

Australian Equity Research

16 November 2016

BUY

unchanged

PRICE TARGET A\$2.35↑

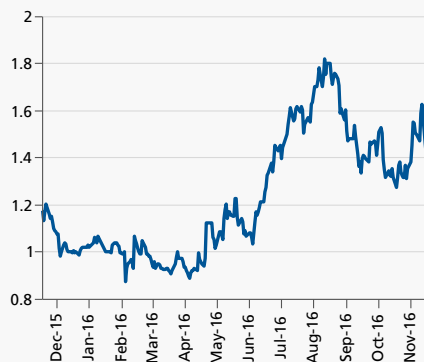
from A\$2.15

Price (16-Nov) A\$1.48

Ticker MLX-ASX

52-Week Range (A\$):	0.86 - 1.93
Avg Daily Vol (M) :	3.2
Market Cap (A\$M):	894
Shares Out. (M) :	606.0
Dividend /Shr (AUC):	0.0
Dividend Yield (%) :	0.0
Enterprise Value (A\$M):	701
NAV /Shr (AUC):	2.33
NAV /Shr (5%) (A\$):	2.33
Net Cash (A\$M):	191.9
P/NAV (x) :	0.63
Major Shareholders:	BlackRock 13%
	APAC Resources 12.8%

FYE Jun	2016A	2017E	2018E
Gold Production (000oz)	174	280	390
All in Sustaining Cost (Gold) (US \$ /oz)	1,102	939	895
EBITDA (A\$M)	36.7	175.1↓	312.7↓
Previous	-	183.9	335.3
Net Income (A\$M)	(23.6)	71.8↓	155.5↓
Previous	-	77.8	170.3



Metals X Limited (MLX:ASX) is a tin producer from its 50% owned Renison Tin Mine in Tasmania, owns and operates 3 gold mines in Western Australia and has recently completed the takeover of Aditya Birla to acquire the Nifty Copper mine.

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Raising Target Price

Buy one, get one free

Canaccord Genuity (Australia) Limited has received a fee as the Lead Manager to the Metals X Limited Placement of 68 million shares at A\$1.48 per share to raise ~A\$100.6 million in August 2016.

Subject to shareholder approval, the demerger of MLX's gold business (Westgold) is now imminent, and we remain high conviction on the strategy. We expect the gold division to hit a ~280kozpa run rate in the DecQ'16 and with a favorable shift in base metals prices, we believe the timing for the split could not be better. MLX currently trades on an undemanding Enterprise Value of A\$700m, which sits in the context of our valuations for Westgold of A\$961m (A\$1.60/sh MLX or A\$3.15/sh Westgold) and MLX (base metals only) of A\$437m (A\$0.70/sh). Our consolidated price target for MLX has increased modestly to A\$2.35/sh (previously A\$2.15/sh), resultant of production and balance sheet refinements and we retain our BUY recommendation.

De-merger details. MLX has an EGM scheduled for 24 November 2016, which we expect to be successful in approving the de-merger of its gold business (Westgold) via an in-specie distribution. The demerger will occur on the basis of one Westgold share for every two MLX shares held at the record date, with the listing of Westgold (as WGX:ASX) expected to be complete by 2 December 2016. It is intended that following the demerger, Peter Cook (current MLX CEO) will become Managing Director of Westgold and Warren Hallam (current MLX Executive Director) will become Managing Director of MLX.

Pure play gold company. WGX will comprise four processing facilities and a considerable resource base (15.4Moz). In FY17, we forecast gold production to increase to 280koz (60% YoY increase), stepping up again in FY18/19 to ~400koz as the CMGP reaches steady state and Fortnum (~70kozpa) comes on line meaningfully. WGX would potentially be well funded (A\$110m cash, no debt) to expedite underground development across the portfolio and pursue an aggressive exploration program. Once listed, we expect WGX to trade between our the current sector average P/NAV of 0.8x and our valuation, which implies a range of A\$2.50-A\$3.15/sh, noting that WGX will have 50% of the issued capital of MLX (~303m shares).

Timely shift in base metals prices. Once trading on an "ex" basis, we expect MLX to trade at around A\$0.70/sh (1xNAV). Recent moves in base metal prices have reinvigorated sentiment and we note that OZ Minerals (OZL:ASX | Not rated) and Sandfire Resources (SFR:ASX | Not rated) are trading at healthy premiums to consensus valuations (Factset). With solid FCF being generated from the tin business, leverage to an improving copper outlook via Nifty and optionality to nickel through the undeveloped Wingellina project, we believe MLX presents as a unique, well capitalized exposure to base metals prices.

Valuation. The assets underpinning our A\$2.35/sh NAV comprise Higginsville, South Kalgoorlie, Central Murchison, Fortnum (NPV5%), Renison and Nifty (NPV8%), net of corporate, balance sheet adjustments and nominal exploration value.

FINANCIAL SUMMARY

Metals X Limited

ASX:MLX

Analyst : Tim McCormack
Date: 16/11/2016
Year End: June

Rating: BUY
Target Price: \$2.35

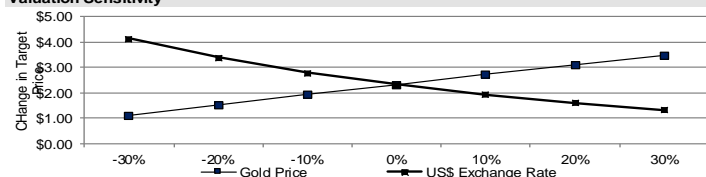
Market Information

Share Price	A\$	1.48
Market Capitalisation	A\$m	893.8
12 Month Hi-Lo	A\$	1.93-0.86
Issued Capital	m	605.95
Options	m	1.64
Fully Diluted	m	607.59

Valuation		A\$m	Risk Adj.	A\$/share
Renison	NPV @ 8%	146.2	0.24	
Central Murchison Gold	NPV @ 5%	491.0	0.81	
South Kal	NPV @ 5%	92.3	0.15	
Higginsville	NPV @ 5%	120.2	0.20	
Fortnum	NPV @ 5%	113.2	0.19	
Nifty	NPV @ 8%	181.7	0.30	
Development assets - Rover, Wingellina, Rentals etc		120.0	0.20	
Hedging		(6.6)	(0.01)	
Cash and bullion		191.9	0.32	
Debt		-	-	
Investments		10.9	0.02	
Less: Gold prepayment O/S		(22.8)	(0.04)	
Less: Corporate & O'heads		(28.9)	(0.05)	
TOTAL NAV		1,409.1	2.33	
Price:NAV			0.63	
NAV at Spot US\$1,227/oz, AUDUSD \$0.75			2.00	
Target Price (rounded)			2.35	

Assumptions	2016a	2017e	2018e	2019e
Tin Price (US\$/t)	15,730	19,997	20,478	20,216
Gold Price (US\$/oz)	1,197	1,290	1,292	1,305
Copper Price (US\$/lb)	2.24	2.24	2.33	2.58
AUD:USD	0.73	0.76	0.75	0.75

Valuation Sensitivity



Production Metrics	2016a	2017e	2018e	2019e
Renison Tin (MLX 50%)				
Tin production (tonnes)	6,365	6,833	6,820	6,820
AISC (A\$/t)	20,339	18,858	19,014	18,962
Gold Assets (MLX 100%)				
CMGP (koz)	37	119	178	177
	1,796	1,257	1,176	1,230
South Kal (koz) ex. Cannon prod	45	55	60	60
	1,620	1,262	1,124	1,126
Higginsville prod'n (koz)	91	95	91	91
	1,335	1,164	1,187	1,177
Fortnum prod'n (koz)	0	12	61	75
	0	1,551	1,231	1,121
Gold Production (ozs)	174	280	390	403
Group AISC (A\$/oz)	1,508	1,240	1,179	1,182
Nifty Copper Mine (MLX 100%)				
Copper production (tonnes)	0	33,488	38,646	38,646
C1 cost (A\$/lb)	0	2.02	2.03	2.04

Reserves & Resources

Tin		Mt	Sn %	Sn (kt)
Resources - MLX 50%	Renison (M+I+I)	13	1.46	188
Reserves - MLX 50%	Renison (P+P)	7	1.29	86
Gold		Mt	g/t	Moz
Resources	Total	223	2.15	15.4
Reserves	Total	38	2.40	2.9
Nickel		Mt	Ni%	Ni(kt)
Resources	Total	217	0.95	2,067
Reserves	Total	167	0.98	1,645
Copper (Nifty only)		Mt	Cu%	Cu(kt)
Resources	Total	24	2.03	476
Reserves	Total	5	1.85	97

Directors & Management

Name	Position
Peter Newton	NE Chairman
Peter Cook	CEO and Executive Director
Warran Hallam	Executive Director
Simon Heggen	NE Director
Xie Penggen	NE Director

Company Description

Metals X Ltd (MLX:ASX) is a gold, copper and tin producer from its Western Australian gold operations (Higginsville, South Kal, CMGP and Fortnum), 50% owned Renison tin mine in Tasmania and the Nifty copper mine. The Company also owns the undeveloped Wingellina nickel limonite project and the high grade

Profit & Loss (A\$m)	2016a	2017e	2018e	2019e
Revenue	355.4	690.8	953.5	1,020.5
Operating Costs	-275.8	-495.7	-620.5	-639.9
Corporate & O'heads	-16.0	-12.0	-12.2	-12.3
Exploration (Expensed)/	-26.8	-8.0	-8.1	-8.2
EBITDA	36.7	175.1	312.7	360.1
Dep'n	-65.7	-72.8	-90.6	-92.6
EBIT	-29.0	102.2	222.1	267.6
Interest expense	1.1	0.4	0.0	0.0
Tax	4.3	-30.8	-66.6	-80.3
NPAT	-23.6	71.8	155.5	187.3
Abnormals	0.0	0.0	0.0	0.0
NPAT (reported)	-23.6	71.8	155.5	187.3

Cash Flow (A\$m)	2016a	2017e	2018e	2019e
Cash Receipts	333.8	684.4	942.3	1,003.3
Cash paid to suppliers &	-274.7	-507.7	-632.7	-652.2
Tax Paid	0.0	-30.8	-66.6	-80.3
Net Interest	1.1	6.0	11.2	17.3
Other (WVC etc)	1.9	0.0	0.0	0.0
Operating Cash Flow	62.0	152.0	254.2	288.1
Exploration and Evaluati	-26.4	-16.0	-16.0	-16.0
Capex	-102.2	-104.3	-81.1	-62.0
Other	-3.5	52.0	0.0	0.0
Investing Cash Flow	-132.0	-68.3	-97.1	-78.0
Debt (repayment)/ gold &	23.3	0.0	0.0	0.0
Share capital	0.0	115.0	0.0	0.0
Dividends	-10.1	0.0	-4.4	-40.0
Financing Expenses	-3.1	-5.0	0.0	0.0
Financing Cash Flow	10.1	110.0	-4.4	-40.0
Opening Cash	99.0	39.2	232.8	385.6
Increase / (Decrease) in	-59.9	193.6	152.7	170.1
FX Impact	0.0	0.0	0.0	0.0
Closing Cash	39.2	232.8	385.6	555.7

Balance Sheet (A\$m)	2016a	2017e	2018e	2019e
Cash + S/Term Deposit	39.2	232.8	385.6	555.7
Other current assets	74.3	110.0	149.4	163.3
Current Assets	113.5	342.8	534.9	718.9
Property, Plant & Equip.	79.3	76.2	77.1	80.2
Exploration & Develop.	165.1	173.1	181.1	189.1
Other Non-current Asset	241.1	294.2	345.7	392.1
Payables	68.3	69.1	95.4	102.1
Short Term debt (inc. go	5.2	25.0	0.0	0.0
Long Term Debt (inc. go	10.2	0.0	0.0	0.0
Other Liabilities	120.3	214.8	350.6	453.3
Net Assets	394.9	577.4	692.9	825.0
Shareholders Funds	407.0	522.0	522.0	522.0
Reserves	33.5	33.5	33.5	33.5
Retained Earnings	-45.7	21.8	137.3	269.4
Total Equity	394.9	577.4	692.9	825.0

Ratios & Multiples	2016a	2017e	2018e	2019e
EBITDA Margin	10%	25%	33%	35%
EV/EBITDA	20.9x	3.8x	1.6x	0.9x
Op. Cashflow/Share	\$0.12	\$0.25	\$0.42	\$0.48
P/C/F	12.6x	5.9x	3.5x	3.1x
EPS	-\$0.04	\$0.12	\$0.26	\$0.31
EPS Growth	nm	-376%	117%	20%
PER	-34.4x	12.4x	5.7x	4.8x
Dividend Per Share	\$0.00	\$0.01	\$0.07	\$0.09
Dividend Yield	0%	0%	4%	6%
ROE	-6%	12%	22%	23%
ROIC	-8%	14%	29%	28%
Debt/Equity	3%	0%	0%	0%
Net Interest Cover	-26.5x	278.7x	nm	nm
Book Value/share	\$0.75	\$0.95	\$1.14	\$1.36
Price/Book Value	2.0x	1.5x	1.3x	1.1x

Substantial Shareholders (post ABY acquisition)	Shares (m)	%
BlackRock	78.6	13.0%
APAC Resources	77.0	12.8%
Jinchuan	44.0	7.3%

Source: MLX & Canaccord Genuity estimates

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DEMERGER DETAILS

- The EGM to vote on demerging MLX's gold business is scheduled for 24 November 2016. Assuming shareholder approval, the demerger of Westgold (expected to list as WGX:ASX) will occur via an in-specie distribution on the basis of one WGX share for every two MLX shares held at the record date. The most recent indicative timetable is shown in Figure 1, which should see the two companies trading as separate entities by 2 December 2016.

Figure 1: Indicative timetable for the demerger

Indicative timetable*	
Extraordinary General Meeting to approve Demerger	24 November 2016
Last day of trading in Metals X Shares on a "cum" basis	28 November 2016
Trading of Metals X Shares on an "ex" basis and trading of Westgold Shares on a deferred settlement basis commences	29 November 2016
Record Date for Demerger	30 November 2016
In Specie Distribution of Westgold Shares / Dispatch Date	1 December 2016
Anticipated commencement of normal trading of Westgold Shares	2 December 2016

* As set out in the Notice of Meeting, the above timetable is indicative only, and may be changed at the discretion of the Directors (subject to the ASX Listing Rules) or as may be required by the ASX. Trading in Metals X Shares will not commence trading on an "ex" basis until all Demerger conditions are satisfied.

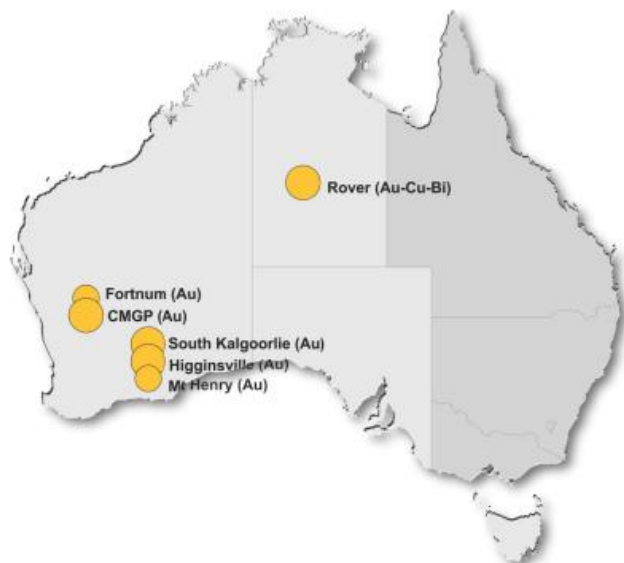
Source: Company Reports

- The key steps in the demerger include:
 - MLX will transfer A\$110m cash to WGX by way of intercompany loan, with the loan to be forgiven in connection with the demerger.
 - WGX consolidates its ordinary shares so as to be equal to half the number of shares on issue in MLX at the time of the demerger. This will see ~303m shares on issue in WGX.
 - MLX will distribute 100% of the ordinary WGX shares which MLX holds to the eligible shareholders at no cost to shareholders. The distribution will be done on the basis of one WGX share for every two MLX shares held by eligible shareholders.
 - WGX will be granted official quotation by the ASX (est. 2 December 2016) and MLX will continue its operations as a diversified metals producer and explorer, via its copper, tin and nickel assets.
 - MLX has recommended shareholders seek independent advice with respect to tax implications of the demerger. However, we anticipate cost bases to be established for MLX and WGX based on 5-day VWAP post demerger, thereby forming the basis for capital gains calculations. MLX has sought a class ruling from the Australian Tax Office (ATO) on behalf of shareholders to confirm the taxation outcomes of the demerger. This includes seeking confirmation from the ATO as to what component of the distribution of WGX shares to MLX shareholders is to be treated as a demerger dividend, and therefore not assessable income, and what component will be treated as a capital reduction, which will not constitute a taxable dividend to MLX shareholders.
- MLX has indicated that current CEO & Executive Director, Peter Cook, will become the Managing Director of WGX and current MLX Executive Director, Warren Hallam, will become the Managing Director of the MLX base metals business.

Executive management teams of each division will remain in place and we don't expect to see any material disruptions to the continuity of business with new Board structures to be finalized in due course.

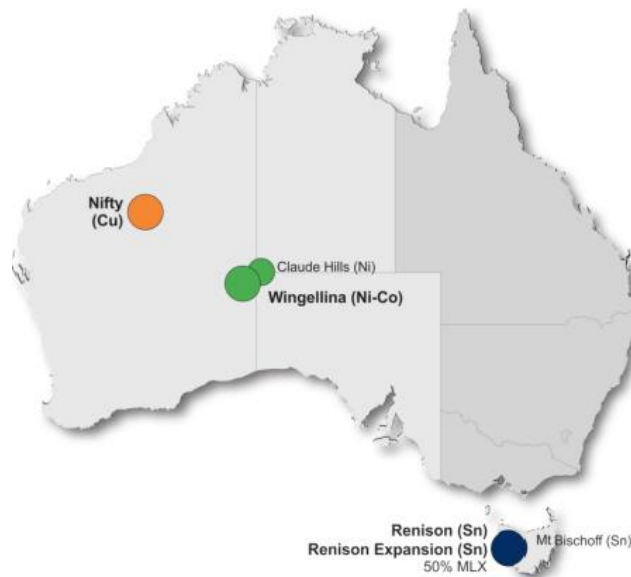
- Key project locations of the gold and base metals businesses are outlined in Figure 2 and 3.

Figure 2: Westgold asset portfolio



Source: Company Reports

Figure 3: MLX asset portfolio



Source: Company Reports

VALUATION

- While we continue to value MLX on a pre-demerger basis, we also provide post demerger valuations for MLX and WGX in this section.
- Our valuation for MLX has increased modestly to A\$2.35/sh (previously A\$2.15/sh) resultant of removing the A\$25m bridging loan from our valuation (repaid in October), rolling forward the gold prepayment schedule and reducing the cost profile at Renison following the transition to owner operator.
- The nominally valued development assets at A\$120m include Rover (A\$20m), Rentails (A\$20m), Wingellina (A\$10m), Maroochydore (A\$10m), Mt Henry sulphides (A\$10m) with the balance spread across the operating assets to capture potential exploration success and extensions to mine life. We also include A\$20m for the lithium royalty (A\$2/t ore mined plus 1.5% gross sales from concentrate produced) over the already defined 12Mt, which is set to be mined by Neometals/Ganfeng/Mineral Resources at the Mt Marion lithium project south of Kalgoorlie. This royalty is attached to the South Kalgoorlie operation and will be part of the gold business on demerger.

Figure 4: Consolidated MLX sum-of-parts

Valuation		A\$m	Risk Adj.	A\$/share
Renison	NPV @ 8%	146.2		0.24
Central Murchison Gold	NPV @ 5%	491.0		0.81
South Kal	NPV @ 5%	92.3		0.15
Higginsville	NPV @ 5%	120.2		0.20
Fortnum	NPV @ 5%	113.2		0.19
Nifty	NPV @ 8%	181.7		0.30
Development assets - Rover, Wingellina, Rentals etc		120.0		0.20
Hedging		(6.6)		(0.01)
Cash and bullion		191.9		0.32
Debt		-		-
Investments		10.9		0.02
Less: Gold prepayment O/S		(22.8)		(0.04)
Less: Corporate & O'heads		(28.9)		(0.05)
TOTAL NAV		1,409.1		2.33
Price:NAV				0.63
NAV at Spot US\$1,230/oz, AUDUSD \$0.75				2.00
Target Price (rounded)				2.35

Source: Canaccord Genuity estimates

WESTGOLD

- Our preliminary valuation for the gold business is A\$960m (A\$1.60/sh on the current MLX capital structure) or A\$3.15/sh once trading as WGX, noting that WGX will have 50% of the issued capital of MLX (~303m shares). We have assumed cash on completion of the demerger of A\$110m as per the Explanatory Memorandum, corporate overheads reduced by 30% and we have attributed A\$85m of the total nominal exploration and development value (A\$120m) to the gold business.
- We highlight that our valuation of the gold business comfortably underwrites MLX's current market capitalization of ~A\$894m. Once listed, we expect WGX to trade between our valuation (1xNAV) and the current sector average P/NAV of 0.8x which implies a range of A\$3.15 – A\$2.50/sh.

Figure 5: Preliminary sum-of-parts valuation for WGX

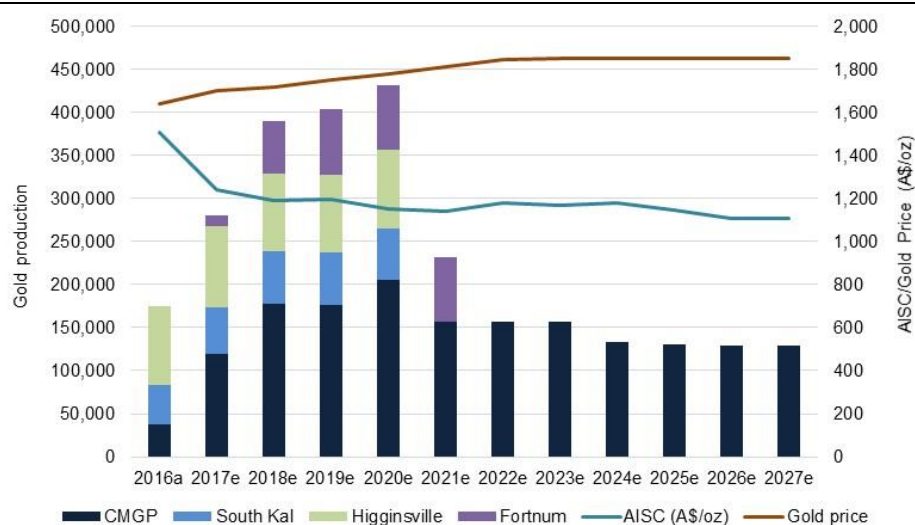
WGX		A\$m	A\$/share MLX	A\$/share WGX
Central Murchison Gold	NPV @ 5%	491	0.81	1.62
South Kal	NPV @ 5%	92	0.15	0.30
Higginsville	NPV @ 5%	120	0.20	0.40
Fortnum	NPV @ 5%	113	0.19	0.37
Exploration and development (incl. lithium royalty)		85	0.14	0.28
Hedging		-7	-0.01	-0.02
Cash and bullion		110	0.18	0.36
Less: Gold prepayment O/S		-23	-0.04	-0.08
Less: Corporate & O'heads		-22	-0.04	-0.07
TOTAL NAV		961	1.58	3.17

Source: Canaccord Genuity estimates

- Our group production forecasts are outlined below, demonstrating a strong organic growth pipeline, underpinned by the ramp up of the CMGP and re-start of the Fortnum project coming on line in 2017. Group production peaks at +400kozpa in FY20 on our forecasts, then drops away in 2022 as production from Higginsville, South Kalgoorlie and Fortnum tapers off. We forecast group AISCs to average ~A\$1,200/oz offering margins of >A\$600/oz against our price deck (LT gold price from 2021 of A\$1,853/oz).

- With the production profile dropping off beyond 2021, we highlight the leverage WGX has to exploration success across its assets suite. As cashflow becomes more discretionary through FY17-18, WGX could increase its exploration budget to try and back fill the medium and long term production profile.

Figure 6: Assumed production and AISC profile for the WGX gold business



Source: Canaccord Genuity estimates

- In Figure 7 we also provide a sensitivity analysis for gold price and currency on the WGX valuation. A 10% increase in gold price suggests a 23% increase in valuation. For reference, the sensitivities below are calculated against a forward curve derived price deck, which basically moves from spot to a long term gold price and A\$/US\$ assumption of US\$1363/oz A\$0.735 respectively.

Figure 7: Sensitivity analysis to gold price and currency movements

NAV	Gold Price							
	3.17	-30%	-20%	-10%	0%	10%	20%	30%
\$US Exchange Rate	-30%	3.17	4.21	5.24	6.28	7.34	8.36	9.42
	-20%	2.26	3.17	4.08	5.00	5.91	6.81	7.71
	-10%	1.51	2.36	3.17	3.99	4.79	5.60	6.40
	0%	0.92	1.68	2.44	3.17	3.90	4.62	5.35
	10%	0.43	1.13	1.82	2.51	3.17	3.83	4.50
	20%	0.02	0.66	1.30	1.94	2.56	3.17	3.78
	30%	-0.32	0.27	0.86	1.45	2.04	2.61	3.17

Source: Canaccord Genuity estimates

MLX – BASE METALS

- Our preliminary valuation for MLX base metals is A\$437m or A\$0.70/sh. We have assumed forecast cash balance of A\$70m, a corporate overhead reduction of 40% and attributed A\$45m of the total nominal development value to this side of the business. We have also assumed that MLX's listed investments stay with the base metals entity as per the Explanatory Memorandum.
- Nominal development assets included in the valuation comprise Rentails (A\$20m), Wingellina (A\$10m) and the Maroochydore copper project (A\$5m) with

the balance spread across the operating assets to capture potential exploration success and extensions to mine life.

- Once trading on an “ex” basis, we expect MLX to trade at around A\$0.70/sh. Recent moves in base metal prices have reinvigorated sentiment and we note that OZ Minerals (OZL:ASX | Not rated) is trading at a 13% premium consensus valuation (Factset mean A\$6.98/sh) and Sandfire Resources (SFR:ASX | Not rated) is trading at a 4% premium to consensus valuation (Factset mean A\$5.97) as peers. With solid FCF being generated from the tin business, leverage to an improved copper market through Nifty and optionality to nickel through the undeveloped Wingellina project, MLX presents as a unique, well capitalized exposure to base metals prices.

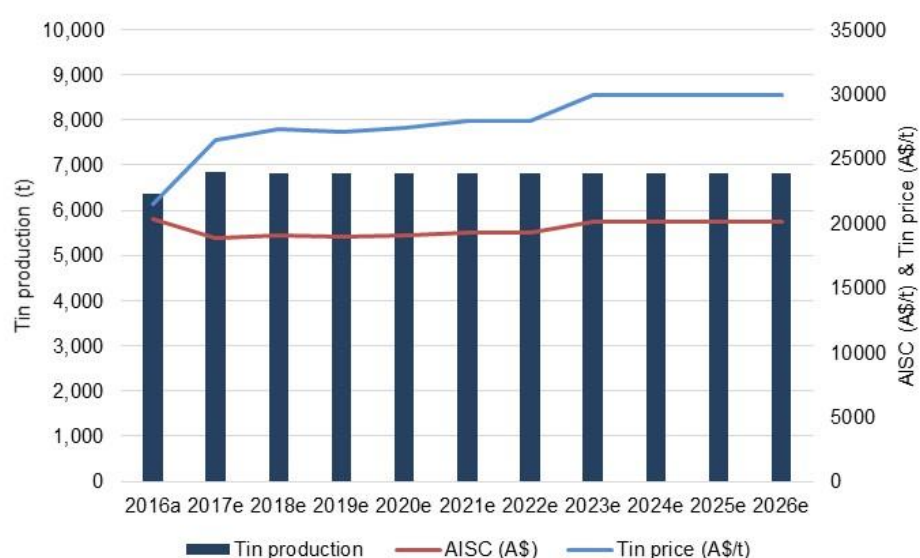
Figure 8: Sum-of-part valuation for MLX

MLX - Base Metals		A\$m	A\$/share
Renison	NPV @ 8%	146	0.24
Nifty	NPV@ 8%	182	0.30
Development assets		45	0.07
Cash and bullion		70	0.12
Debt		0	0.00
Investments		11	0.02
Less: Corporate & O'heads		-17	-0.03
TOTAL NAV		437	0.72

Source: Canaccord Genuity estimates

Renison tin mine

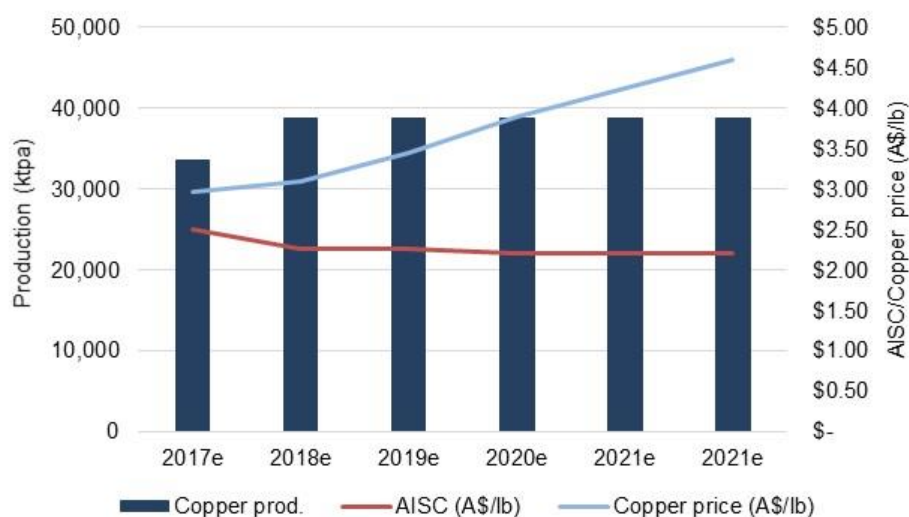
- We currently forecast production for Renison of 6.5-7ktpa of tin, noting that production for the SepQ'16 was 1.7kt, strongly beating our forecast 1.3kt. Higher production rates and lower costs have been achieved through the recent transition to owner-operator, which resulted in a 24% decline in AISC's for the SepQ'16 to A\$17,344/t. We currently model a LOM AISC for Renison conservatively at ~A\$18,500/t, which offers good headroom to the current tin price of +A\$26,000/t and should see the project generating FCF of ~A\$20-25m pa (attributable for MLX's 50% interest).
- Renison has been in production since 1968, recovering in excess of 225kt of tin. MLX is the operator of the mine in a 50:50 JV with partner Yunnan Tin Group. The current reserve at Renison supports a 10 year mine life, which is in line with our modelling. We also note that MLX has also completed studies on the Rentails project (retreating tailings), with encouraging results. The Rentails reserve sits at 21Mt at 0.45% for 94kt tin, with MLX indicating that for A\$90m (includes 2Mtpa fines concentrator, tin fumer plant and new tailing dam) an additional ~5ktpa tin operation could be established. Estimated mine life is 10 years, with AISCs after copper credits of A\$16,500/t. While we don't expect MLX to make a development decision on the Rentails project in the near term, it does present good optionality but in our view requires further improvement in tin prices to justify development.

Figure 9: Assumed production and AISC profile for Renison (100% basis)

Source: Canaccord Genuity estimates

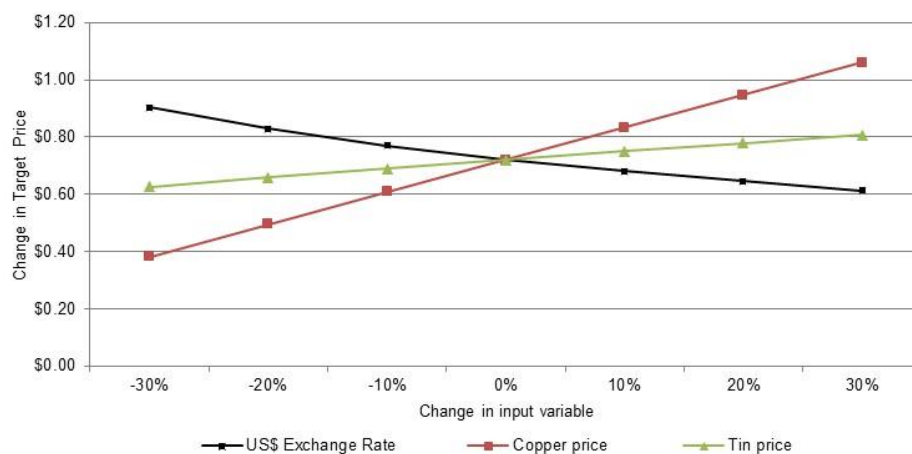
Nifty copper mine

- MLX has had ownership of the Nifty copper mine for ~4 months following the ~A\$100m cash and scrip takeover of Aditya Birla Minerals. The mine is located in Western Australia with mining focused on the underground sulphide resource which is processed through a 2.5Mtpa concentrator (currently only at 66% utilization).
- We model annualized production of ~38kt of copper in concentrate for 5 years. Production at Nifty over the past 2 years has been plagued by operational challenges (namely a sink hole) which saw a considerable write down in resources and a cost profile not reflective of future production. We forecast LOM C1 and AISC costs to average A\$2.05/lb and A\$2.25/lb, respectively, which allows for A\$15m pa in sustaining and development capital while maintaining headroom against the current spot copper price of +A\$3.00/lb.
- MLX has introduced widespread operational changes which should improve the cost profile and take full effect in the coming Qs at Nifty. We continue to see good scope for production and cost improvements at Nifty and highlight the asset as an exceptionally leveraged exposure to copper prices.
- Previous owners conducted minimal exploration at Nifty, and MLX has already mobilized two drill rigs (one underground, one surface). The key aim will be bolstering the 5.3Mt at 1.85% for 97kt of copper reserve, as well as targeting resource extensions and testing regional targets. With 83% of the 460kt resource currently in the Measured and Indicated categories, we see reserve growth as likely and therefore our 5 year assumed mine life as achievable.
- We also note good potential for the production profile to increase at Nifty on the back of successful exploration outcomes. With ~33% latent processing capacity (runs on a 2 week on, 1 week off campaign basis), production from the operation could increase towards ~50ktpa over time, for very little capital outlay.

Figure 10: Assumed production and AISC profile for Nifty

Source: Canaccord Genuity estimates

- In Figure 11 we demonstrate the key sensitivities underpinning the MLX valuation. Copper prices are the key sensitivity and we also note that our valuation drops to A\$0.60/sh at spot metals prices and currency.

Figure 11: MLX valuation sensitivities to tin, copper and currency movements

Source: Canaccord Genuity estimates

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Investment Recommendation

Date and time of first dissemination: November 16, 2016, 14:30 ET

Date and time of production: November 16, 2016, 07:38 ET

Target Price / Valuation Methodology:

Metals X Limited - MLX

Our target price is derived on a 1x NAV basis (see Valuation section of Financial Summary).

Risks to achieving Target Price / Valuation:

Metals X Limited - MLX

The key investment risks for MLX include: Operating Risks - The Company is subject to risk of such as plant breakdowns, rock falls, seismic activity and other technical issues. Increased extraction costs can severely impact the operating activities of the company and its share price. Adverse weather conditions restricting the company from operating activities could also result in encountering unexpected and costly delays. Exploration risks - Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks are associated in operating in remote areas that lack necessary infrastructure to support a mine life. Uncertainties associated with mining techniques and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. Commodity price fluctuations - The Company as a producer is exposed to commodity price fluctuations. Commodity price fluctuations are driven by many macro-economic forces including inflationary pressures, interest rates and supply and demand of commodities. These factors could reduce the profitability, costing and prospective outlook for the business upon changes in the pricing. Licenses, permits and environment risk - Metals X is subject to licensing and permit approvals which may require renewing of lease on certain tenements. This can result in the risk of lease renewal not being met within a timeframe convenient to the company or alternatively being seen as not meeting satisfactory environmental standards. Such a risk could result in considerable financial resources being drawn upon.

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Rating	Coverage Universe		IB Clients
	#	%	%
Buy	565	59.92%	36.46%
Hold	288	30.54%	17.71%
Sell	26	2.76%	19.23%
Speculative Buy	64	6.79%	70.31%
	943*	100.0%	

*Total includes stocks that are Under Review

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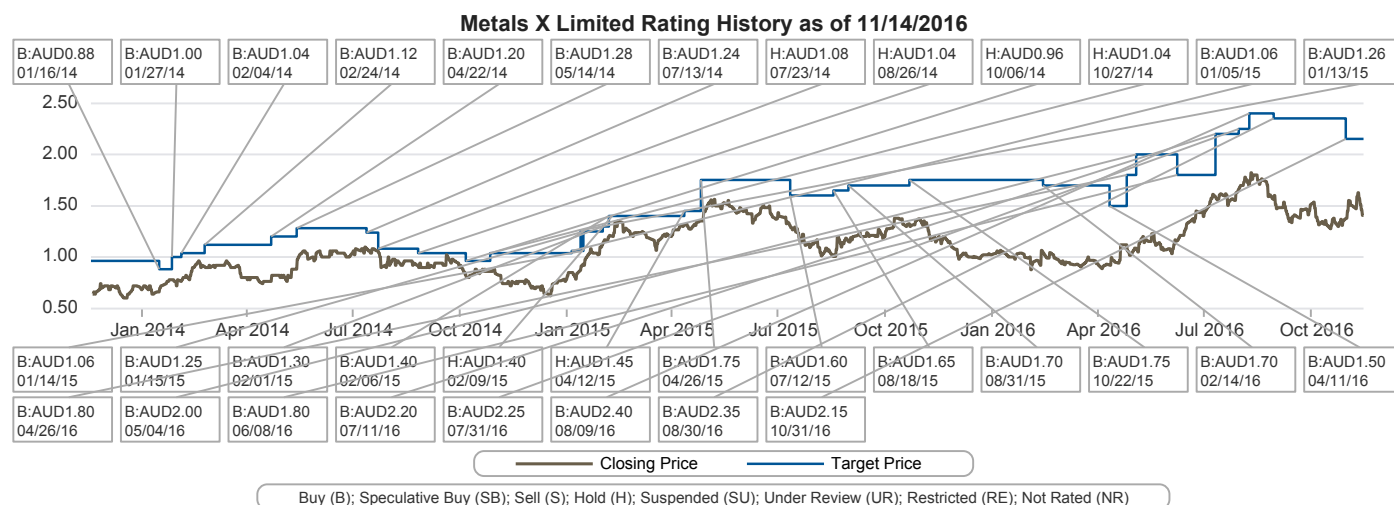
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