Analyst
Peter Arden 613 9235 1833

Authorisation
David Coates 612 8224 2887

Recommendation	
Buy (unchanged)	
Price	
$0.515	
Target (12 months)	
$0.90 (previously $0.95)	

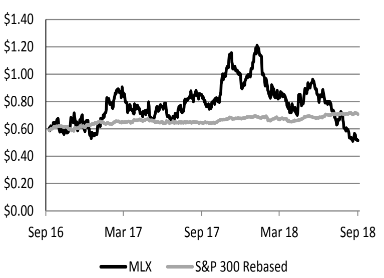
Expected Return	
Capital growth	75%
Dividend yield	2%
Total expected return	77%
Company Data & Ratios	
Enterprise value	$286m
Market cap	$355m
Issued capital	689.1m
Free float	66%
Avg. daily val. (52wk)	$2.8m
12 month price range	$0.495 - $1.23
GICS sector	

Materials

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.65	0.89	0.86
Absolute (%)	-20.8	-42.1	-39.8
Rel market (%)	-20.8	-45.8	-49.1

Absolute Price



SOURCE: IRESS

Metals X Limited (MLX)

Awaiting Nifty turnaround and boost from Renison's ore sorter

FY18 loss from delays to new Nifty stopes coming on line

MLX's FY18 financial performance ended up being close to expectations but it was well below expectations at the start of the year. The poor FY18 financial result (loss of $26.3m) was largely because Nifty copper output was well below the level originally expected from the combined impact of the underground conveyor outage; the delay in new stopes coming on line; and a far greater proportion of low grade ore coming from old mining areas. Nifty's FY18 copper sales fell 37% to 15.7kt at a 63% higher all in sustaining cost (AISC) of US$4.02/lb, more than offsetting the 28% lift in the average realised copper price of US$3.13/lb and causing a $19m operating loss compared to an operating profit of $5.2m in the previous year. Renison's FY18 performance was slightly up with MLX's share of tin sales steady at 3.4kt at a 3% higher average AISC of US$6.57/lb and 3% higher average realised tin price of US$9.34/lb, giving a 9% higher operating surplus of $37.6m. Operating cash flow was 2% higher at $27.3m and total capex was down 42% at $37.2m. MLX raised $50m in a recent placement and is now estimated to have cash and net cash of $79m and $69m respectively.

Nifty turnaround to start soon and Renison output set to lift

MLX expects the turnaround at Nifty to start soon. The company expects to be producing at the rate of 35,000tpa of copper in concentrate by about the end of 1Q FY19. The new ore sorter at Renison is also expected to be fully operational by then, having been experiencing usual new equipment teething issues lately, so tin output is also set to lift. With both operations performing to plan, earnings are set to rise.

Investment thesis – Buy, TP $0.90/sh (prev. $0.95)

We remain confident that MLX can get close to achieving its target production rate of 40ktpa of copper in concentrate at Nifty in 2020 and that Nifty and Renison will be delivering improved returns by then. After an expected "go" decision on the Rentails expansion, that should also be underway then. We have revised our estimates for the FY18 result and recent placement, which sees reductions to our estimates of 54%, 9% and 8% in FY19, FY20 and FY21 respectively. Our 12-month forward NPV-based target price is reduced by 5% to $0.90/share. Our Buy recommendation is retained.

Earnings Forecasts

Year end June	2018a	2019e	2020e	2021e
Sales (A$m)	210	358	435	453
EBITDA (A$m)	(1)	46	100	102
NPAT (reported) (A$m)	(26)	10	62	64
NPAT (adjusted) (A$m)	(26)	10	62	64
EPS (adjusted) (¢ps)	(4)	2	9	9
EPS growth (%)	na	na	497%	3%
PER (x)	na	34.1	5.7	5.5
FCF Yield (%)	-3%	2%	17%	16%
EV/EBITDA (x)	na	6.2	2.9	2.8
Dividend (¢ps)	-	1.0	2.0	3.0
Yield (%)	na	1.9%	3.9%	5.8%
Franking (%)	na	0%	0%	0%
ROE (%)	-15%	5%	22%	19%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Nifty setbacks more than offset Renison's slight lift

The poor overall FY18 financial performance of MLX saw it make a loss of $26.3m. Analysis of the result shows the company's performance was adversely affected by the dismal performance of the Nifty copper mine. After a promising start to the year, Renison's performance trailed off at the end from the impact of getting ready for the new ore sorter but overall it was slightly better than in the previous corresponding period (pcp) (Table 1).

Table 1 – MLX FY18 financial result summary

Year to 30 June		FY17 Actual	1H FY18 Actual	2H FY18 Actual	FY18 Actual	FY18 BP est	Change on pcp (%)	Actual vs BP est (%)
Copper Division (Nifty)								
Copper sales (in concentrate)	kt	24.8	4.4	11.3	**15.7**	15.7	-37%	0%
Average all in sustaining costs (AISC)	US$/lb	2.46	4.30	3.76	**4.02**	4.02	63%	0%
Average realised copper price received	US$/lb	2.45	3.09	3.14	**3.13**	3.13	28%	0%
Operating EBITDA	A$m	5.2	(16.3)	(2.7)	**(19.0)**	(19.0)	na	0%
Tin Division (Renison)								
Tin sales (in concentrate, 100% basis))	Kt	3.4	1.7	1.7	**3.4**	3.4	1%	0%
Average AISC	US$/lb	6.36	6.39	6.75	**6.57**	6.57	3%	0%
Average realised tin price	US$/lb	9.08	9.16	9.52	**9.34**	9.34	3%	0%
Operating EBITDA	A$m	34.6	20.6	17.0	**37.6**	37.6	9%	0%
Financials								
Sales Revenue	A$m	264.5	88.0	121.9	**209.9**	214.1	-21%	-2%
Operating EBITDA	A$m	39.8	4.0	14.6	**18.6**	18.6	-53%	0%
EBITDA	A$m	42.0	(5.7)	5.0	**(0.7)**	3.6	na	na
Reported NPAT	A$m	134.0	(18.4)	(7.9)	**(26.3)**	(22.8)	na	15%
Normalised NPAT	A$m	4.9	(18.4)	(7.9)	**(26.3)**	(22.8)	na	15%
Earnings Per Share (normalised)	¢	0.8	(3.0)	(1.3)	**(4.3)**	(3.7)	na	15%
Dividend Per Share	¢	1.0	0.0	0.0	**0.0**	0.0	na	na
Operating cash flow	A$m	26.8	7.5	19.8	**27.3**	14.9	2%	83%
Capital expenditure	A$m	(64.1)	(20.5)	(16.7)	**(37.2)**	(41.8)	-42%	-11%
Cash	A$m	50.1	31.0	31.2	**31.2**	17.6	-38%	77%
Total debt	A$m	(8.5)	(7.0)	(8.7)	**(10.4)**	(7.0)	22%	49%
Net cash/(debt)	A$m	41.6	24.0	22.5	**20.9**	10.7	-50%	96%

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

The main features of MLX's FY18 financial result were:

- MLX's FY18 financial performance ended up being close to expectations but it was well below expectations at the start of the year. The company reported a loss of $26.3m (BPe was for a loss of $22.8m). The poor financial outcome was largely because Nifty copper output was well below the level originally expected as a result of the combined impact of the underground conveyor outage; the delay in new stopes coming on line; and a far greater proportion of low grade ore coming from old mining areas. Nifty's FY18 copper sales fell 37% to 15.7kt at a 63% higher all in sustaining cost (AISC) of US$4.02/lb, more than offsetting the 28% lift in the average realised copper price of US$3.13/lb and causing a $19m operating loss compared to an operating profit of $5.2m in the previous year. Renison's FY18 performance was slightly up on the pcp with MLX's share of tin sales steady at 3.4kt at a 3% higher average AISC of US$6.57/lb and 3% higher average realised tin price of US$9.34/lb, giving a 9% higher operating surplus of $37.6m.
- Operating cash flow was 2% higher at $27.3m (BPe $14.9m). Total capex was 42% lower at $37.2m (BPe $41.8m), the majority of which was on growth aspects at the Nifty and Renison mines. Exploration expenditure was 54% lower than the pcp at $6.5m.

- MLX had cash of about $31.2m (down 38% on pcp) and it had interest-bearing debt (all related to equipment hire purchase agreements) of $10.4m (up 22% on pcp) at 30 June 2018 for net cash then of $20.9m (down 50% on pcp). Post the end of FY18, the company raised $50m in a share placement so we now estimate the current cash and net cash balances are about $79m and $69m respectively.
- MLX holds a large tenement position of over 3,200km^2 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 recently commenced. Geophysical modelling of high resolution aeromagnetic data suggests that the Maroochydore deposit, which is located about 85km south-east of Nifty, lies within a north-trending structural corridor with the possibility of a structural repetition of the mineralised horizon occurring to the east of the current Resource. A comprehensive review of historic exploration data at Maroochydore identified key exploration targets for drilling in the current field season. A drill program and comprehensive baseline studies commenced at Maroochydore during FY18 with a focus on the sulphide mineralisation and there was a further drilling program on the oxide Resource to provide samples for metallurgical test work with the objective of designing an oxide processing flowsheet.
- MLX maintained three underground diamond drills at Renison throughout FY18 with a focus on further expanding the Renison Resource Definition Program in Area 5, Deep Federal, the Leatherwood and Central Federal Basset lodes. Results from that drilling are continuing to through with the drilling demonstrating the continuance of strong mineralisation.
- Rentails environmental studies and modelling continued to advance the statutory approvals process. Further metallurgical testwork has been conducted and suppliers of key consumables sourced. Discussions with the Tasmanian Government regarding regional infrastructure upgrades is ongoing. The Renison joint venture expects to lodge its Development Proposal and Environmental Management Plan for Rentails by early 2019. Following completion of Rentails, the combined Renison operation is expected to produce about 13.4 to 13.9ktpa of tin with an AISC of less than A$17,000/t.
- 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. These discussions have included parties with which initial discussions had been held previously as well as other interested organisations including downstream end-users of product.
- MLX reported a loss of $10.4m in FY18 from copper hedging under a program that involved hedging 1,500t of copper per month from October 2017 to July 2018. The company also granted calls up to A$8,2555/t and bought puts as low as A$7,600/t for LME copper.

Earnings and target price changes

Dilutive placement contributes to lower earnings, target price

We have updated our forecasts following analysis of the FY18 financial result and incorporation of the recent placement. In doing that, we have also rolled forward our earnings forecasts. We have decreased our earnings forecasts by 54%, 9% and 8% for FY19, FY20 and FY21 respectively (Table 2). We estimate the recent placement was 4% dilutive.

We have reduced our target price, which is based on our 12-month forward NPV valuation, lowering it by 5% to $0.90 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	2019e	2020e	2021e	**2019e**	**2020e**	**2021e**	2019e	2020e	2021e
Prices & currency									
Copper (US$/lb)	3.28	3.25	3.33	**3.25**	**3.25**	**3.33**	-1%	0%	0%
Tin (US$/lb)	9.40	9.50	9.72	**9.40**	**9.50**	**9.70**	0%	0%	0%
US$/A$	0.77	0.76	0.75	**0.75**	**0.75**	**0.75**	-3%	-1%	0%
Equity production & costs									
Copper in concentrate (kt)	32.5	37.0	37.4	**30.4**	**37.8**	**38.6**	-6%	2%	3%
Copper all in sustaining costs (US$/lb)	2.97	2.69	2.75	**3.06**	**2.70**	**2.76**	3%	0%	0%
Nifty operating EBITDA ($m)	26.6	54.4	57.8	**17.7**	**57.4**	**61.8**	-34%	5%	7%
Tin in concentrate (kt)	3.7	4.2	4.2	**3.5**	**4.0**	**4.0**	-6%	-5%	-5%
Tin all in sustaining costs (net of by-products) (US$/lb)	6.41	5.94	5.93	**6.59**	**6.14**	**6.17**	3%	3%	4%
Renison operating EBITDA ($m)	41.0	57.1	60.3	**37.2**	**51.9**	**53.7**	-9%	-9%	-11%
Earnings									
Revenue ($m)	373	431	449	**358**	**435**	**453**	-4%	1%	1%
EBITDA ($m)	56	99	100	**46**	**100**	**102**	-18%	1%	2%
EBIT ($m)	22	63	65	**12**	**64**	**66**	-44%	2%	2%
NPAT (adjusted) ($m)	20	61	63	**10**	**62**	**64**	-49%	2%	2%
EPS (adjusted) (cps)	3	10	10	**2**	**9**	**9**	-54%	-9%	-8%
PER (x)	19.7	6.6	6.4	**34.1**	**5.7**	**5.5**	73%	-13%	-13%
EPS Growth (%)	na	200%	3%	**na**	**497%**	**3%**	na	148%	na
DPS (reported) (cps)	1.0	2.0	3.0	**1.0**	**2.0**	**3.0**	0%	0%	0%
Yield	1.5%	3.1%	4.6%	**1.9%**	**3.9%**	**5.8%**	27%	27%	27%
Net cash (debt)	14	63	110	**77**	**132**	**176**	457%	109%	61%
Valuation ($/sh)	0.95	0.91	0.90	**0.91**	**0.92**	**0.90**	-4%	1%	0%
Price Target ($/sh)	0.95			**0.90**			-5%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

12-month forward valuation reduced by 5% to $0.90/share

Our valuations of MLX (Table 3 on page 6) 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$3.06/lb in FY19, US$2.70/lb in FY20 and US$2.76/lb in FY21 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$6.15/lb to US$6.60/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% annually from previous levels when it is operating at the targeted rate and efficiency;
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 estimated at 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, which is located about 85km to the south-east of Nifty, is expected to come under consideration for development after a more detailed understanding of the extent of the oxide and sulphide mineralisation has been gained from current drilling and metallurgical testwork programs. A drill program and baseline environmental studies has been started, focused on the sulphide mineralisation. Further drilling on the oxide resource was completed recently to provide samples for ongoing metallurgical testwork; 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, possibly 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 deposit.
8. The exploration and other assets principally comprise minority investments in three ASX-listed companies: 11.26% of Nelson Resources; 6.45% of Brainchip Holdings; and 0.74% of Auris Minerals. These investments are valued at market.

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	288	0.41	274	0.39	228	0.33
Tin Division	221	0.32	217	0.31	210	0.30
Nickel Division	74	0.11	74	0.11	74	0.11
Exploration and other assets	12	0.02	12	0.02	12	0.02
Corporate	(25)	(0.04)	(22)	(0.03)	(20)	(0.03)
Total enterprise value	**570**	**0.82**	**554**	**0.80**	**504**	**0.73**
Net cash/ (debt)[2]	73	0.10	81	0.12	136	0.20
Equity Value	**642**	**0.93**	**635**	**0.91**	**640**	**0.92**

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION; BASED ON DILUTIVE CAPITAL OF 694.4M SHARES
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 $0.90/sh (prev. $0.95)

We remain confident that MLX can get close to achieving its target production rate of 40ktpa of copper in concentrate at Nifty in 2020 and that Nifty and Renison will be delivering improved returns by then. After an expected "go" decision on the Rentails expansion, that should also be underway then. We have revised our estimates for the FY18 result and recent placement, which sees reductions to our estimates of 54%, 9% and 8% in FY19, FY20 and FY21 respectively. Our 12-month forward NPV-based target price is reduced by 5% to $0.90/share. Our Buy recommendation is retained.

Shareholders

Major shareholders include: APAC Resources Ltd (8.1%); the Blackrock Group (7.1%); the Jinchuan Group Limited (6.4%); Industry Super Holdings Pty Ltd (5.0%); and IOOF Holdings Limited (5.0%). Directors and management currently have a total interest of about 2.5%.

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 5 September 2018

Recommendation	Buy
Price	$0.515
Target (12 months)	$0.90

Table 4 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
Revenue	$m	267	210	358	435	453
Operating expenses	$m	(225)	(211)	(311)	(335)	(351)
EBITDA	$m	**42**	**(1)**	**46**	**100**	**102**
Depreciation and amortisation	$m	(38)	(26)	(34)	(36)	(36)
EBIT	**$m**	**4**	**(26)**	**12**	**64**	**66**
Net interest	$m	1	0	(0)	1	1
PBT	$m	**5**	**(26)**	**12**	**65**	**68**
Tax expense	$m	(0)	-	(2)	(3)	(3)
Impairments/write-offs/other	$m	129	-	-	-	-
NPAT (reported)	$m	**134**	**(26)**	**10**	**62**	**64**
Abnormal items	$m	(129)	-	-	-	-
NPAT (normalised)	$m	**5**	**(26)**	**10**	**62**	**64**

PROFIT AND LOSS (INTERIMS)

Half year ending	Unit	Dec-16a	Jun-17a	Dec-17a	Jun-18a	Dec-18e
Revenue	$m	127	138	89	122	157
Expense	$m	(90)	(132)	(94)	(117)	(148)
EBITDA	$m	**36**	**6**	**(6)**	**5**	**10**
Depreciation	$m	(21)	(17)	(13)	(13)	(16)
EBIT	$m	16	(12)	(19)	(8)	(6)
Net interest expense	$m	1	1	0	(0)	(0)
PBT	$m	**16**	**(11)**	**(19)**	**(8)**	**(7)**
Tax (expense)/benefit	$m	(2)	2	1	(1)	(1)
Impairments/write-offs/other	$m	131	(2)	-	-	-
NPAT (reported)	$m	**145**	**(11)**	**(18)**	**(9)**	**(7)**
Abnormal items	$m	(131)	2	-	-	-
NPAT (normalised)	$m	**14**	**(10)**	**(18)**	**(9)**	**(7)**

CASH FLOW

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
OPERATING CASHFLOW						
Receipts	$m	385	229	340	421	440
Payments	$m	(364)	(203)	(306)	(335)	(356)
Tax	$m	-	-	-	-	-
Net interest	$m	1	0	(0)	1	1
Other	$m	5	0	-	-	-
Operating cash flow	$m	**27**	**27**	**34**	**87**	**86**
INVESTING CASHFLOW						
Capex and exploration	$m	(64)	(37)	(25)	(25)	(27)
Other	$m	(59)	(2)	-	-	-
Investing cash flow	$m	**(123)**	**(39)**	**(25)**	**(25)**	**(27)**
FINANCING CASHFLOW						
Net equity proceeds	$m	110	1	48	-	-
Debt proceeds/(repayments)	$m	-	(4)	-	-	-
Dividends	$m	-	(5)	-	(7)	(14)
Other	$m	-	1	-	-	-
Financing cash flow	$m	**110**	**(7)**	**48**	**(7)**	**(14)**
Change in cash	$m	15	(19)	56	55	45
Free cash flow	$m	(37)	(10)	8	62	59

BALANCE SHEET

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
ASSETS						
Cash & short term investments	$m	50	31	87	142	187
Accounts receivable	$m	45	14	28	35	36
Inventory	$m	44	55	55	55	55
Mine development and PPE	$m	118	129	117	104	92
Exploration & evaluation	$m	5	11	16	19	22
Other	$m	22	21	30	46	70
Total assets	$m	**283**	**261**	**333**	**401**	**462**
LIABILITIES						
Accounts payable	$m	29	32	39	46	50
Borrowings	$m	8	10	10	10	10
Other	$m	46	49	53	58	65
Total liabilities	$m	**84**	**91**	**102**	**115**	**125**
SHAREHOLDER'S EQUITY						
Share capital	$m	253	255	305	305	305
Reserves	$m	29	31	31	31	31
Retained earnings	$m	(83)	(115)	(105)	(49)	1
Non-controlling interest	$m	-	-	-	-	-
Total equity	$m	**199**	**170**	**231**	**286**	**337**
Weighted average shares	m	595	611	686	689	689

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
VALUATION						
NPAT (adjusted)	$m	4.9	(26.3)	10.4	62.4	64.3
Normalised EPS	c/sh	0.8	(4.3)	1.5	9.0	9.3
EPS growth	%	na	na	na	497%	3%
PER	x	73x	na	34.1x	5.7x	5.5x
DPS	c/sh	1.0	-	1.0	2.0	3.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	1.9%	0.0%	1.9%	3.9%	5.8%
FCF/share	c/sh	(6)	(2)	1	9	8
FCF yield	%	-12%	-3%	2%	17%	16%
EV/EBITDA	x	6.8x	na	6.2x	2.9x	2.8x
PROFITABILITY RATIOS						
EBITDA margin	%	16%	0%	13%	23%	22%
EBIT margin	%	1%	-13%	3%	15%	15%
Return on assets	%	2%	-10%	3%	16%	14%
Return on equity	%	2%	-15%	5%	22%	19%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(42)	(21)	(77)	(132)	(176)
ND / E	%	nc	nc	nc	nc	nc
ND / (ND + E)	%	nc	nc	nc	nc	nc

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	LT real
Copper - Spot	US$/lb	2.44	3.06	3.25	3.25	3.30
Tin - Spot	US$/lb	9.02	9.36	9.40	9.50	9.70
Nickel - Spot	US$/lb	4.61	5.65	6.65	7.10	7.40
CURRENCY						
USD/AUD	US$/A$	0.75	0.78	0.75	0.75	0.75

ASSUMPTIONS - Production (equity share)

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
Copper Division						
Ore treated	Mt	1.4	1.4	2.3	2.5	2.5
Average head grade	% Cu	1.78	1.33	1.44	1.63	1.66
Recovery	%	94.0	92.5	93.0	93.7	93.8
Copper production (in concentrate)	kt	23.4	16.8	30.4	37.8	38.6
Copper all in sustaining costs	US$/lb	2.46	4.02	3.06	2.70	2.76
Tin Division						
Ore treated	kt	738	732	743	748	748
Average head grade	% Sn	1.29	1.25	1.26	1.40	1.40
Recovery	%	73.2	73.6	73.8	76.3	76.3
Tin production (in concentrate)	kt	3.5	3.4	3.5	4.0	4.0
Tin all in sustaining costs	US$/lb	6.36	6.57	6.59	6.14	6.17

SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS

Shareholder	M Shares	Interest	Date of Latest Change
APAC Resources Ltd	55.9	8.1%	16/02/17
BlackRock Group	49.0	7.1%	24/08/18
Jinchuan Group Limited	44.0	6.4%	9/09/16
Industry Super Holdings Pty Ltd	34.5	5.0%	13/08/18
IOOF holdings Limited	34.5	5.0%	15/08/18
Directors and management	17.2	2.5%	various
Total	**235.2**	**34.1%**	

VALUATION

Issued capital	Unit	
Ordinary shares	m	689.1
Unlisted employee options	m	13.4
Total securities	**m**	**702.4**

	Current		+ 12 months		+ 24 months	
Sum of parts valuation	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**	**$m**	**$/sh[1]**
Copper Division	288	0.41	274	0.39	228	0.33
Tin Division	221	0.32	217	0.31	210	0.30
Nickel Division	74	0.11	74	0.11	74	0.11
Exploration, shareholdings and other assets	12	0.02	12	0.02	12	0.02
Corporate	(25)	(0.04)	(22)	(0.03)	(20)	(0.03)
Enterprise value	**570**	**0.82**	**554**	**0.80**	**504**	**0.73**
Net cash/(debt)[2]	73	0.10	81	0.12	136	0.20
Equity value	**642**	**0.93**	**635**	**0.91**	**640**	**0.92**

Notes: 1. May not add due to rounding and dilution
2. Based on diluted capital of 694.4m shares (includes unlisted options that are dilutive at above valuations)
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
Stuart Howe	Resources	613 9235 1856	showe
Analysts			
James Filius	Analyst	613 9235 1612	jfilius
Alex McLean	Analyst	613 8224 2886	amclean
Damien Williamson	Analyst	613 9235 1958	dwilliamson

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

Disclosure of interest:

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.

Peter Arden owns 150000 shares in MLX.

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner; (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report; and (3) The Analyst responsible for this report does hold an interest (150,000 shares) in the securities of Metals X Ltd at the date of this report.