmatory drilling and pre-development studies as a prelude to a decision on the develop of the project; and
7. Although MLX's carrying value of the Central Musgrave Nickel Project (CMNP) is zero, that is from a write-down at the end of FY17 because of low nickel prices then, and the Wingellina Nickel Project (which is the main component of CMNP) continues to be one of the largest undeveloped nickel-cobalt-scandium deposits in the world and is under active investigation. We have retained our valuation of the CMNP as we continue to expect that it will be developed in conjunction with a major Asian group using their proprietary nickel extraction process when nickel prices recover. We expect it will initially be developed as a modest scale operation targeting higher grade mineralisation grading around 1.5% nickel at a rate of about 2Mtpa to produce at least 20kt of contained nickel and 1.2kt of contained cobalt and possibly very significant by-product scandium. There is considerable potential for the project to be scaled up to a much larger operation over time. More recently, with the increase in world cobalt prices, MLX has been reviewing the potential for high grade cobalt production from high grade domains within the Wingellina deposit such as 29.7Mt at 0.14% cobalt containing 41.6kt of cobalt (at a 0.1% cobalt cut-off) and 85.9Mt at 0.11% cobalt containing 94kt of cobalt (at a 0.05% cobalt cut-off). MLX is currently undertaking a program of testwork on the high grade cobalt areas and has conducted testwork on production of nickel and cobalt sulphate.

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	280	0.45	278	0.45	234	0.38
Tin Division	235	0.38	240	0.39	231	0.37
Nickel Division	67	0.11	67	0.11	67	0.11
Exploration and other assets	10	0.02	10	0.02	10	0.02
Corporate	(17)	(0.03)	(14)	(0.02)	(12)	(0.02)
Total enterprise value	**575**	**0.93**	**582**	**0.94**	**531**	**0.86**
Net cash/ (debt)[2]	27	0.04	24	0.04	59	0.09
Equity Value	**602**	**0.97**	**606**	**0.98**	**590**	**0.95**

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 Copper Division and the Tin Division. The company also has a Nickel Division that contains major undeveloped nickel-cobalt assets at Wingellina in the Musgrave Ranges in Central Australia.

The Copper Division comprises the Nifty underground mining and associated modern processing operations in the Great Sandy Desert region of Western Australia (WA), which is undergoing a production revamp aimed at lifting annual copper in concentrate output to around 40kt; and the Maroochydore copper deposit located 90km away, which is a potential near term development involving open pit mining and possible trucking of ore for processing at Nifty or a stand-alone concentrator.

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 based on downstream fumer processing); and the Mt Bischoff Project (a potential open pit and underground mining project).

The Nickel Division contains the globally significant Wingellina Nickel-Cobalt Project in the Central Musgrave Ranges near the WA/NT border (MLX 100%), which is the main asset of the CMNP. Although the value of the CMNP was written down to zero in August 2017 because of low nickel prices, this Project continues to be under active consideration as a potential development that could ultimately see potentially very significant amounts of nickel, cobalt, scandium and iron production based on the staged development of higher grade zones within the very large nickel limonite deposit involving important new processing technology, provided a suitable development arrangement can be agreed with the developer of the processing technology (a major Asian group) and the nickel price recovers further. MLX is currently reviewing the potential for initial production of nickel sulphate and cobalt sulphate from high grade zones of cobalt mineralisation within the deposit.

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 and development proposals. We have applied varying risk-weightings to the NPV estimates for the non-producing assets to reflect the development uncertainty. We have retained our valuation of the company’s Central Musgrave Nickel Project as we expect it to be developed in coming years.

Investment thesis: Buy, TP $0.98/sh (prev. $1.00)

MLX continues with the process of lifting copper production at Nifty as it progressively moves to new mining areas. The tin price is remaining firm so the Renison expansions (ore sorter and Rentails) are expected to generate very useful returns. The company is also continuing with pre-development studies into high grade cobalt production from its Wingellina Nickel-Cobalt Project. We have revised our forecasts after analysis of the 3Q FY18 production result, which has led to our forecast of a reported loss of around $18m in FY18 and reductions in our earnings forecasts of 23% and 14% for FY19 and FY20 respectively. Our 12-month forward NPV-based target price is lowered by 2% to $0.98 per share and our Buy recommendation is retained.

Shareholders

Major shareholders include: APAC Resources Ltd (9.1%); the Blackrock Group (8.2%); the Jinchuan Group Limited (7.2%); Ausbil Investment Management Ltd (5.3%); and Industry Super Holdings Pty Ltd (5.0%). 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 19 April 2018

Recommendation	Buy
Price	$0.76
Target (12 months)	$0.98

Table 4 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2016a	2017a	2018e	2019e	2020e
Revenue	$m	354	267	234	422	452
Operating expenses	$m	(318)	(225)	(224)	(331)	(351)
EBITDA	$m	**36**	**42**	**9**	**91**	**101**
Depreciation and amortisation	$m	(64)	(38)	(28)	(35)	(36)
EBIT	**$m**	**(28)**	**4**	**(18)**	**56**	**65**
Net interest	$m	1	1	0	0	1
PBT	$m	**(27)**	**5**	**(18)**	**56**	**66**
Tax expense	$m	4	(0)	0	(2)	(3)
Impairments/write-offs/other	$m	(1)	129	-	-	-
NPAT (reported)	$m	**(24)**	**134**	**(18)**	**54**	**63**
Abnormal items	$m	1	(129)	-	-	-
NPAT (normalised)	$m	**(23)**	**5**	**(18)**	**54**	**63**

PROFIT AND LOSS (INTERIMS)

Half year ending	Unit	Jun-16a	Dec-16a	Jun-17a	Dec-17a	Jun-18e
Revenue	$m	206	127	138	89	145
Expense	$m	(170)	(90)	(132)	(94)	(130)
EBITDA	$m	**36**	**36**	**6**	**(6)**	**15**
Depreciation	$m	(62)	(21)	(17)	(13)	(14)
EBIT	$m	(26)	16	(12)	(19)	1
Net interest expense	$m	0	1	1	0	0
PBT	$m	**(26)**	**16**	**(11)**	**(19)**	**1**
Tax (expense)/benefit	$m	2	(2)	2	1	(1)
Impairments/write-offs/other	$m	(1)	131	(2)	-	-
NPAT (reported)	$m	**(24)**	**145**	**(11)**	**(18)**	**0**
Abnormal items	$m	1	(131)	2	-	-
NPAT (normalised)	$m	**(23)**	**14**	**(10)**	**(18)**	**0**

CASH FLOW

Year ending 30 Jun	Unit	2016a	2017a	2018e	2019e	2020e
OPERATING CASHFLOW						
Receipts	$m	334	385	251	400	439
Payments	$m	(275)	(364)	(230)	(341)	(358)
Tax	$m	-	-	-	-	-
Net interest	$m	1	1	0	0	1
Other	$m	2	5	(0)	-	-
Operating cash flow	$m	**62**	**27**	**21**	**59**	**82**
INVESTING CASHFLOW						
Capex and exploration	$m	(128)	(64)	(39)	(25)	(25)
Other	$m	(4)	(59)	(1)	-	-
Investing cash flow	$m	**(132)**	**(123)**	**(40)**	**(25)**	**(25)**
FINANCING CASHFLOW						
Net equity proceeds	$m	-	110	0	-	-
Debt proceeds/(repayments)	$m	(3)	-	(2)	-	-
Dividends	$m	(10)	-	(5)	-	(6)
Other	$m	-	-	1	-	-
Financing cash flow	$m	**(13)**	**110**	**(5)**	**-**	**(6)**
Change in cash	$m	(83)	15	(24)	35	50
Free cash flow	$m	(66)	(37)	(18)	35	56

BALANCE SHEET

Year ending 30 Jun	Unit	2016a	2017a	2018e	2019e	2020e
ASSETS						
Cash & short term investments	$m	39	50	26	61	111
Accounts receivable	$m	16	45	20	31	35
Inventory	$m	52	44	73	73	73
Mine development and PPE	$m	277	118	125	109	92
Exploration & evaluation	$m	165	5	11	15	19
Other	$m	50	22	25	55	83
Total assets	$m	**599**	**283**	**281**	**345**	**414**
LIABILITIES						
Accounts payable	$m	68	29	37	42	48
Borrowings	$m	15	8	7	7	7
Other	$m	120	46	58	63	68
Total liabilities	$m	**204**	**84**	**102**	**112**	**124**
SHAREHOLDER'S EQUITY						
Share capital	$m	407	253	254	254	254
Reserves	$m	34	29	32	32	32
Retained earnings	$m	(46)	(83)	(107)	(53)	4
Non-controlling interest	$m	-	-	-	-	-
Total equity	$m	**395**	**199**	**178**	**233**	**290**
Weighted average shares	m	453	595	609	609	609

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2016a	2017a	2018e	2019e	2020e
VALUATION						
NPAT (adjusted)	$m	(23.1)	4.9	(18.2)	54.2	63.3
Normalised EPS	c/sh	(5.1)	0.8	(3.0)	8.8	10.3
EPS growth	%	na	na	na	na	17%
PER	x	na	96x	na	8.6x	7.3x
DPS	c/sh	-	1.0	-	1.0	2.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	0.0%	1.3%	0.0%	1.3%	2.6%
FCF/share	c/sh	(15)	(6)	(3)	6	9
FCF yield	%	na	-8%	-4%	7%	12%
EV/EBITDA	x	12.2x	10.6x	47.7x	4.9x	4.4x
PROFITABILITY RATIOS						
EBITDA margin	%	10%	16%	4%	22%	22%
EBIT margin	%	-8%	1%	-8%	13%	14%
Return on assets	%	-4%	2%	-6%	16%	15%
Return on equity	%	-6%	2%	-10%	23%	22%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(24)	(42)	(19)	(54)	(104)
ND / E	%	nc	nc	nc	nc	nc
ND / (ND + E)	%	nc	nc	nc	nc	nc

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2016a	2017a	2018e	2019e	LT real
Copper - Spot	US$/lb	2.22	2.44	3.09	3.28	3.30
Tin - Spot	US$/lb	7.12	9.02	9.23	9.40	9.70
Nickel - Spot	US$/lb	4.23	4.61	5.46	6.65	7.20
CURRENCY						
USD/AUD	US$/A$	0.73	0.75	0.78	0.77	0.75

ASSUMPTIONS - Production (equity %)

Year ending 30 Jun	Unit	2016a	2017a	2018e	2019e	2020e
Copper Division						
Ore treated	Mt		1.4	1.5	2.5	2.5
Average head grade	% Cu		1.78	1.42	1.59	1.68
Recovery	%		94.0	92.9	93.6	93.8
Copper production (in concentrate)	kt		23.4	19.7	36.4	39.5
Copper all in sustaining costs	US$/lb		1.14	3.62	2.77	2.73
Tin Division						
Ore treated	kt	687	738	733	721	720
Average head grade	% Sn	1.29	1.29	1.30	1.39	1.45
Recovery	%	72.0	73.2	74.4	76.2	77.3
Tin production (in concentrate)	kt	3.2	3.5	3.5	3.8	4.0
Tin all in sustaining costs	US$/lb	6.17	6.36	6.17	5.42	5.44

SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS

Shareholder	M Shares	Interest	Date of Latest Change
APAC Resources Ltd	55.9	9.1%	16/02/17
BlackRock Group	49.9	8.2%	4/04/18
Jinchuan Group Limited	44.0	7.2%	9/09/16
Ausbil Investment Management Ltd	32.3	5.3%	21/03/17
Industry Super Holdings Pty Ltd	30.6	5.0%	28/03/18
Directors and management	17.5	2.9%	various
Total	**230.3**	**37.6%**	

VALUATION

Issued capital	Unit	
Ordinary shares	m	612.0
Unlisted employee options	m	6.4
Total securities	**m**	**618.4**

	Current		+ 12 months		+ 24 months	
Sum of parts valuation	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**
Copper Division	280	0.45	278	0.45	234	0.38
Tin Division	235	0.38	240	0.39	231	0.37
Nickel Division	67	0.11	67	0.11	67	0.11
Exploration; shareholdings; and other assets	10	0.02	10	0.02	10	0.02
Corporate	(17)	(0.03)	(14)	(0.02)	(12)	(0.02)
Enterprise value	**575**	**0.93**	**582**	**0.94**	**531**	**0.86**
Net cash/(debt)[2]	27	0.04	24	0.04	59	0.09
Equity value	**602**	**0.97**	**606**	**0.98**	**590**	**0.95**

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
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
Analysts			
James Filius	Analyst	613 9235 1612	jfilius
Alex McLean	Analyst	613 8224 2886	amclean

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 150000 shares in MLX.

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