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# Metals X Ltd (MLX)

## Mixed messages from dilutive equity raising

**Recommendation**
Buy (unchanged)
**Price**
$0.185
**Target (12 months)**
$0.40 (previously $0.45)

**GICS Sector**

**Materials**

| Expected Return | |
|---|---|
| Capital growth | 116% |
| Dividend yield | 0% |
| Total expected return | 116% |

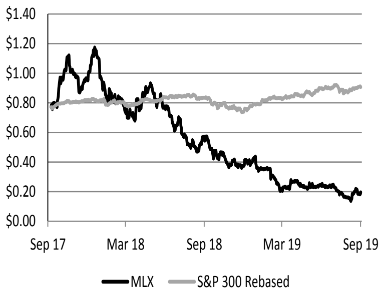
| Company Data & Ratios | |
|---|---|
| Enterprise value | $134m |
| Market cap | $168m |
| Issued capital* | 907.3m |
| Free float | 73% |
| Avg. daily val. (52wk) | $1.0m |
| 12 month price range | $0.136 - $0.58 |

Note: * includes 218.3m new shares of Sep19 raising

**Price Performance**

| | (1m) | (3m) | (12m) |
|---|---|---|---|
| Price (A$) | 0.16 | 0.24 | 0.57 |
| Absolute (%) | 21.8 | -19.6 | -65.6 |
| Rel market (%) | 18.5 | -20.2 | -74.7 |

**Absolute Price**




SOURCE: IRESS

## Surprising equity raise as Reset Plan claimed to be on track

MLX's decision to raise $32.7m of new equity was surprising given that the company only recently received full approval for $35m of debt funding to enable it to complete the planned work associated with the Reset Plan at Nifty and the development of new high grade tin mining areas at Renison. In announcing the debt funding, MLX implied that that funding would be adequate for it to undertake the planned works so by raising additional equity now, the implication is that something has changed and more funding was needed. In announcing the equity funding, the company confirmed that the Nifty Reset Plan is making significant progress and recent announcements have confirmed progress is being made to new high grade tin mining areas at Renison.

## Nifty and Paterson Province to get exploration attention

Part of the funds from the company's equity raising are to be used for regional exploration at Nifty and in the wider and highly prospective Paterson Province, where MLX holds a major strategic ground position. With its sole focus on the operational aspects at Nifty over the past 18 months (and particularly over the past six months when the operation has been losing significant cash), we understand only in-mine exploration has been undertaken. Promising new targets in the Eastern Zone at Nifty (such as Brookes and lithostructural ones to southeast); Rainbird and Juniper to the north of Nifty; and Noosa and Spitfire at Maroochydore are now likely to get attention.

## Investment thesis – Buy, TP $0.40/sh (previously $0/45/sh)

While MLX's surprise equity raising sends mixed messages and is quite dilutive, having been done at a price of $0.15 per share, we continue to watch for more tangible evidence of the turnaround at Nifty and the growth in output at Renison. We have revised our production and cost forecasts for Nifty and Renison after analysis of the recently released revised outlook for Nifty operations for FY20 to FY22 and Renison's FY20 guidance. This has led to increases of 5%, 28% and 4% in our FY20 to FY22 earnings per share forecasts respectively. Our target price is reduced by 11% to $0.40/sh reflecting the dilution from the capital raising. Buy recommendation retained.

**Earnings Forecast**

| Year end June | 2019a | 2020e | 2021e | 2022e |
|---|---|---|---|---|
| Sales (A$m) | 205 | 268 | 375 | 383 |
| EBITDA (A$m) | (18) | 49 | 92 | 102 |
| NPAT (reported) (A$m) | (117) | 7 | 40 | 49 |
| NPAT (adjusted) (A$m) | (53) | 7 | 40 | 49 |
| EPS (adjusted) (¢ps) | (7.7) | 0.9 | 4.3 | 3.2 |
| EPS growth (%) | na | na | 403% | 22% |
| PER (x) | na | 22.6 | 4.2 | 3.5 |
| FCF Yield (%) | -52% | -15% | 9% | 7% |
| EV/EBITDA (x) | (7.5) | 2.7 | 1.5 | 1.3 |
| Dividend (¢ps) | - | - | - | - |
| Yield (%) | 0.0% | 0.0% | 0.0% | 0.0% |
| Franking (%) | 0% | 0% | 0% | 0% |
| ROE (%) | na | 5% | 22% | 21% |

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Equity raising surprise as Nifty Reset Plan claimed on track

**$32.7m from combined share placement and 1 for 6 non-renounceable rights issue**

MLX's decision to raise $32.7m of new equity at a share price of $0.15 by way of a share placement and rights issue was surprising given that the company only recently received full approval for $35m of debt funding to enable it to complete the planned work associated with the Reset Plan at Nifty and the development of new high grade tin mining areas at Renison. In announcing the debt funding, MLX implied that that funding would be adequate for it to undertake the planned works so by raising additional equity now, the implication is that something has changed and more funding is needed. In announcing the equity funding, the company confirmed that the Nifty Reset Plan is making significant progress and recent announcements have confirmed progress is being made to new high grade tin mining areas at Renison. Details of the equity raising are as follows:

- $24.6m from a placement and institutional entitlement offer that was reportedly supported by a number of high quality existing and new institutional investors;
- $8.1m is to come from a fully underwritten 1 for 6 retail entitlement offer that opened on 25 September 2019 and closes at 5pm Sydney time on 7 October 2019; and
- MLX has indicated that funds from the equity raising will be applied to the various workstreams required to execute the company's Nifty Reset Plan; to regional exploration at Nifty in the Paterson Province; and for general working capital.

## Nifty and Paterson Province to get exploration attention

Part of the funds from the company's equity raising are to be used for regional exploration at Nifty and in the wider and highly prospective Paterson Province, where MLX holds a major strategic ground position. With its sole focus on the operational aspects at Nifty over the past 18 months (and particularly over the past six months when the operation has been losing significant cash), we understand exploration at Nifty has essentially been completely curtailed and only limited in-mine exploration has been undertaken over that time. The company has continued to study and review various exploration opportunities in the immediate Nifty mine area and nearby surrounding area, and regionally within the company's large tenement position in the Paterson Province. Promising new targets in the Eastern Zone of the Nifty mine (such as Brookes and lithostructural ones to the southeast); Rainbird and Juniper to the north of Nifty; and Noosa and Spitfire at Maroochydore are now likely to get long overdue exploration attention.

## FY20 Renison guidance and revised FY20 – 22 outlook for Nifty

MLX has given the following guidance for the Renison operation (100% basis) for FY20:

- Mining of 0.9Mt at an average mined grade of 1.21% tin to yield 8.0 to 8.5kt of contained tin in concentrate at an average all in sustaining cost (AISC) of A$17,000 to A$17,500/t; and
- Capex of $24.1m on sustaining capital; $9.5m on projects and $1.5m on exploration.

The company has given an updated outlook for Nifty for FY20 to FY22 as follows:

- Copper production to remain flat for 1Q FY20 with improvement starting in 2Q FY20;
- Copper in concentrate output of 21.7kt, 33.0kt and 34.0kt for FY20 – FY22 respectively;
- Average AISCs of A$8.0 – 8.5k, A$6.5 – 7.0k and A$6.5 – 7.0k respectively;
- Sustaining capex of $19.6m; $41.3m and $44.4m respectively;
- Project capex of $17.6m; $5.3m and $4.1m respectively;
- Resource definition expenditure of $1.5m; $2.0m and $2.0m respectively; and
- Exploration expenditure of $5.3m; $7.0m and $7.0m respectively.

# Revisions to earnings and target price

## Dilution of equity raising reduces earnings per share growth

We have revised our MLX forecasts following analysis of the company's FY20 guidance for Renison and its revised outlook for Nifty for FY20 to FY22. We are now forecasting increased earnings per share forecasts for FY20 to FY22 of 5%, 28% and 4% respectively (Table 1). Some of the increase in earnings reflected by these changes relates to the expectation of lower depreciation and amortisation charges arising from the Nifty impairment in the recent FY19 result.

We have reduced our target price, which is based on our 12-month forward NPV valuation, by 11% to $0.40 per share. We have retained our Buy recommendation.

**Table 1 – Summary of revised earnings estimates, valuations and target price for MLX**

| | Previous | | | New | | | Change | | |
|---|---|---|---|---|---|---|---|---|---|
| Year ending 30 June | 2020e | 2021e | 2022e | **2020e** | **2021e** | **2022e** | 2020e | 2021e | 2022e |
| **Prices & currency** | | | | | | | | | |
| Tin (US$/lb) | 8.50 | 8.80 | 9.10 | **8.50** | **8.80** | **9.10** | 0% | 0% | 0% |
| Copper (US$/lb) | 3.00 | 3.18 | 3.25 | **3.00** | **3.18** | **3.25** | 0% | 0% | 0% |
| US$/A$ | 0.67 | 0.68 | 0.70 | **0.67** | **0.68** | **0.70** | 0% | 0% | 0% |
| **Equity production & costs** | | | | | | | | | |
| Tin in concentrate (kt) | 3.8 | 4.1 | 4.1 | **4.0** | **4.3** | **4.3** | 5% | 5% | 5% |
| Tin all in sustaining costs (US$/lb) | 5.28 | 4.92 | 5.41 | **4.92** | **4.45** | **4.87** | -7% | -10% | -10% |
| Renison operating EBITDA (A$m) | 38.7 | 49.4 | 48.4 | **41.9** | **53.2** | **55.7** | 8% | 8% | 15% |
| Copper in concentrate (kt) | 17.0 | 33.0 | 36.0 | **19.5** | **31.7** | **32.4** | 14% | -4% | -10% |
| Copper all in sustaining costs (US$/lb) | 3.15 | 2.73 | 2.75 | **2.81** | **2.48** | **2.50** | -11% | -9% | -9% |
| Nifty operating EBITDA (A$m) | 5.1 | 32.3 | 39.3 | **22.5** | **68.3** | **74.5** | 345% | 111% | 90% |
| **Earnings** | | | | | | | | | |
| Revenue (A$m) | 264 | 403 | 428 | **268** | **375** | **383** | 2% | -7% | -11% |
| EBITDA (A$m) | 33 | 61 | 74 | **49** | **92** | **102** | 49% | 51% | 38% |
| EBIT (A$m) | 7 | 27 | 38 | **10** | **43** | **51** | 39% | 60% | 37% |
| NPAT (adjusted) (A$m) | 6 | 24 | 34 | **7** | **40** | **49** | 30% | 68% | 43% |
| EPS (adjusted) (Acps) | 0.8 | 3.4 | 3.1 | **0.9** | **4.3** | **3.2** | 5% | 28% | 4% |
| PER (x) | 25.3 | 6.1 | 4.3 | **22.6** | **4.2** | **3.5** | (2.7) | (1.9) | (0.8) |
| EPS Growth (%) | na | 312% | 44% | **na** | **403%** | **22%** | na | 29% | -49% |
| DPS (reported) (Acps) | 0.0 | 0.0 | 0.0 | **0** | **0** | **0** | na | na | na |
| Yield (%) | 0.0% | 0.0% | 0.0% | **0%** | **0%** | **0%** | na | na | na |
| Net cash (debt including finance leases) (A$m) | (9) | 13 | 37 | **45** | **61** | **72** | na | 357% | 95% |
| Price Target ($/sh) | 0.45 | | | **0.40** | | | -11% | | |

SOURCE: BELL POTTER SECURITIES ESTIMATES

## Target price reduced by 11% to $0.40/share

Our valuations of MLX (Table 5 on page 6) 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. We have revised our forecasts for Nifty production in light of the company's revised outlook for Nifty production over the next three financial years. Our forecasts are for 19.5kt for FY20; 31.7kt for FY21 and 32.4kt for FY22 with forecast average net AISCs declining from actual levels of around US$3.50/lb in FY19 to average around US$2.81/lb in FY20 and around US$2.50/lb in FY21 and FY22;
  2. While Renison is targeting the mining of higher grade ore from the new Area 5 and Leatherwood areas begining in early 2020, 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 forecast average net AISCs in the range from about US$4.50/lb to US$4.90/lb over the next three years;

3. Sustaining and project capex of around $60mpa over the next three years for MLX's share of Renison and for Nifty (excluding the Rentails development);
4. Annual exploration spend is forecast to increase to and be held at around $7mpa;
5. The Renison expansion project, Rentails, remains under active development consideration with even the current tin prices making the development very attractive as even at the current tin price of around US$7.50/lb (A$24,300/t) means the project has attractive economics with 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 as the approvals process progresses;
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 largely retained our valuation of the Central Musgrave Nickel Project (CMNP) because we continue to expect that it will be developed, possibly in conjunction with a major Asian industrial group using their proprietary nickel extraction process when nickel prices demonstrate stability. With the company focused on delivering the Nifty Reset Plan and advancing the Rentails Project, the CMNP is not a priority development project at this time. 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 company disposed of most of its investments in listed companies during 4Q FY19 and currently only retains an approximately 9.2% interest in Nelson Resources (ASX – NES, not rated).

**Table 2 - MLX summary 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 | 151 | 0.16 | 160 | 0.17 | 147 | 0.16 |
| Tin Division | 133 | 0.14 | 144 | 0.16 | 143 | 0.15 |
| Nickel Division | 42 | 0.05 | 42 | 0.05 | 42 | 0.05 |
| Other assets | 2 | 0.00 | 2 | 0.00 | 2 | 0.00 |
| Corporate | (24) | (0.03) | (21) | (0.02) | (19) | (0.02) |
| Enterprise Value | **304** | **0.33** | **326** | **0.35** | **315** | **0.34** |
| Net cash/ (debt)[2] | 33 | 0.04 | 45 | 0.05 | 61 | 0.07 |
| Equity Value | **337** | **0.37** | **371** | **0.40** | **376** | **0.41** |

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION; BASED ON DILUTIVE CAPITAL OF 922.4M SHARES
2. DOES NOT INCLUDE ANY CASH FROM EXERCISE OF OPTIONS THAT ARE NOT DILUTIVE AT THE ABOVE VALUATIONS

# 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 Tin Division and the Copper 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 $0.40/sh (previously $0.45/sh)

While MLX's surprise equity raising sends mixed messages and is quite dilutive, having been done at a price of $0.15 per share, we continue to watch for more tangible evidence of the turnaround at Nifty and the growth in output at Renison.  We have revised our production and cost forecasts for Nifty and Renison after analysis of the recently released revised outlook for Nifty operations for FY20 to FY22 and Renison's FY20 guidance.  This has led to increases of 5%, 28% and 4% in our FY20 to FY22 earnings per share forecasts respectively.  Our target price is reduced by 11% to $0.40/sh reflecting the dilution from the capital raising.  Buy recommendation retained.

## Shareholders

The current status of some shareholdings is yet to be clarified post the equity raising but we believe the major shareholders include: APAC Resources Ltd (8.0%); Mitsubishi UFJ financial Group (6.8%); IOOF Holdings Limited (5.8%); and the Jinchuan Group Limited (4.8%). Directors and management currently have a total interest of about 1.9%. These percentage interests are after including all the new shares from the current capital raising.

## 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 25 September 2019

| | |
|---|---|
| Recommendation | Buy |
| Price | $0.185 |
| Target (12 months) | $0.40 |

## Table 3 - Financial summary

**PROFIT AND LOSS**

| Year ending 30 Jun | Unit | 2018a | 2019a | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|
| Revenue | $m | 210 | 205 | 268 | 375 | 383 |
| Operating expenses | $m | (211) | (223) | (219) | (283) | (281) |
| **EBITDA** | $m | **(1)** | **(18)** | **49** | **92** | **102** |
| Depreciation and amortisation | $m | (26) | (35) | (39) | (49) | (50) |
| **EBIT** | **$m** | **(26)** | **(53)** | **10** | **43** | **51** |
| Net interest | $m | 0 | 0 | (2) | (3) | (3) |
| **PBT** | $m | **(26)** | **(53)** | **7** | **40** | **49** |
| Tax expense | $m | - | - | - | - | - |
| Major impairments/write-offs/other | $m | - | (64) | - | - | - |
| **NPAT (reported)** | $m | **(26)** | **(117)** | **7** | **40** | **49** |
| Adjustment for abnormal items | $m | - | 64 | - | - | - |
| **NPAT (normalised)** | $m | **(26)** | **(53)** | **7** | **40** | **49** |

**PROFIT AND LOSS (INTERIMS)**

| Half year ending | Unit | Dec-17a | Jun-18a | Dec-18a | Jun-19a | Dec-19e |
|---|---|---|---|---|---|---|
| Revenue | $m | 89 | 122 | 92 | 113 | 110 |
| Expense | $m | (95) | (116) | (114) | (109) | (93) |
| **EBITDA** | $m | **(6)** | **5** | **(22)** | **4** | **17** |
| Depreciation | $m | (13) | (13) | (15) | (20) | (17) |
| EBIT | $m | (19) | (7) | (36) | (17) | (0) |
| Net interest expense | $m | 0 | (0) | 0 | (0) | (1) |
| **PBT** | $m | **(19)** | **(7)** | **(36)** | **(17)** | **(1)** |
| Tax (expense)/benefit | $m | 1 | (1) | - | - | - |
| Impairments/write-offs/other | $m | - | - | - | 64 | - |
| **NPAT (reported)** | $m | **(18)** | **(8)** | **(36)** | **48** | **(1)** |
| Abnormal items | $m | - | - | - | (64) | - |
| **NPAT (normalised)** | $m | **(18)** | **(8)** | **(36)** | **(17)** | **(1)** |

**CASH FLOW**

| Year ending 30 Jun | Unit | 2018a | 2019a | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|
| **OPERATING CASHFLOW** | | | | | | |
| Receipts | $m | 229 | 202 | 265 | 374 | 376 |
| Payments | $m | (203) | (217) | (217) | (280) | (283) |
| Tax | $m | - | - | - | - | - |
| Net interest | $m | 0 | 0 | (2) | (3) | (3) |
| Other | $m | 0 | 0 | - | - | - |
| **Operating cash flow** | $m | **27** | **(15)** | **45** | **90** | **90** |
| **INVESTING CASHFLOW** | | | | | | |
| Capex and exploration | $m | (37) | (51) | (69) | (74) | (79) |
| Other | $m | (2) | 5 | 0 | - | - |
| **Investing cash flow** | $m | **(39)** | **(46)** | **(69)** | **(74)** | **(79)** |
| **FINANCING CASHFLOW** | | | | | | |
| Net equity proceeds | $m | 1 | 47 | 32 | - | - |
| Debt proceeds/(repayments) | $m | (4) | - | 35 | - | - |
| Dividends | $m | (5) | - | - | - | - |
| Other | $m | 1 | - | - | - | - |
| **Financing cash flow** | $m | **(7)** | **42** | **67** | **-** | **-** |
| Change in cash | $m | (19) | (20) | 43 | 16 | 12 |
| Free cash flow | $m | (10) | (66) | (24) | 16 | 12 |

**BALANCE SHEET**

| Year ending 30 Jun | Unit | 2018a | 2019a | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash & short term investments | $m | 31 | 11 | 54 | 70 | 82 |
| Accounts receivable | $m | 14 | 17 | 20 | 21 | 22 |
| Inventory | $m | 55 | 46 | 46 | 46 | 46 |
| Mine development and PPE | $m | 129 | 89 | 116 | 141 | 177 |
| Exploration & evaluation | $m | 11 | 10 | 12 | 15 | 18 |
| Other | $m | 21 | 14 | 15 | 16 | 16 |
| **Total assets** | $m | **261** | **186** | **264** | **309** | **360** |
| **LIABILITIES** | | | | | | |
| Accounts payable | $m | 32 | 25 | 27 | 28 | 30 |
| Borrowings | $m | 6 | 4 | 22 | 22 | 22 |
| Lease liabilities | $m | | | | | |
| Other | $m | 54 | 55 | 74 | 78 | 79 |
| **Total liabilities** | $m | **91** | **85** | **123** | **128** | **131** |
| **SHAREHOLDER'S EQUITY** | | | | | | |
| Share capital | $m | 255 | 302 | 335 | 335 | 335 |
| Reserves | $m | 31 | 28 | 28 | 28 | 28 |
| Retained earnings | $m | (115) | (228) | (221) | (181) | (133) |
| Non-controlling interest | $m | - | - | - | - | - |
| **Total equity** | $m | **170** | **102** | **142** | **181** | **230** |
| Weighted average shares | m | 611 | 681 | 853 | 907 | 907 |

**FINANCIAL RATIOS**

| Year ending 30 Jun | Unit | 2018a | 2019a | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|
| **VALUATION** | | | | | | |
| NPAT (adjusted) | $m | (26.3) | (52.8) | 7.4 | 39.6 | 48.5 |
| Normalised EPS | c/sh | (4.3) | (7.7) | 0.9 | 4.3 | 3.2 |
| EPS growth | % | na | na | na | 403% | 22% |
| PER | x | na | na | 22.6x | 4.2x | 3.5x |
| DPS | c/sh | - | - | - | - | - |
| Franking | % | 0% | 0% | 0% | 0% | 0% |
| Yield | % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| FCF/share | c/sh | (2) | (10) | (3) | 2 | 1 |
| FCF yield | % | -9% | -52% | -15% | 9% | 7% |
| EV/EBITDA | x | na | -7.5x | 2.7x | 1.5x | 1.3x |
| **PROFITABILITY RATIOS** | | | | | | |
| EBITDA margin | % | 0% | -9% | 18% | 25% | 27% |
| EBIT margin | % | -13% | -26% | 4% | 11% | 13% |
| Return on assets | % | na | na | 3% | 13% | 13% |
| Return on equity | % | na | na | 5% | 22% | 21% |
| **LIQUIDITY & LEVERAGE** | | | | | | |
| Net debt / (cash) | $m | (21) | (2) | (45) | (61) | (72) |
| ND / E | % | nc | nc | nc | nc | nc |
| ND / (ND + E) | % | nc | nc | nc | nc | nc |

**ASSUMPTIONS - Prices**

| Year ending 30 Jun | Unit | 2018a | 2019a | 2020e | 2021e | LT real |
|---|---|---|---|---|---|---|
| Tin - Spot | US$/lb | 9.36 | 9.00 | 8.50 | 8.80 | 9.40 |
| Copper - Spot | US$/lb | 3.06 | 2.79 | 3.00 | 3.18 | 3.40 |
| Nickel - Spot | US$/lb | 5.65 | 5.60 | 6.80 | 7.45 | 8.20 |
| **CURRENCY** | | | | | | |
| USD/AUD | US$/A$ | 0.78 | 0.72 | 0.67 | 0.68 | 0.74 |

**ASSUMPTIONS - Production (equity share) and Profitability**

| Year ending 30 Jun | Unit | 2018a | 2019a | 2020e | 2021e | 2022e |
|---|---|---|---|---|---|---|
| **Tin Division** | | | | | | |
| Ore treated | kt | 366 | 373 | 375 | 375 | 375 |
| Average head grade | % Sn | 1.25 | 1.32 | 1.40 | 1.50 | 1.50 |
| Recovery | % | 73.6 | 72.6 | 76.2 | 76.2 | 76.2 |
| Tin production (in concentrate) | kt Sn | 3.4 | 3.6 | 4.0 | 4.3 | 4.3 |
| Tin all in sustaining costs | US$/lb | 5.83 | 5.42 | 4.92 | 4.45 | 4.87 |
| Operating EBITDA | A$ m | 37.6 | 36.7 | 41.9 | 53.2 | 55.7 |
| **Copper Division** | | | | | | |
| Ore treated | Mt | 1.4 | 1.3 | 1.5 | 2.4 | 2.4 |
| Average head grade | % Cu | 1.33 | 1.45 | 1.40 | 1.45 | 1.45 |
| Recovery | % | 92.5 | 92.6 | 92.9 | 93.1 | 93.1 |
| Copper production (in concentrate) | kt Cu | 16.8 | 16.9 | 19.5 | 31.7 | 32.4 |
| Copper all in sustaining costs | US$/lb | 3.66 | 3.48 | 2.81 | 2.48 | 2.50 |
| Operating EBITDA | A$ m | (18.6) | (18.4) | 22.5 | 68.3 | 74.5 |

**SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS**

| Shareholder | M Shares | Interest | Date of Latest Change |
|---|---|---|---|
| APAC Resources Ltd | 72.4 | 8.0% | 12/09/19 |
| Mitsubishi UFJ Financial Group, Inc. | 61.5 | 6.8% | 28/03/19 |
| IOOF Holdings Limited | 52.7 | 5.8% | 2/07/19 |
| Jinchuan Group Limited | 44.0 | 4.8% | 9/09/16 |
| Directors and management | 17.6 | 1.9% | various |
| **Total** | **248.2** | **27.4%** | |

**VALUATION**

| Issued capital | Unit | |
|---|---|---|
| Ordinary shares | m | 907.3 |
| Unlisted employee options | m | 12.3 |
| **Total securities** | **m** | **919.6** |

| | Current | | + 12 months | | + 24 months | |
|---|---|---|---|---|---|---|
| **Sum of parts valuation** | **$m** | **$/sh[1,2]** | **$m** | **$/sh[1,2]** | **$m** | **$/sh[1,2]** |
| Copper Division | 151 | 0.16 | 160 | 0.17 | 147 | 0.16 |
| Tin Division | 133 | 0.14 | 144 | 0.16 | 143 | 0.15 |
| Nickel Division | 42 | 0.05 | 42 | 0.05 | 42 | 0.05 |
| Other assets | 2 | 0.00 | 2 | 0.00 | 2 | 0.00 |
| Corporate | (24) | (0.03) | (21) | (0.02) | (19) | (0.02) |
| **Enterprise value** | **304** | **0.33** | **326** | **0.35** | **315** | **0.34** |
| Net cash/(debt)[3] | 33 | 0.04 | 45 | 0.05 | 61 | 0.07 |
| **Equity value** | **337** | **0.37** | **371** | **0.40** | **376** | **0.41** |

Notes: 1. May not add due to rounding and dilution
2. Based on diluted capital of 922.4m securities. (Excludes unlisted options not dilutive at above valuations)
3. Debt includes equipment leases

SOURCE: METALS X LTD AND 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 has a long position in the shares of MLX.

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