

Metals X Ltd^{4,1*}

▼ **HOLD**

MLX-ASX

1 February 2017

Last: **A\$0.79**
▲ Target: **A\$0.84**

Solid quarter from Renison, Nifty now generating cash

Renison continues to deliver into favourable tin price

Renison produced another solid quarter of owner operator production of 190,438t @ 1.3% Sn for 1,768t Sn that beat the previous quarter and was largely in line with expectations (S&Pe 190,000t @ 1.35% Sn for 1,821t Sn). The production was sold at a favourable price of A\$27,911/t, a beat on our assumptions of A\$26,798/t. This impacted revenue and resulted in a more favourable cash position. Initial results from a continuing ore sorting study indicate that tin production could be expanded 15-20% with minimal additional capital expenditure at Renison.

Nifty production shows considerable improvement and cashflow positive

Nifty production output of 395kt continues to grow QoQ but fell short of expectations (S&Pe 500kt). However, grades (2.1% Cu) and recoveries (95%) beat expectations (S&Pe 1.9% Cu & 94%) and were much improved on the previous quarter. The resulting 7,909t of copper metal produced was a miss on expectations (S&Pe 8,930t Cu) but was sold at a considerably higher copper price of A\$6,970/t resulting in an additional A\$6m in revenue and a further improved cash balance.

Reduce to HOLD rating and lift price target to A\$0.84/share

Our SOTP valuation based price target has lifted slightly due to the quarterly increase in spot tin and copper prices and slightly improved tin sales resulting in a stronger cash and working capital position than expected.

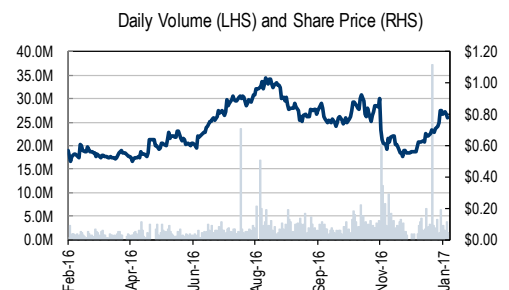
Despite the slight increase in our valuation, market valuations are now inline and consequently we reduce to a HOLD recommendation.

What's changed	Old	New
Rating	BUY	HOLD
Target (A\$)	\$0.79	\$0.84
Tin Production 2016 (kt)	3.18	3.18
Tin Production 2017E (kt)	3.59	3.56
Tin Production 2018E (kt)	3.64	3.64
Copper Production 2016 (Kt)	33.06	33.06
Copper Production 2017E (Kt)	35.76	34.74
Copper Production 2018E (Kt)	44.65	44.65

Share Data	
Share o/s (m, basic)	609.3
52-week high/low (A\$)	1.1/0.49
52-week average daily volume (shares)	2.5 M
Market cap (A\$m)	\$478.33
EV (A\$m)	\$403.30
End Qtr Net debt (A\$m)	-\$75.04
Projected return	8%
NAV0%/share	\$0.84
NAV8%/share	\$0.84
P/NAV0%	0.93
P/NAV8%	0.93

Financial Data			
YE June 30	FY16	FY17E	FY18E
Tin production (kt)	3.18	3.56	3.64
AISC(A\$/t)	\$19,952	\$17,821	\$17,724
Copper production (Kt)	n.a	34.74	44.65
AISC (A\$/lb)	n.a	\$2.71	\$2.48
Capex (A\$m)	-\$102	-\$25	-\$26
Free cashflow (A\$m)	\$39.2	\$45.1	\$44.8
EPS	-\$0.05	\$0.06	\$0.06
FCFPS	\$0.08	n.a.	\$0.07
P/E	-15.9	13.5	12.2
P/FCF	9.6	n.a.	10.7
EV/EBITDA	-13.2	5.4	4.3

All figures in A\$.



Source: ASX Warning: Past performance is not indicative of future performance

Duncan Hughes +61 8 6141 6322
dhughes@somersandpartners.com.au

**See important disclosures on the last page of this report*

Figure 1. Quarterly performance against our expectations and the previous quarter

Assumption	Actual	Our Assumption	September 16
Tin Price paid (A\$/t)	27,911	26,798	24,727
Copper Price paid (A\$/t)	6,970	6,517	6,236
Renison Ore milled (t)	190,438	190,000	188,631
Renison Head grade (% Sn)	1.29	1.35	1.28
Renison Recovery (%)	72.33	71	71.07
Renison Tin produced (t)	1,768	1,821	1,718
Nifty Ore milled (t)	394,985	500,000	277,356
Nifty Head grade (% Cu)	2.11	1.9	1.73
Nifty Recovery (%)	94.85	94	93.86
Nifty Copper produced (t)	7,909	8,930	4,504
Renison Tin sold (t)	1,868	1,821	1,394
Renison cash cost (A\$/t Sn)	11,980	13,302	11,028
Renison AISC (A\$/t Sn)	18,495	17,781	17,344
Nifty Copper sold (t)	8,213	8,930	4,224
Nifty Cash cost (A\$/t Cu)	4,223	4,143	4,625
Nifty AISC (A\$/t Cu)	6,232	5,836	6,348
Est. Cash (A\$m)	75	61.7	

Source: Somers and partners



Valuation		Financials (A\$m)									
Asset	Discount rate	Unrisked NAV (A\$m)	NAV *X* Factor	NAV Target (A\$m)	Target Price (A\$)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Nifty	10%	\$177.1	1.00 X	\$177.1	\$0.29						
Renison (50%)	10%	\$179.3	1.00 X	\$179.3	\$0.29						
Rentails (50%)	n.a	\$20.0	1.00 X	\$20.0	\$0.03						
Wingellina	10%	\$162.3	0.15 X	\$24.4	\$0.04						
Exploration Upside	n.a	\$15.0	1.00 X	\$15.0	\$0.02						
Cash (est. qtr end)	n.a	\$75.0	1.00 X	\$75.0	\$0.12						
Listed investments	n.a	\$15.3	1.00 X	\$15.3	\$0.03						
Corporate (incl. tax credits)	10%	\$8.2	1.00 X	\$8.2	\$0.01						
Total NAV		\$652.2		\$514.2	\$0.84						

Financials (A\$m)		Balance Sheet					
Profit & Loss	Assets	Liabilities					
Revenue	Cash	Borrowings					
Cost of Sales	Total Current Assets	Total Current Liabilities					
Gross Profit	PPE & Exp. & Dev.	Total Non Current Liabilities					
EBITDA	Total Non Current Assets	Total Liabilities					
Net Profit before tax	Total Assets	Cashflow Generation					
Net Profit after tax		Operating cashflow					
Tax Payable		Debt Funding					
Profit after tax		Equity Funding					
		Capital Expenditure					
		Debt Repayments					
		Free cashflow					
		Dividend Payouts					
		Dividend paid					
		Dividend per share					
		Dividend yield					

Reserve and Resources Statement (attributable)				
Status	Tonnes (Mt)	Grade	Contained	EV/t
Nickel Reserve	168.4	0.9	1,561,000	\$258
Nickel Resource	215.8	0.9	1,953,000	\$206
Tin Reserve	27.3	0.6	170,000	\$2,379
Tin Resource	35.7	0.8	274,000	\$1,470
Copper Reserve	32.3	0.5	161,000	\$2,508
Copper Resource	113.0	1.0	1,107,000	\$364

Production Profile (t Sn, Cu) (attributable & before payabilities)				
Operation	FY2016	FY2017	FY2018	FY2020
Renison (t Sn)	3,181	3,564	3,642	3,642
Nifty (t Cu)	33,056	34,738	44,650	44,650

All in Sustaining Costs (A\$)*				
Operation	FY2016	FY2017	FY2018	FY2020
Renison (A\$/t Sn)	\$19,952	\$17,821	\$17,724	\$17,724
Nifty (A\$/lb)	\$2.62	\$2.71	\$2.48	\$2.47

Commodity Prices (A\$)				
AUD / t	FY2016	FY2017	FY2018	FY2020
Tin	\$21,316	\$27,851	\$28,000	\$28,000
Copper	\$6,627	\$7,144	\$7,333	\$7,600
Nickel	\$12,414	\$14,514	\$16,022	\$17,858
AUD:USD	\$0.74	\$0.75	\$0.75	\$0.75

Directors & Management			Major Shareholders		
Non-Ex Chairman	Peter Newton	Apac Resources	12.9%		
Managing Director	Warren Hallam	Blackrock	14.0%		
Non Executive Director	Stephen Robinson	Jinchuan	7.3%		
Non Executive Director	Simon Heggen	Ausbil	4.9%		
Non Executive Director	Xie Penggen	Ruffer	4.0%		
Chief Financial Officer	Fiona Van Maanen	Total	43.0%		

Mine Life assumption		
Operation	Renison	Nifty
Years	8.00	5.50

Valuation Split (%)

- Exploration Upside: 3%
- Nifty: 35%
- Renison (50%): 35%
- Rentails (50%): 5%
- Wingellina: 4%
- Cash (est. qtr end): 15%
- Listed investments: 3%

Source: Company data, Somers estimates. Warning: Forward looking statements are uncertain and may not actually be achieved. * after byproduct credits. Expensing and capitalising of cash costs will vary and consequently differ from management guidance

About the analysts

Duncan Hughes, Director, Mining and Metals analyst

Duncan has over 17 years' experience in the mining sector. Duncan joined Somers and Partners in July 2014 from RFC Ambrian where he was Head of Research based in London and Perth. At RFC Ambrian Duncan was focussed on small to mid-cap mining stocks. Duncan holds a first class honours degree in Geology and worked for 10 years as a geologist in Western Australia. As Exploration Superintendent at Jubilee Mines, he was actively involved in the discovery of a number of high grade nickel sulphide ore bodies that have since been mined. He has also spent time exploring for base metals and gold with Lion Ore Australia and was involved in the discovery of the Deep South Gold Mine whilst at Sons of Gwalia.

On completion of an MBA on investment and risk from Imperial College London, Duncan spent three years as a fund manager investing in small cap resources companies in Australia with the LinQ Resource fund and in London at CD Capital.

Conrad Mulherin, Equities Research analyst

Conrad joined Somers and Partners in 2012 as an Equities Research Analyst covering Mining and Emerging Technology Companies.

Conrad has an Honours degree in Geological Sciences from Queen's University in Canada and a MSc in Resources Management from the University College London in the U.K.

IMPORTANT: Disclosures

This document has been prepared for the general use of the wholesale clients of Somers and Partners Pty Ltd ACN 149 263 543, AFSL 430684 ("Somers and Partners") and must not be copied, either in whole or in part, or distributed to any other person without prior consent of Somers and Partners. The information contained in this report is drawn from sources believed to be reliable but the accuracy or completeness of the information is not guaranteed, nor in providing it does Somers and Partners assume any responsibility or liability whatsoever. All information is correct at the time of publication; additional information is available upon request. This report is not to be construed as a solicitation of an offer to buy or sell any securities. Somers and Partners and/or affiliated companies or persons may as principal or agent, buy and sell securities mentioned herein, including options, futures or other derivative instruments thereon.

Company-Specific Disclosures:

- 1 Somers and Partners has, within the previous 12 months, provided paid corporate advisory services, arranged, managed or co-managed a public offering of the company or its affiliates or acted as underwriter to the issuer.
- 2 Somers and Partners owns 1% or more of this issuer's securities.
- 3 The analyst is related to an officer, director or advisory board member of the issuer, but that individual has no influence in the preparation of this report.
- 4 The analyst who prepared this report has viewed the operations of this issuer.
- 5 The analyst who prepared this research report owns this issuer's securities.
- 6 A member of the Board of Directors of the subject company is also a member of the Board of Directors of Somers and Partners Pty Limited, but that individual had no influence in the preparation of this report.

Each research analyst and associate research analyst who authored this document and whose name appears herein certifies that:

- (1) the recommendations and opinions expressed in the research report accurately reflect their personal views about any and all of the securities or issuers discussed herein that are within their coverage universe; and
- (2) no part of their compensation was, is or will be, directly or indirectly, related to the provision of specific recommendations or views expressed herein.

Somers and Partners analysts are compensated competitively based on several criteria. The Analyst compensation pool is comprised of several revenue sources, including secondary trading commissions, new issue commissions, corporate advisory fees, and directed payments from institutional clients.

The Somers and Partners research recommendation structure consists of the following ratings:

Buy: A Buy rating reflects 1) bullish conviction on the part of the analyst; and 2) typically a 15% or greater return to target.

Speculative Buy: A Speculative Buy rating reflects a bullish conviction on the part of the analyst accompanied by a substantially higher than normal risk, including the possibility of a binary outcome.

Hold: A Hold rating reflects 1) a lack of bullish or bearish conviction on the part of the analyst; and 2) typically a return of 0 to 15%.

Reduce: A Reduce rating reflects 1) bearish conviction on the part of the analyst; and 2) typically a 5% or lower return to target.

Tender: Clients are advised to tender their shares to a takeover bid or similar offer.

Investing in financial products involves investment risk. Recipients should understand that statements regarding future returns may not be realised. Past performance is not a reliable indication of future performance. Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, Somers and Partners recommends that you consider whether the advice is appropriate for your circumstances. Somers and Partners recommends that you obtain and consider the relevant "Product Disclosure Statement" or other disclosure documents before making any decision about a product including whether to acquire or to continue to hold it.

Somers and Partners Pty Ltd ACN 149 263 543; Australian Financial Services License No: 403684. Level 9, 190 St. Georges Tce, Perth, WA, Australia 6000 Tel + (618) 6141 6300.

© 2016 Somers and Partners. All rights reserved. Reproduction in whole or in part without permission is prohibited.