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Metals X Limited (MLX)

Nifty has another setback but getting closer to turnaround

Recommendation
Buy (unchanged)
Price
\$0.655
Target (12 months)
\$0.95 (previously \$0.98)

Expected Return

Capital growth	45%
Dividend yield	0%
Total expected return	45%

Company Data & Ratios

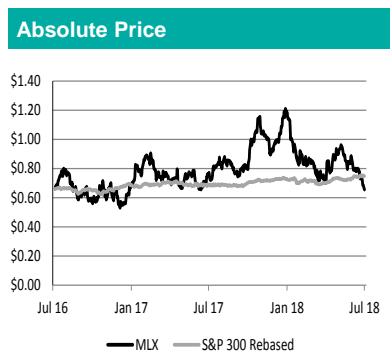
Enterprise value	\$390m
Market cap	\$401m
Issued capital	612.1m
Free float	62%
Avg. daily val. (52wk)	\$2.8m
12 month price range	\$0.655 - \$1.23

GICS sector

Materials

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.84	0.73	0.74
Absolute (%)	-21.6	-10.3	-11.5
Rel market (%)	-24.5	-16.7	-20.6



SOURCE: IRESS

Nifty turnaround delayed by new stopes not coming on line

Both of the MLX operations had production setbacks in 4Q FY18 that meant overall performance was even worse than expected. Although MLX reported in early June that Nifty had lost production from the conveyor belt replacement and continuing dilution from tertiary stopes, copper production was still expected to be in line with the March quarter level. But Nifty copper production was significantly below that level from a delay to new stopes coming on line and more lower grade ore coming from old mining areas. Nifty's copper output fell 23% to 3,850t from an 18% drop in ore grades, causing a 31% lift in the all in sustaining cost (AISC) to US\$3.98/lb, which led to an operating loss of \$6.0m. The Renison tin mine's performance was affected by 14% lower ore grades ahead of the operation of the new ore sorter facility, causing tin production to fall 18% to 1,412t (100% basis) and an 18% lift in AISC to US\$7.41/lb, giving a 33% lower operating surplus of \$6.8m. Total operating surplus was 94% down (qoq) at \$0.8m and total capex was estimated at \$15m. MLX is estimated to have had cash of about \$17.6m within cash and working capital of \$79.3m at 30 June 2018.

Larger underlying loss now likely for FY18 before turnaround

The lower 4Q FY18 production means MLX is now likely to report a larger underlying loss for FY18 of about \$23m. The company still expects to be producing at the rate of 35,000tpa of copper by about the end of 1Q FY19 and the ore sorter at Renison is also expected to be fully operational then, contributing to a turnaround in earnings.

Investment thesis – Buy, TP \$0.95/sh (prev. \$0.98)

Nifty's production is expected to improve significantly as mining in newly developed areas increases and Renison's output is expected to lift to over 8,000tpa as the ore sorter becomes fully operational. MLX has begun re-engagement with potential partners to develop its world-class Wingellina Nickel-Cobalt Project. We have revised our forecasts after the 4Q FY18 production result, which has led to our forecast of a loss of about \$23m in FY18 and reductions in our earnings forecasts of 63% and 4% for FY19 and FY20 respectively. Our 12-month forward NPV-based target price is reduced by 3% to \$0.95 per share and our Buy recommendation is retained.

Earnings Forecasts

Year end June	2017a	2018e	2019e	2020e
Sales (A\$m)	267	215	373	431
EBITDA (A\$m)	42	4	56	99
NPAT (reported) (A\$m)	134	(23)	20	61
NPAT (adjusted) (A\$m)	5	(23)	20	61
EPS (adjusted) (eps)	1	(4)	3	10
EPS growth (%)	na	na	na	200%
PER (x)	82.6	na	19.7	6.6
FCF Yield (%)	-10%	-7%	1%	14%
EV/EBITDA (x)	9.3	na	6.9	3.9
Dividend (eps)	1.0	-	1.0	2.0
Yield (%)	1.5%	0.0%	1.5%	3.1%
Franking (%)	0%	0%	0%	0%
ROE (%)	2%	-13%	10%	25%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Nifty and Renison have production performance slips

The 4Q FY18 production results of MLX (Table 1) was less than expected. Both of the MLX operations had production setbacks in 4Q FY18 that meant overall performance was even worse than expected. Although MLX reported in early June that Nifty had lost production from the conveyor belt replacement and continuing dilution from tertiary stopes, copper production was still expected to be in line with the March quarter level. But Nifty copper production was significantly below that level from a delay to new stopes coming on line that resulted in more lower grade ore coming from old mining areas. The Renison tin mine's performance was affected by significantly lower ore grades from development ore for the commissioning of the new ore sorter facility.

Table 1 – MLX 4Q FY18 production report summary

Year to 30 June		Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Jun-18	Change on	Actual vs
		Actual	Actual	Actual	Actual	Actual	BP est	pcp (%)	BP est (%)
Copper Division (Nifty)									
Ore milled	kt	381	259	387	366	350	483	-4%	-28%
Copper grade	%	1.66%	1.35%	1.32%	1.46%	1.20%	1.50%	-18%	-20%
Recovery	%	93.6%	91.5%	92.4%	93.8%	91.8%	93.4%	-2%	-2%
Copper production (in concentrate)	Kt	5.9	3.2	4.7	5.0	3.9	6.8	-23%	-43%
Copper sales (in concentrate)	Kt	7.9	0.1	4.3	7.3	4.0	6.5	-45%	-39%
Average realised copper price received	US\$/lb	2.57	2.87	3.10	3.15	3.12	3.13	-1%	-1%
All in sustaining costs	US\$/lb	2.69	4.85	3.34	3.05	3.98	2.82	31%	41%
Operating EBITDA	A\$m	0.6	(14.8)	(1.5)	3.3	(6.0)	(0.3)	na	2104%
Tin Division (Renison)									
Ore milled (100% basis)	kt	174	177	186	185	184	185	0%	0%
Tin grade	%	1.32%	1.38%	1.26%	1.27%	1.09%	1.28%	-14%	-15%
Recovery	%	74.1%	74.3%	75.8%	73.3%	70.5%	74.2%	-4%	-5%
Tin production (in concentrate, 100% basis)	Kt	1,703	1,811	1,785	1,725	1,418	1,758	-18%	-19%
Tin sales (in concentrate, 100% basis)	Kt	1,709	1,803	1,560	1,790	1,631	1,854	-9%	-12%
Average realised tin price	US\$/lb	9.05	9.32	8.99	9.56	9.49	9.30	-1%	2%
All in sustaining costs	US\$/lb	6.60	6.47	6.31	6.13	7.41	6.17	21%	20%
Operating EBITDA	A\$m	8.8	10.3	10.3	10.2	6.8	11.7	-33%	-42%
Corporate & Balance Sheet									
Operating EBITDA	A\$m	9.4	(4.5)	8.5	13.5	0.8	11.5	-94%	-93%
Capital expenditure	A\$m	(8.6)	(12.9)	(10.0)	(9.8)	(10.6)	(8.2)	8%	28%
Cash	A\$m	50.1	40.5	31.0	23.0	17.6	26.3	-27%	-33%
Total debt	A\$m	(8.5)	(7.7)	(7.0)	(7.0)	(7.0)	(7.0)	0%	0%
Net cash/(debt)	A\$m	41.6	32.8	24.0	16.0	10.7	19.3	-38%	-45%

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

The main features of MLX's 4Q FY18 production result were:

- Nifty's copper production fell by 23% to 3,850t from an 18% drop in average head grade to only 1.20% copper and a 4% decline in ore processing rate. Copper output in the latest quarter was produced at a 29% higher average C1 cash cost of US\$3.19/lb and a 31% higher qoq average all in sustaining cost (AISC) of US\$3.98/lb. Sales of copper in concentrate were down 45% qoq to 4,018t at a 1% lower average realised price of US\$3.12/lb (A\$9,086/t, up 3%) during which the spot copper price for the latest quarter was down 1.3% in US\$ terms (up 2.5% in A\$ terms). MLX delivered 4,500t of copper into lower priced hedges, realising a loss of \$3.7m. Nifty generated an operating loss (EBITDA) in the latest quarter of \$6.0 m compared to an operating profit of \$3.3m in previous quarter. MLX reported that 70% of development in the latest quarter was carried out outside the old checkerboard mining area, setting the mine up for improved performance as mining in the new areas becomes the dominant source with stopping

designs for over 10Mt of ore now in place to support the delayed ramp-up to the targeted 40ktpa rate of copper production. The company also reported that it had made additional changes to management at Nifty to further bolster leadership and productivity. Encouragingly, significant underground drilling in the mining areas scheduled for 2018/2019 has intersected significant widths and grades, validating the orebody interpretation and highlighting the upside potential.

- Renison tin production was below expectation, being 18% lower qoq at 1,412t (100% basis), which was lower than the company anticipated due to lower mine grades from the mining sequence and increased mine development for material for the ore sorter to use for its commissioning. Mining continued to produce more ore than was processed ahead of the ore sorter being fully operational. Ore processed was flat at 184kt but the average head grade was 14% lower at 1.09% tin and the average recovery rate was 4% lower at 70.5%. Tin production was achieved at a 25% higher average C1 cash cost of US\$6.49/lb qoq and at a 21% higher average AISC of US\$7.41/lb. Sales of tin in concentrate were down 9% qoq to 1,631t at a 1% lower average realised price of US\$9.49/lb qoq, resulting in the Renison mine contributing a 33% lower operating surplus (EBITDA) of \$6.8m. Improvements in scheduled ore grades is expected to enable the operation to achieve the targeted 15 – 20% increase in annual tin production (to a rate of 8.0 to 8.5ktpa) when the ore sorter has completed its commissioning and is fully operational. Drilling into the Leatherwood Trend, which is to be an upcoming area of production, has shown very encouraging thick widths and high tin grades. With the new “D Dam” now completed and the ore sorter constructed, major capital works at Renison are now complete for the time being.
- Total operating EBITDA was 94% lower (qoq) at \$0.8m (BPe \$11.5m) and total capex was estimated at \$15m (BPe \$8.2m). MLX is estimated to have had cash of about \$17.6m within total cash and working capital of \$79.3m and it had estimated debt (all related to equipment hire purchase agreements) of \$7m at 30 June 2018.
- MLX holds a large tenement position in the Paterson Ranges around Nifty and it has defined a number of copper-cobalt and zinc-lead anomalies that it has been actively preparing for drilling in the 2018 field season that has just commenced. Metallurgical test work on the large diameter drill cores from the 2017 field work on the Maroochydore copper-cobalt project is in progress.
- Retails environmental studies and modelling continued to advance the statutory approvals process. The Renison joint venture expects to lodge its Development Proposal and Environmental Management Plan by early 2019.
- The company is also continuing with pre-development studies into high grade cobalt production from its Wingellina Nickel-Cobalt Project and has commenced re-engagement with potential partners to develop the world-class project.

Earnings and target price changes

Earnings forecasts reduced, target price reduced by 3%

We have updated our forecasts following analysis of the 4Q FY18 production result. As a result, we have revised our earnings forecasts. We are now forecasting an underlying loss of about \$23m for FY18 and we have decreased our earnings forecasts by 63% for FY19 and by 4% for FY20 (Table 2).

We have reduced our target price, which is based on our 12-month forward NPV valuation, lowering it by 3% to \$0.95 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	3.06	3.28	3.25	-1%	0%	0%
Tin (US\$/lb)	9.23	9.40	9.70	9.36	9.40	9.70	1%	0%	0%
US\$/A\$	0.78	0.77	0.76	0.78	0.77	0.76	-1%	0%	0%
Equity production & costs									
Copper in concentrate (kt)	19.7	36.4	39.5	16.8	32.5	37.0	-15%	-11%	-6%
Copper all in sustaining costs (US\$/lb)	3.62	2.83	2.73	4.02	2.97	2.69	11%	5%	-2%
Tin in concentrate (kt)	3.5	3.8	4.0	3.4	3.7	4.2	-5%	-3%	3%
Tin all in sustaining costs (net of by-products) (US\$/lb)	6.17	5.42	5.44	6.57	6.41	5.94	7%	18%	9%
Earnings									
Revenue (\$m)	234	422	452	215	373	431	-8%	-12%	-5%
EBITDA (\$m)	9	91	101	4	56	99	-61%	-38%	-2%
EBIT (\$m)	-18	56	65	-23	22	63	na	-60%	-3%
NPAT (adjusted) (\$m)	-18	54	63	-23	20	61	na	-62%	-4%
EPS (adjusted) (cps)	-3	9	10	-4	3	10	na	-63%	-4%
PER (x)	na	8.6	7.3	na	19.7	6.6	na	11.1	-0.8
EPS Growth (%)	na	na	17%	na	na	200%	na	na	1089%
DPS (reported) (cps)	0.0	1.0	2.0	0.0	1.0	2.0	na	0%	0%
Yield	0.0%	1.3%	2.6%	0.0%	1.5%	3.1%	na	16%	16%
Net cash (debt)	19	54	104	11	14	63	-45%	-74%	-40%
Valuation (\$/sh)	0.97	0.98	0.95	0.92	0.95	0.91	-5%	-3%	-4%
Price Target (\$/sh)	0.98			0.95			-3%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

12-month forward valuation reduced by 3% to \$0.95/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 FY19 and to gradually rise to about 40ktpa by 2020 at AISCs of about US\$2.97/lb in FY19 and US\$2.69/lb in FY20 as increased production is progressively achieved on a more efficient basis by mining mostly in new areas outside of the historic “checkerboard” mining area that has caused delays and production short-falls since MLX acquired the mine;

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\$5.90/lb to US\$6.40/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 \$15m;
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. The company has commenced re-engagement with potential partners to develop the world-class project.

Table 3 - MLX valuations

	Now		+12 months		+24 months	
	A\$m	\$/sh ¹	A\$m	\$/sh ¹	A\$m	\$/sh ¹
DCF sum-of-parts valuation						
Copper Division	259	0.42	262	0.42	241	0.39
Tin Division	229	0.37	238	0.38	231	0.37
Nickel Division	74	0.12	74	0.12	74	0.12
Exploration and other assets	10	0.02	10	0.02	10	0.02
Corporate	(18)	(0.03)	(15)	(0.02)	(12)	(0.02)
Total enterprise value	554	0.90	569	0.92	543	0.88
Net cash/ (debt) ²	15	0.02	15	0.02	18	0.03
Equity Value	570	0.92	584	0.95	562	0.91

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 initially at lifting annual copper in concentrate output to around 35kt and ultimately to 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 in 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 \$0.95/sh (prev. \$0.98)

Nifty's production is expected to improve significantly as mining in newly developed areas increases and Renison's output is expected to lift to over 8,000tpa as the ore sorter becomes fully operational. MLX has begun re-engagement with potential partners to develop its world-class Wingellina Nickel-Cobalt Project. We have revised our forecasts after analysis of the 4Q FY18 production result, which has led to our forecast of a loss of about \$23m in FY18 and reductions in our earnings forecasts of 63% and 4% for FY19 and FY20 respectively. Our 12-month forward NPV-based target price is reduced by 3% to \$0.95 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.

Table 4 - Financial summary

PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending 30 Jun	Unit	2017a	2018e	2019e	2020e	2021e	Year ending 30 Jun	Unit	2017a	2018e	2019e	2020e	2021e
Revenue	\$m	267	215	373	431	449	VALUATION						
Operating expenses	\$m	(225)	(211)	(316)	(332)	(348)	NPAT (adjusted)	\$m	4.9	(22.8)	20.3	61.0	63.0
EBITDA	\$m	42	4	56	99	100	Normalised EPS	c/sh	0.8	(3.7)	3.3	9.9	5.1
Depreciation and amortisation	\$m	(38)	(27)	(34)	(36)	(36)	EPS growth	%	na	na	na	200%	3%
EBIT	\$m	4	(23)	22	63	65	PER	x	83x	na	19.7x	6.6x	6.4x
Net interest	\$m	1	0	0	1	2	DPS	c/sh	1.0	-	1.0	2.0	3.0
PBT	\$m	5	(23)	22	64	66	Franking	%	0%	0%	0%	0%	0%
Tax expense	\$m	(0)	0	(2)	(3)	(3)	Yield	%	1.5%	0.0%	1.5%	3.1%	4.6%
Impairments/write-offs/other	\$m	129	-	-	-	-	FCF/share	c/sh	(6)	(4)	1	9	10
NPAT (reported)	\$m	134	(23)	20	61	63	FCF yield	%	-10%	-7%	1%	14%	15%
Abnormal items	\$m	(129)	-	-	-	-	EV/EBITDA	x	9.3x	na	6.9x	3.9x	3.9x
NPAT (normalised)	\$m	5	(23)	20	61	63	PROFITABILITY RATIOS						
PROFIT AND LOSS (INTERIMS)							LIQUIDITY & LEVERAGE						
Half year ending	Unit	Jun-16a	Dec-16a	Jun-17a	Dec-17a	Jun-18e	EBITDA margin	%	16%	2%	15%	23%	22%
Revenue	\$m	206	127	138	89	126	EBIT margin	%	1%	-11%	6%	15%	14%
Expense	\$m	(170)	(90)	(132)	(94)	(117)	Return on assets	%	2%	-8%	7%	17%	15%
EBITDA	\$m	36	36	6	(6)	9	Return on equity	%	2%	-13%	10%	25%	21%
Depreciation	\$m	(62)	(21)	(17)	(13)	(13)	LIQUIDITY & LEVERAGE						
EBIT	\$m	(26)	16	(12)	(19)	(4)	Net debt / (cash)	\$m	(42)	(11)	(14)	(63)	(110)
Net interest expense	\$m	0	1	1	0	0	ND / E	%	nc	nc	nc	nc	nc
PBT	\$m	(26)	16	(11)	(19)	(4)	ND / (ND + E)	%	nc	nc	nc	nc	nc
Tax (expense)/benefit	\$m	2	(2)	2	1	(1)	ASSUMPTIONS - Prices						
Impairments/write-offs/other	\$m	(1)	131	(2)	-	-	Year ending 30 Jun	Unit	2017a	2018e	2019e	2020e	LT real
NPAT (reported)	\$m	(24)	145	(11)	(18)	(4)	Copper - Spot	US\$/lb	2.44	3.06	3.28	3.25	3.30
Abnormal items	\$m	1	(131)	2	-	-	Tin - Spot	US\$/lb	9.02	9.36	9.40	9.50	9.70
NPAT (normalised)	\$m	(23)	14	(10)	(18)	(4)	Nickel - Spot	US\$/lb	4.61	5.65	6.65	7.10	7.20
CASH FLOW							CURRENCY						
Year ending 30 Jun	Unit	2017a	2018e	2019e	2020e	2021e	USD/AUD	US\$/A\$	0.75	0.78	0.77	0.76	0.75
OPERATING CASHFLOW							ASSUMPTIONS - Production (equity share)						
Receipts	\$m	385	235	352	416	437	Year ending 30 Jun	Unit	2017a	2018e	2019e	2020e	2021e
Payments	\$m	(364)	(221)	(325)	(339)	(357)	Copper Division						
Tax	\$m	-	-	-	-	-	Ore treated	Mt	1.4	1.4	2.3	2.5	2.5
Net interest	\$m	1	0	0	1	2	Average head grade	% Cu	1.78	1.33	1.48	1.60	1.62
Other	\$m	5	(0)	-	-	-	Recovery	%	94.0	92.5	93.2	93.6	93.5
Operating cash flow	\$m	27	15	27	78	83	Copper production (in concentrate)	kt	23.4	16.8	32.5	37.0	37.4
INVESTING CASHFLOW							Copper all in sustaining costs	US\$/lb	2.46	4.02	2.97	2.69	2.75
Capex and exploration	\$m	(64)	(42)	(24)	(23)	(23)	Tin Division						
Other	\$m	(59)	(1)	-	-	-	Ore treated	kt	738	732	743	748	748
Investing cash flow	\$m	(123)	(43)	(24)	(23)	(23)	Average head grade	% Sn	1.29	1.25	1.32	1.45	1.45
FINANCING CASHFLOW							Recovery	%	73.2	73.6	75.1	77.2	77.2
Net equity proceeds	\$m	110	1	-	-	-	Tin production (in concentrate)	kt	3.5	3.4	3.7	4.2	4.2
Debt proceeds/(repayments)	\$m	-	(2)	-	-	-	Tin all in sustaining costs	US\$/lb	6.36	6.57	6.41	5.94	5.93
Dividends	\$m	-	(5)	-	(6)	(12)	SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS						
Other	\$m	-	1	-	-	-	Shareholder	M Shares	Interest	Date of Latest Change			
Financing cash flow	\$m	110	(5)	-	(6)	(12)	APAC Resources Ltd	55.9	9.1%	16/02/17			
Change in cash	\$m	15	(32)	3	49	47	BlackRock Group	49.9	8.2%	4/04/18			
Free cash flow	\$m	(37)	(27)	3	55	59	Jinchuan Group Limited	44.0	7.2%	9/09/16			
BALANCE SHEET							Ausbil Investment Management Ltd	32.3	5.3%	21/03/17			
Year ending 30 Jun	Unit	2017a	2018e	2019e	2020e	2021e	Industry Super Holdings Pty Ltd	30.6	5.0%	28/03/18			
ASSETS							Directors and management	17.5	2.9%	various			
Cash & short term investments	\$m	50	18	21	70	117	Total	230.3	37.6%				
Accounts receivable	\$m	45	17	28	34	36	VALUATION						
Inventory	\$m	44	73	73	73	73	Issued capital						
Mine development and PPE	\$m	118	129	115	99	84	Ordinary shares				m	612.1	
Exploration & evaluation	\$m	5	11	13	14	14	Unlisted employee options				m	6.0	
Other	\$m	22	25	53	80	107	Total securities				m	618.1	
Total assets	\$m	283	273	303	370	431							
LIABILITIES													
Accounts payable	\$m	29	33	39	45	49	Sum of parts valuation	Current	+ 12 months	+ 24 months			
Borrowings	\$m	8	7	7	7	7	\$m	\$/sh ¹	\$m	\$/sh ¹	\$m	\$/sh ¹	
Other	\$m	46	59	63	69	75	Copper Division	259	0.42	262	0.42	241	0.39
Total liabilities	\$m	84	99	109	121	131	Tin Division	229	0.37	238	0.38	231	0.37
SHAREHOLDER'S EQUITY							Nickel Division	74	0.12	74	0.12	74	0.12
Share capital	\$m	253	254	254	254	254	Exploration; shareholdings; and other assets	10	0.02	10	0.02	10	0.02
Reserves	\$m	29	32	32	32	32	Corporate	(18)	(0.03)	(15)	(0.02)	(12)	(0.02)
Retained earnings	\$m	(83)	(112)	(91)	(36)	14	Enterprise value	554	0.90	569	0.92	543	0.88
Non-controlling interest	\$m	-	-	-	-	-	Net cash/(debt) ²	15	0.02	15	0.02	18	0.03
Total equity	\$m	199	174	194	249	300	Equity value	570	0.92	584	0.95	562	0.91
Weighted average shares	m	595	611	612	612	612	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 150000 shares in MLX.

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