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Metals X Ltd (MLX)

Nifty Reset Plan set to deliver improved performance

Recommendation
Buy (unchanged)
Price
$0.275
Target (12 months)
$0.52 (previously $0.45)

GICS Sector

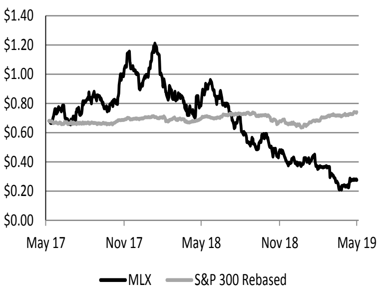
Materials

Expected Return	
Capital growth	**89%**
Dividend yield	**0%**
Total expected return	**89%**
Company Data & Ratios	
Enterprise value	**$155m**
Market cap	**$189m**
Issued capital	**689.1m**
Free float	**65%**
Avg. daily val. (52wk)	**$1.8m**
12 month price range	**$0.205 - $0.98**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.23	0.39	0.77
Absolute (%)	19.6	-29.5	-64.3
Rel market (%)	16.2	-38.3	-72.1

Absolute Price



SOURCE: IRESS

Two phase plan to lift copper output and reduce costs

MLX has released its Reset Plan for its 100% owned Nifty copper operation which is designed to sustainably lift copper output to around 35kt in concentrate by mid-2021 and to get all in sustain costs (AISC) down to around US$2.30/lb. The Plan has two phases. Phase 1 is currently underway and it has a focus on moving mining operations into new areas and improving underground infrastructure with a targeted ore processing rate of 2Mtpa by the March 2020 quarter to give annualized copper in concentrate production of 28kt at AISC of A$6,800 – A$7,300/t (US$2.31 – 2.48/lb). Phase 2 sees the ore mining and processing rate lifted to 2.5Mtpa with about 70% of the ore to come from new mining areas in the Eastern and Western Zones and the remaining 30% to come from the historic (but previously troublesome) Central Zone.

More capex and minor debt to get Nifty performing

Sustaining higher underground development rates is the key to improved Nifty performance, something the company has now been doing consistently over the past four months. Higher capex is forecast to get the operation to planned levels with the major part of this expenditure directed to underground development. Total annual capex of around $54m is forecast to be spent over each of the next three years, which includes total project capex of $27m, total exploration/resource definition capex of $16m and annual sustaining capex of around $33m. We expect the company to fund this from group cash flow and by taking on a very modest level of corporate debt.

Investment thesis – Buy, TP $0.52/sh (previously $0.45/sh)

The Nifty Reset Plan sets out an achievable pathway to give the company's copper business a positive future by efficiently using the existing infrastructure and Resource/Reserve base. We have revised our earnings forecasts to incorporate major parts of the Nifty Reset Plan. We are now forecasting a 9% lower loss in FY19. We have increased our earnings estimates for FY20 and FY21 by large percentages from a very low base. We have increased our 12-month forward NPV-related target price by 16% to $0.52/sh. Our Buy recommendation is retained.

Earnings Forecast

Year end June	2018a	2019e	2020e	2021e
Sales (A$m)	210	218	323	387
EBITDA (A$m)	(1)	(6)	60	85
NPAT (reported) (A$m)	(26)	(33)	26	46
NPAT (adjusted) (A$m)	(26)	(33)	26	46
EPS (adjusted) (¢ps)	(4.3)	(4.9)	3.8	6.6
EPS growth (%)	na	na	na	74%
PER (x)	na	na	7.2	4.1
FCF Yield (%)	-6%	-29%	1%	7%
EV/EBITDA (x)	na	na	2.6	1.8
Dividend (¢ps)	-	-	-	1.0
Yield (%)	0.0%	0.0%	0.0%	3.6%
Franking (%)	0%	0%	0%	0%
ROE (%)	na	na	12%	18%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Sustained mine development to drive production gains

The Nifty Reset Plan is forecast to deliver copper production at a rate very similar to our current forecasts of around 35ktpa of copper in concentrate from mid-2021 but at 20% lower AISC of around US$2.30/lb. The plan has two phases and requires higher capex that we forecast will see the company take on some minor corporate debt to supplement funding from group cash flow but, if successfully delivered, the Plan should see Nifty generating strong returns that will support higher earnings and share price rating.

The main features of MLX's Nifty Reset Plan are as follows:

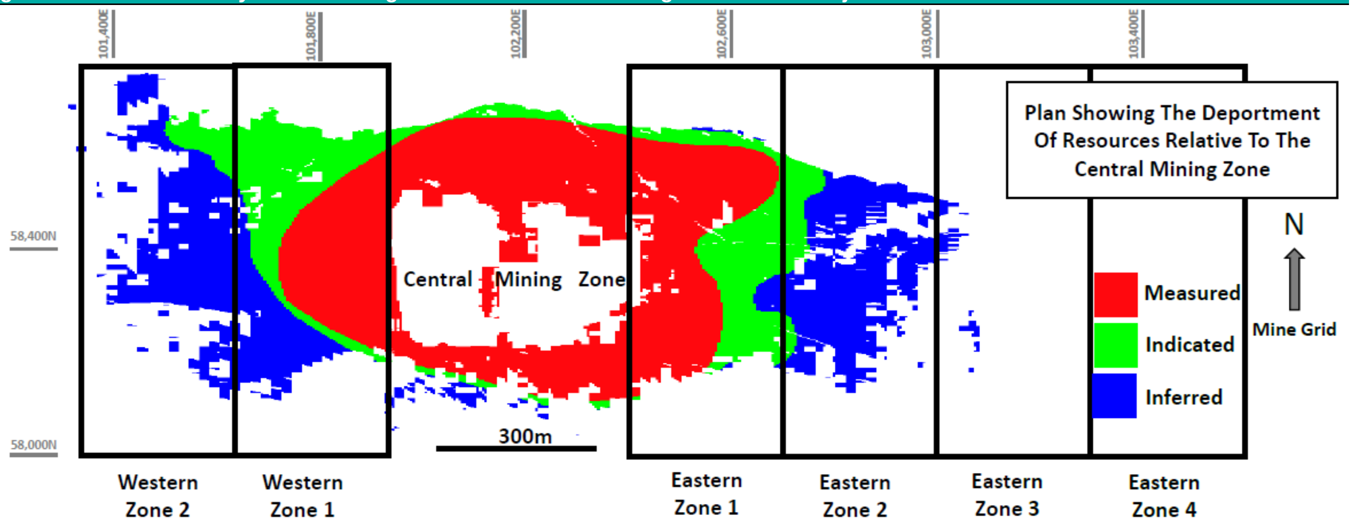
- **Expanded mining and processing rates**: There are two phases to the Plan of which Phase 1 is currently underway to focus mining operations into new areas and improve underground infrastructure with a targeted ore processing rate of 2Mtpa by the March 2020 quarter to produce annualised copper in concentrate production of 28kt at an average AISC of A$6,800 – 7,300/t (US2.31 – 2.48/lb). Phase 2 sees the ore mining and processing rate lift to 2.5Mtpa during the March 2021 quarter to produce annualised copper in concentrate production from then of around 35kt at an average AISC of A$6,400 – 6,900/t (US2.18 – 2.35/lb). At the steady Phase 2 production rate, approximately 35% of ore is to come from each of the Eastern and Western Zones and 30% is to come from the historic (and previously troublesome) Central Zone as the Central Zone still contains a significant copper endowment (Figure 1 over page). The average copper ore grade is forecast to be around 1.48% under both phases (which is conservative given the current Ore Reserve grade of 1.71% copper) and the average process plant recovery is forecast to be 94%.
- **Underground development and capex**: Sustaining higher underground development rates is the key to improved Nifty performance, something the company has now been doing consistently over the past four months. Higher capex is forecast to get the operation to planned levels with the major part of this expenditure directed to underground development. Total annual capex of around $54m (Table 1 over page) is forecast to be spent over each of the next three years, which includes total project capex of $27m, total exploration/resource definition capex of $16m and annual sustaining capex of around $33m. Underground development, which needs to be around 475 metres (m) per month to get to the 2Mtpa mine production rate and which is already been consistently achieved at that rate now and is set to be lifted to 550m per month during 2020 to raise the mine production capacity to the 2.5Mtpa rate after which underground development then needs to be sustained at around 500m per month to sustain that rate of production.
- **Funding**: We expect the company to fund its capex requirements from a combination of group cash flow supplemented by a very modest level of corporate debt. MLX has a current US$20m debt facility that is currently undrawn and it is in discussion with financiers in relation to other potential debt facilities.
- **Resource Development:** Considerable Resource development and exploration upside has been identified at Nifty. A Resource update is underway following a major drilling program with the results due to be reported in mid-2019. The Reset Plan has identified key areas outside the current Ore Reserve envelope that provide significant upside and potential to extend mine life. The opportunity exists to convert further significant parts of the Indicated and Inferred Resource to Ore Reserves through grade control programs within the Western and Eastern Zones 1 and 2 with potential to define new Resources down plunge to the east within Eastern Zones 3 and 4 (Figure 1 over page). Major drilling programs have been developed to test this potential and upgrade current Resources.

Table 1 - Forecast capital expenditure for the Nifty Reset Plan (A$ million)

Category	Capital item	Year 1 2019/20	Year 2 2020/21	Year 3 2021/22	TOTAL 3 YEARS
Property, plant & equipment					
Sustaining capital	Services & infrastructure	0.6	5.3	5.3	11.1
	Equipment rebuilds & replacements	1.4	2.8	3.5	7.7
	Sub-total: sustaining capital	**2.0**	**8.0**	**8.8**	**18.8**
Project capital	Paste plant, reticulation & tailings retrieval	4.0	0.5	0.5	4.9
	Ventilation and vertical development	3.3	1.2	2.3	6.9
	Services & infrastructure	3.0	1.2	1.4	5.6
	Electrical	4.0	-	-	4.0
	Underground works	1.0	-	-	1.0
	Sub-total: project capital	**15.2**	**2.9**	**4.1**	**22.3**
Total property, plant & equipment		**17.3**	**10.9**	**12.9**	**41.1**
Capital development					
Sustaining capital		30.9	31.7	32.5	95.1
Project capital		2.4	2.4	-	4.7
Total capital development		**33.3**	**34.1**	**32.5**	**99.9**
Resource definition & exploration drilling					
Resource definition drilling (sustaining capital)		1.5	2.0	2.0	5.6
Regional exploration		2.0	7.0	7.0	16.0
Total resource definition & exploration drilling		**3.5**	**9.0**	**9.0**	**21.6**
Total capital expenditure	Sustaining *	34.5	41.7	43.3	119.5
	Project	17.6	5.3	4.1	27.0
	Regional exploration	2.0	7.0	7.0	16.0
	Total capital	**54.1**	**54.0**	**54.4**	**162.5**

SOURCE: METALS X LTD

Figure 1 – Plan of the Nifty mine showing the historic Central Mining Zone and the adjacent new Eastern and Western Zones



Resources*

Mineral Resource Category	Mt	Grade Cu %	Copper tonnes
Measured	25.36	1.68%	426,000
Indicated	8.10	1.31%	106,000
Inferred	8.12	1.11%	90,000
Total	41.58	1.50%	622,000

Reserves*

Ore Reserve Category	Mt	Grade Cu %	Copper tonnes
Proved	11.75	1.76%	207,000
Probable	2.15	1.42%	30,500
Total	13.90	1.71%	237,500

SOURCE: METALS X LTD

Revisions to earnings and target price

Assumptions of Nifty improvements drive higher earnings

We have updated our MLX forecasts following analysis of the Nifty Reset Plan. We are now forecasting a 9% lower loss in FY19. We have increased our earnings estimates for FY20 and FY21 by large percentages from a very low base (Table 2).

We have increased our target price, which is based on our 12-month forward NPV valuation, by 16% to $0.52 per share. We have retained our Buy recommendation.

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

	Previous			New			Change		
Year ending 30 June	2019e	2020e	2021e	**2019e**	**2020e**	**2021e**	2019e	2020e	2021e
Prices & currency									
Copper (US$/lb)	2.85	3.21	3.30	**2.85**	**3.21**	**3.30**	0%	0%	0%
Tin (US$/lb)	8.94	9.45	9.60	**8.94**	**9.45**	**9.60**	0%	0%	0%
US$/A$	0.73	0.75	0.75	**0.73**	**0.75**	**0.75**	0%	0%	0%
Equity production & costs									
Copper in concentrate (kt)	19.0	29.9	36.3	**18.2**	**26.0**	**33.2**	-5%	-13%	-9%
Copper all in sustaining costs (US$/lb)	3.48	3.14	3.06	**3.50**	**3.09**	**2.84**	0%	-2%	-7%
Nifty operating EBITDA ($m)	(19.4)	12.3	20.2	**(17.1)**	**31.6**	**53.3**	na	158%	164%
Tin in concentrate (kt)	3.7	4.1	4.1	**3.7**	**4.1**	**4.1**	0%	0%	0%
Tin all in sustaining costs (net of by-products) (US$/lb)	5.59	5.54	5.55	**5.59**	**5.54**	**5.55**	0%	0%	0%
Renison operating EBITDA ($m)	37.3	41.0	42.6	**37.3**	**41.0**	**42.6**	0%	0%	0%
Earnings									
Revenue ($m)	225	355	413	**218**	**323**	**387**	-3%	-9%	-6%
EBITDA ($m)	(8)	39	49	**(6)**	**60**	**85**	-35%	53%	73%
EBIT ($m)	(36)	7	14	**(33)**	**30**	**50**	-10%	304%	256%
NPAT (adjusted) ($m)	(37)	4	11	**(33)**	**26**	**46**	-9%	586%	334%
EPS (adjusted) (cps)	(5.4)	0.6	1.5	**(4.9)**	**3.8**	**6.6**	-9%	586%	334%
PER (x)	na	48.5	17.6	**na**	**7.2**	**4.1**	na	-85%	-77%
EPS Growth (%)	na	na	176%	**na**	**na**	**74%**	na	na	-58%
DPS (reported) (cps)	0.0	0.0	0.0	**0.0**	**0.0**	**1.0**	na	na	na
Yield	0.0%	0.0%	0.0%	**0.0%**	**0.0%**	**3.6%**	na	na	na
Net cash (debt)	14	25	64	**26**	**28**	**38**	86%	13%	-41%
Valuation ($/sh)	0.46	0.45	0.46	**0.49**	**0.52**	**0.54**	7%	16%	17%
Price Target ($/sh)	0.45			**0.52**			16%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Target price increased 16% to $0.52/share

Our valuations of MLX (Table 3 on page 5) are based on:

- A sum-of-the-parts NPV 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. In keeping with our expectation that the Nifty Reset Plan will be successfully implemented, we have revised our forecasts for copper production to reach a rate of around 28ktpa by mid-2020 and then increase to around 35ktpa by mid-2021 with forecast average net AISCs declining from around US$3.50/lb in FY19 to around US$3.09/lb in FY20 and US$2.84/lb in FY21;
  2. While Renison is targeting the mining of higher grade ore from the new Area 5 and Leatherwood areas in coming years, until there is clarity on the timing of that, we are retaining our tin production forecasts (on a 100% basis) at between 8.0ktpa to 8.5ktpa with average net AISCs that we forecast will be in the range of about US$5.50/lb to US$5.60/lb over the next three years;

3. Sustaining and project capex of around $65mpa over the next three years for MLX's share of Renison and for Nifty (excluding the Rentails development);
4. Annual exploration spend is to be increased to around $10mpa;
5. The Renison expansion project, Rentails, remains under active development consideration with the firmer tin price making the development very attractive given the healthy tin price of around US$9.40/lb (A$29,000/t) 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. and
7. We have reduced our valuation of the Central Murchison Nickel Project (CMNP) because although 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, with the company focused on delivering the Nifty Reset Plan and advancing the Rentails Project the CMNP is not a priority development project. We expect the CMNP will initially be developed as a modest scale operation targeting higher grade mineralisation following completion of appropriate testwork and economic studies.
8. The exploration and other assets principally comprise minority investments in three ASX-listed companies: 11.26% of Nelson Resources; approximately 4.9% of Brainchip Holdings; and 0.74% of Auris Minerals. We have valued these investments at 90% of their current market value.

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	96	0.14	133	0.19	140	0.20
Tin Division	180	0.26	175	0.25	171	0.25
Nickel Division	48	0.07	48	0.07	48	0.07
Exploration and other assets	3	0.00	3	0.00	3	0.00
Corporate	(25)	(0.04)	(22)	(0.03)	(20)	(0.03)
Enterprise Value	**302**	**0.44**	**337**	**0.49**	**343**	**0.50**
Net cash/ (debt)[2]	35	0.05	26	0.04	28	0.04
Equity Value	**337**	**0.49**	**363**	**0.52**	**371**	**0.54**

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION; BASED ON DILUTIVE CAPITAL OF 691.6M SHARES
2. DOES NOT INCLUDE ANY 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 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, currently producing between 8.0 – 8.5kt of tin in concentrate after a recent expansion involving the installation of tertiary crushing and ore sorting; 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 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 reset aimed initially at lifting annual copper in concentrate output to around 28kt by the march 2020 quarter and then to around 35kt from the March 2021 quarter at lower AISCs; 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 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. 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 studying the scope 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 reduced our valuation of the company's Central Musgrave Nickel Project as there is less certainty over its development and it is likely to take longer than previously expected.

Investment thesis: Buy, TP $0.52/sh (previously $0.45/sh)

The Nifty Reset Plan sets out an achievable pathway to give the company's copper business a positive future by efficiently using the existing infrastructure and Resource/Reserve base. We have revised our earnings forecasts to incorporate major parts of the Nifty Reset Plan. We are now forecasting a 9% lower loss in FY19. We have increased our earnings estimates for FY20 and FY21 by large percentages from a very low base. We have increased our 12-month forward NPV-related target price by 16% to $0.52/sh. Our Buy recommendation is retained.

Shareholders

Major shareholders include: Mitsubishi UFJ financial Group (8.9%); IOOF Holdings Limited (8.7%); APAC Resources Ltd (8.1%); and the Jinchuan Group Limited (6.4%). Directors and management currently have a total interest of about 2.6%.

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 1 May 2019

Recommendation	Buy
Price	$0.275
Target (12 months)	$0.52

Table 4 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
Revenue	$m	267	210	218	323	387
Operating expenses	$m	(225)	(211)	(223)	(263)	(302)
EBITDA	$m	**42**	**(1)**	**(6)**	**60**	**85**
Depreciation and amortisation	$m	(38)	(26)	(27)	(31)	(35)
EBIT	**$m**	**4**	**(26)**	**(33)**	**30**	**50**
Net interest	$m	1	0	(1)	(0)	(0)
PBT	$m	**5**	**(26)**	**(33)**	**29**	**49**
Tax expense	$m	(0)	-	-	(3)	(3)
Impairments/write-offs/other	$m	129	-	-	-	-
NPAT (reported)	$m	**134**	**(26)**	**(33)**	**26**	**46**
Abnormal items	$m	(129)	-	-	-	-
NPAT (normalised)	$m	**5**	**(26)**	**(33)**	**26**	**46**

PROFIT AND LOSS (INTERIMS)

Half year ending	Unit	Jun-17a	Dec-17a	Jun-18a	Dec-18a	Jun-19e
Revenue	$m	138	89	122	92	126
Expense	$m	(132)	(95)	(116)	(113)	(110)
EBITDA	$m	**6**	**(6)**	**5**	**(21)**	**16**
Depreciation	$m	(17)	(13)	(13)	(15)	(12)
EBIT	$m	(12)	(19)	(7)	(36)	3
Net interest expense	$m	1	0	(0)	(0)	(0)
PBT	$m	**(11)**	**(19)**	**(7)**	**(36)**	**3**
Tax (expense)/benefit	$m	2	1	(1)	-	-
Impairments/write-offs/other	$m	(2)	-	-	-	-
NPAT (reported)	$m	**(11)**	**(18)**	**(8)**	**(36)**	**3**
Abnormal items	$m	2	-	-	-	-
NPAT (normalised)	$m	**(10)**	**(18)**	**(8)**	**(36)**	**3**

CASH FLOW

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
OPERATING CASHFLOW						
Receipts	$m	385	229	210	317	378
Payments	$m	(364)	(203)	(219)	(260)	(298)
Tax	$m	-	-	-	-	-
Net interest	$m	1	0	(0)	(0)	(0)
Other	$m	5	0	-	-	-
Operating cash flow	$m	**27**	**27**	**(9)**	**57**	**80**
INVESTING CASHFLOW						
Capex and exploration	$m	(64)	(37)	(46)	(54)	(66)
Other	$m	(59)	(2)	(4)	-	(5)
Investing cash flow	$m	**(123)**	**(39)**	**(50)**	**(54)**	**(71)**
FINANCING CASHFLOW						
Net equity proceeds	$m	110	1	47	-	-
Debt proceeds/(repayments)	$m	-	(4)	20	-	-
Dividends	$m	-	(5)	-	-	-
Other	$m	-	1	-	-	-
Financing cash flow	$m	**110**	**(7)**	**65**	**-**	**-**
Change in cash	$m	15	(19)	6	2	10
Free cash flow	$m	(37)	(10)	(55)	2	14

BALANCE SHEET

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
ASSETS						
Cash & short term investments	$m	50	31	37	39	49
Accounts receivable	$m	45	14	15	17	18
Inventory	$m	44	55	63	63	63
Mine development and PPE	$m	118	129	130	157	195
Exploration & evaluation	$m	5	11	17	21	32
Other	$m	22	21	22	23	23
Total assets	$m	**283**	**261**	**284**	**319**	**378**
LIABILITIES						
Accounts payable	$m	29	32	37	42	49
Borrowings	$m	8	10	11	11	11
Other	$m	46	49	51	54	61
Total liabilities	$m	**84**	**91**	**99**	**107**	**121**
SHAREHOLDER'S EQUITY						
Share capital	$m	253	255	302	302	302
Reserves	$m	29	31	28	28	28
Retained earnings	$m	(83)	(115)	(145)	(118)	(72)
Non-controlling interest	$m	-	-	-	-	-
Total equity	$m	**199**	**170**	**185**	**211**	**257**
Weighted average shares	m	595	611	681	689	689

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
VALUATION						
NPAT (adjusted)	$m	4.9	(26.3)	(33.2)	26.3	45.9
Normalised EPS	c/sh	0.8	(4.3)	(4.9)	3.8	6.6
EPS growth	%	na	na	na	na	74%
PER	x	39x	na	na	7.2x	4.1x
DPS	c/sh	1.0	-	-	-	1.0
Franking	%	0%	0%	0%	0%	0%
Yield	%	3.6%	0.0%	0.0%	0.0%	3.6%
FCF/share	c/sh	(6)	(2)	(8)	0	2
FCF yield	%	-23%	-6%	-29%	1%	7%
EV/EBITDA	x	3.7x	na	-28.1x	2.6x	1.8x
PROFITABILITY RATIOS						
EBITDA margin	%	16%	0%	-3%	19%	22%
EBIT margin	%	1%	-13%	-15%	9%	13%
Return on assets	%	2%	-10%	-12%	8%	12%
Return on equity	%	2%	-15%	-18%	12%	18%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(42)	(21)	(26)	(28)	(38)
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$/lb	2.44	3.06	2.85	3.21	3.25
Tin - Spot	US$/lb	9.02	9.36	8.94	9.45	9.60
Nickel - Spot	US$/lb	4.61	5.65	5.83	7.15	7.40
CURRENCY						
USD/AUD	US$/A$	0.75	0.78	0.73	0.75	0.75

ASSUMPTIONS - Production (equity share) and Profitability

Year ending 30 Jun	Unit	2017a	2018a	2019e	2020e	2021e
Copper Division						
Ore treated	Mt	1.4	1.4	1.4	1.9	2.4
Average head grade	% Cu	1.78	1.33	1.43	1.48	1.48
Recovery	%	94.0	92.5	92.7	93.6	93.5
Copper production (in concentrate)	kt Cu	23.4	16.8	18.2	26.0	33.2
Copper all in sustaining costs	US$/lb	2.05	3.66	3.50	3.09	2.84
Operating EBITDA	A$ m	5.2	(18.6)	(17.1)	31.6	53.3
Tin Division						
Ore treated	kt	369	366	374	374	374
Average head grade	% Sn	1.29	1.25	1.37	1.49	1.50
Recovery	%	73.2	73.6	72.6	73.8	73.9
Tin production (in concentrate)	kt Sn	3.5	3.4	3.7	4.1	4.1
Tin all in sustaining costs	US$/lb	5.58	5.83	5.59	5.54	5.55
Operating EBITDA	A$ m	36.3	37.6	37.3	41.0	42.6

SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS

Shareholder	M Shares	Interest	Date of Latest Change
Mitsubishi UFJ Financial Group, Inc.	61.5	8.9%	28/03/19
IOOF holdings Limited	60.3	8.7%	2/04/19
APAC Resources Ltd	55.9	8.1%	16/02/17
Jinchuan Group Limited	44.0	6.4%	9/09/16
Directors and management	17.6	2.6%	various
Total	**239.3**	**34.7%**	

VALUATION

Issued capital	Unit	
Ordinary shares	m	689.1
Unlisted employee options	m	12.3
Total securities	**m**	**701.4**

	Current		+ 12 months		+ 24 months	
Sum of parts valuation	**$m**	**$/sh[1,2]**	**$m**	**$/sh[1,2]**	**$m**	**$/sh[1,2]**
Copper Division	96	0.14	133	0.19	140	0.20
Tin Division	180	0.26	175	0.25	171	0.25
Nickel Division	48	0.07	48	0.07	48	0.07
Exploration, shareholdings and other assets	3	0.00	3	0.00	3	0.00
Corporate	(25)	(0.04)	(22)	(0.03)	(20)	(0.03)
Enterprise value	**302**	**0.44**	**337**	**0.49**	**343**	**0.50**
Net cash/(debt)[3]	35	0.05	26	0.04	28	0.04
Equity value	**337**	**0.49**	**363**	**0.52**	**371**	**0.54**

Notes: 1. May not add due to rounding and dilution
2. Based on diluted capital of 689.1m shares. (Excludes unlisted options as not dilutive at above valuations)
3. Debt includes equipment leases

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 350000 shares in MLX.

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