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## Metals X Ltd (MLX)

### 1H FY20 result: last of the impairments?

#### It's all on Renison for now

With Nifty now on care and maintenance, it's up to Renison to carry MLX forward. As expected, the company's 1H FY20 result reflected Nifty's poor performance prior to its suspension and the disappointing performance by Renison, both of which were not helped by lower commodity prices. MLX reported a loss of \$61.6m (BPe loss of \$85m) that included impairments and write-downs of \$33.8m (BPe \$35m) for a normalised loss of \$27.1m. The company had cash of \$40.5m and interest bearing liabilities of \$39.6m (mostly Citi debt of \$34m) at 31 December 2019 for net cash of \$0.9m.

#### Regional exploration success points to Nifty's strategic value

Exploration activity near MLX's Nifty operation and extensive tenement position in the highly prospective Paterson Ranges that includes the Maroochydore copper deposit 90km south of Nifty has increased significantly over the past two years. Rio Tinto's exploration success with its Winu copper-gold discovery and the success at the Havieron Gold Project (where the Newcrest - Greatland Gold Plc joint venture is conducting an 8 rig drilling program and considering starting an exploration decline by the end of 2020) are tangible evidence of the region's mineral potential (despite very limited information on Winu having been released so far) and have spurred significant interest from other explorers. Fortescue Metals Group has secured a major tenement position in the region over the past year and is doing early stage target generation.

#### Investment thesis – Buy, TP \$0.14/sh (previously \$0.15/sh)

MLX's 1H FY20 result reflects the poor production performance and weaker commodity price environment in the period, which led to the suspension of Nifty operations in late 2019. The market is waiting for the outcome of several matters – the strategic review of its copper assets; clarity on the company's capital needs; and its new strategy. Meanwhile MLX is advancing plans to start mining the high grade Area 5 zone at Renison early in 2H 2020. We have made minor changes to our forecasts but regard the strategic issues as being far more relevant drivers of the share price at present. We continue to assume MLX does a significant equity raising in 1H 2020. Our target price is reduced by 7% to \$0.14/sh, reflecting the dilutive impact of the assumed capital raising at the currently lower share price. Our Buy recommendation is retained.

#### Recommendation

**Buy** (unchanged)

#### Price

**\$0.086**

#### Target (12 months)

**\$0.14** (previously \$0.15)

#### GICS Sector

Materials

#### Expected Return

Capital growth	63%
Dividend yield	0%
Total expected return	63%

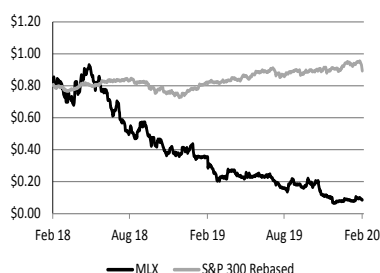
#### Company Data & Ratios

Enterprise value	\$77m
Market cap	\$78m
Issued capital	907.3m
Free float	64%
Avg. daily val. (52wk)	\$1.0m
12 month price range	\$0.064 - \$0.36

#### Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.09	0.12	0.35
Absolute (%)	0.0	-28.3	-75.7
Rel market (%)	5.4	-28.8	-85.2

#### Absolute Price



SOURCE: IRESS

#### Earnings Forecast

Year end June	2019a	2020e	2021e	2022e
Sales (A\$m)	205	146	100	278
EBITDA (A\$m)	(18)	(22)	(26)	52
NPAT (reported) (A\$m)	(117)	(81)	(53)	2
NPAT (adjusted) (A\$m)	(53)	(47)	(53)	2
EPS (adjusted) (eps)	(7.7)	(4.8)	(3.8)	0.1
EPS growth (%)	na	na	na	na
PER (x)	na	na	na	75.9
FCF Yield (%)	-113%	-76%	-40%	-18%
EV/EBITDA (x)	(4.3)	(3.5)	(3.0)	1.5
Dividend (eps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	na	na	na	4%

SOURCE: BELL POTTER SECURITIES ESTIMATES

## Impairments exacerbated expected 1H FY20 loss

### Cash outflow in 1H FY20 points to need for additional equity

The company's 1H FY20 result was largely as expected, reflecting Nifty's poor performance prior to its suspension in late November 2019 and the disappointing performance by Renison, both of which were not helped by lower copper and tin prices respectively. MLX reported a loss of \$61.6m (BPe loss of \$85m) that included impairments and write-downs of \$33.8m (BPe \$35m) for a normalised loss of \$27.1m (BPe loss of \$45.2m). These impairments and write-downs consisted of care and maintenance costs at Nifty of \$10.1m, asset impairments of \$15.4m at Nifty, and a rehabilitation provision adjustment of \$8.3m at Renison (related to Mt Bischoff).

**Table 1 – Summary features of MLX's 1H FY20 financial result**

Year to 30 June	1H FY19	2H FY19	FY19	1H FY20	1H FY20	Change on	Actual vs
	Actual	Actual	Actual	Actual	BP est	pcp (%)	BP est (%)
<b>Renison</b>							
Tin in concentrate sales (50% share) (kt)	1.5	2.0	3.6	1.8	1.8	16%	
Average all in sustaining cost (AISC) (US\$/lb)	5.95	0.00	5.42	5.91	5.91	-1%	
Average realised tin price (US\$/lb)	7.89	7.79	7.85	7.08	7.08	-10%	
Operating EBITDA (\$m)	0.7	20.4	21.1	10.5	13.4	1,400%	-22%
<b>Nifty</b>							
Copper in concentrate sales (kt)	7.3	8.5	15.8	9.1	9.1	24%	
Average AISC (US\$/lb)	3.54	3.40	3.48	3.90	3.90	10%	
Average realised copper price (US\$/lb)	2.48	2.46	2.47	2.32	2.32	-6%	
Operating EBITDA (\$m)	(7.7)	(10.7)	(18.4)	(18.4)	(25.9)	236%	-27%
<b>Financials</b>							
Sales Revenue (\$m)	92.0	112.7	204.7	109.0	85.2	18%	28%
Operating EBITDA (\$m)	6.1	9.6	2.6	(15.4)	(12.5)	na	23%
EBITDA (\$m)	(21.7)	3.8	(17.9)	(12.6)	(21.9)	-42%	-43%
Reported NPAT (\$m)	(36.1)	(80.8)	(117.0)	(61.6)	(80.2)	70%	-23%
Normalised NPAT (\$m)	(36.1)	(16.6)	(52.8)	(27.7)	(45.2)	-23%	-39%
Earnings Per Share (normalised) (¢)	(5.3)	(2.4)	(7.7)	(3.5)	(5.6)	-35%	-39%
Dividend Per Share (¢)	0.0	0.0	0.0	0.0	0.0	na	na
Operating cash flow (\$m)	(24.1)	8.9	(15.2)	(5.3)	(11.6)	-78%	-54%
Capital expenditure (\$m)	(18.9)	(32.0)	(50.9)	(27.1)	(30.7)	44%	-12%
Cash (\$m)	33.1	11.4	11.4	40.5	43.7	22%	-7%
Interest bearing liabilities (\$m)	(10.9)	(9.4)	(9.4)	(39.6)	(43.4)	263%	-9%
Net cash/(debt) (\$m)	22.2	2.0	2.0	0.9	0.3	-96%	190%

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

The main features of MLX's 1H FY20 financial result were:

- **Revenue** was higher than expected at \$109.0m as this included the sale of essentially all available copper concentrates. Sales of tin in concentrate were up 16% on the previous corresponding period (pcp) at 1,773t but the average realised tin price was 10% lower than in the pcp at US\$7.08/lb. Sales of copper in concentrate were up 24% to 9.1kt but the average realised copper price was down 6% on the pcp.
- **EBITDA** was a loss of \$12.6m, which was below our estimate (BPe loss of \$21.9m) with Renison contributing an operating EBITDA of \$10.5m from an average AISC that was 1% lower than the pcp at US\$5.91/lb; Nifty contributed an operating EBITDA loss of \$18.4m from an average AISC that was 10% higher than the pcp at US\$3.90/lb; and corporate activities contributed an operating EBITDA loss of \$4.2m.
- **Operating cash outflow** of \$5.3m was lower than we expected (BPe was for cash outflow of \$11.6m). The company had care and maintenance expenditure of \$10.4m to

31 December 2019, which contributed significantly to the cash outflow, with further Nifty care and maintenance expenditure being incurred on an ongoing basis but at a generally reduced level.

- **Total capex** was up 44% on the pcp at \$27.1m (that was less than our estimate of \$30.7m, which was based on quarterly reporting), the bulk of which was for mine development and equipment at Nifty. Capex at Renison was \$7.6m; capex at Nifty was \$18.7m; capex on the Wingellina Nickel Project was \$0.8m; and exploration expenditure was \$2.7m.
- **Cash** at 31 December 2019 was \$40.5m and MLX had interest bearing liabilities of \$39.6m (\$34m of which was the Citi loan, the balance was lease liabilities) at that date for net cash of \$0.9m (down 96% on the pcp).

### **Regional exploration success points to Nifty's strategic value**

Exploration activity near MLX's Nifty operation and extensive tenement position that includes the Maroochydore copper deposit 90km south of Nifty in the highly prospective Paterson Ranges has increased significantly over the past two years. Rio Tinto's exploration success with its Winu copper-gold discovery and the success at the Havieron Gold Project (where the Newcrest - Greatland Gold Plc joint venture is conducting an 8 rig drilling program and considering starting an exploration decline by the end of 2020) are tangible evidence of the region's mineral potential (despite very limited information on Winu having been released so far) and have spurred significant interest from other explorers. Fortescue Metals Group has secured a major tenement position in the region over the past year and is doing early stage target generation.

We estimate MLX paid a net cost for Nifty of about \$90m (after allowing for the cash in Aditya Birla) and has spent capex at Nifty of about \$130m since its acquisition, giving a total estimated cost of about \$220m. While we acknowledge the current value of Nifty is much less than that amount, we believe Nifty (including the extensive tenements and the Maroochydore copper-cobalt deposit) have considerable prospectivity and strategic value, particularly because of Nifty's extensive infrastructure, which MLX has refurbished to a considerably improved condition compared to the time of acquisition. While the current market conditions are not likely to be conducive to a very favourable outright deal on Nifty, we believe there may be scope for a constructive partnership or joint venture arrangement that recognises Nifty's strategic value.

# Target price reduced by 7% to \$0.14/share

## Forecast for FY20 and FY21 losses, breakeven in FY22 little changed

We have revised our MLX forecasts following the company's 1H FY20 financial result. We have slightly increased our assumption of an equity raising to about \$40m after costs in 1H 2020.

Our current forecasts for normalised losses in FY20 and FY21 and a breakeven result in FY22 are little changed on our previous forecasts (Table 2).

We have reduced our target price, which is based on our 12-month forward NPV valuation, by 7% to \$0.14 per share. We have retained our Buy recommendation but we continue to expect that the MLX share price could remain weak until the market gets clarity on the Nifty Resource update, the copper assets strategic review, and the company's capital needs.

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

Year ending 30 June	Previous			New			Change		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
<b>Prices &amp; currency</b>									
Tin (US\$/lb)	7.82	8.65	9.10	<b>7.82</b>	<b>8.65</b>	<b>9.10</b>	0%	0%	0%
Copper (US\$/lb)	2.81	3.15	3.25	<b>2.81</b>	<b>3.15</b>	<b>3.25</b>	0%	0%	0%
US\$/A\$	0.68	0.70	0.73	<b>0.68</b>	<b>0.70</b>	<b>0.73</b>	0%	0%	0%
<b>Equity production &amp; costs</b>									
Tin in concentrate (kt)	3.5	4.2	4.6	<b>3.5</b>	<b>4.2</b>	<b>4.6</b>	0%	0%	0%
Tin all in sustaining costs (US\$/lb)	6.00	5.42	4.53	<b>6.00</b>	<b>5.42</b>	<b>4.53</b>	0%	0%	0%
Renison operating EBITDA (A\$m)	21.4	45.3	59.0	<b>18.4</b>	<b>45.3</b>	<b>59.0</b>	-14%	0%	0%
Copper in concentrate (kt)	6.0	0.0	20.4	<b>6.0</b>	<b>0.0</b>	<b>20.4</b>	0%	na	0%
Copper all in sustaining costs (US\$/lb)	4.28	na	3.19	<b>4.28</b>	<b>na</b>	<b>3.19</b>	0%	na	0%
Nifty operating EBITDA (A\$m)	(33.1)	-29.4	24.0	<b>(33.1)</b>	<b>-29.4</b>	<b>24.0</b>	na	na	0%
<b>Earnings</b>									
Revenue (A\$m)	122	100	278	<b>146</b>	<b>100</b>	<b>278</b>	20%	0%	0%
EBITDA (A\$m)	(31)	(28)	52	<b>(22)</b>	<b>(26)</b>	<b>52</b>	0.7	-8%	0%
EBIT (A\$m)	(63)	(52)	8	<b>(45)</b>	<b>(50)</b>	<b>8</b>	na	na	3%
NPAT (adjusted) (A\$m)	(66)	(56)	1	<b>(47)</b>	<b>(53)</b>	<b>2</b>	na	na	12%
EPS (adjusted) (Acps)	(6.7)	(4.0)	0.1	<b>(4.8)</b>	<b>(3.8)</b>	<b>0.1</b>	na	na	12%
PER (x)	na	na	98.3	<b>na</b>	<b>na</b>	<b>75.9</b>	na	na	(22.3)
EPS Growth (%)	na	na	na	<b>na</b>	<b>na</b>	<b>na</b>	na	na	na
DPS (reported) (Acps)	0.0	0.0	0.0	<b>0</b>	<b>0</b>	<b>0</b>	na	na	na
Yield (%)	0.0%	0.0%	0.0%	<b>0%</b>	<b>0%</b>	<b>0%</b>	na	na	na
Net cash (debt including finance leases) (A\$m)	14	(42)	(69)	<b>1</b>	<b>(47)</b>	<b>(70)</b>	-93%	13%	1%
Price Target (\$/sh)	0.15			<b>0.14</b>			-7%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

## Target price reduced by 7% to \$0.14/share

Our valuations of MLX (Table 4 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. While Renison was targeting the mining of higher grade ore from the new Area 5 and Leatherwood areas from early in 2020, FY20 tin production has been downgraded and we are now forecasting FY20 production of 7.0kt (on a 100% basis) with an average AISC of about US\$6/lb (A\$19,500/t). Our tin production forecasts for FY21 and FY22 are 8.2ktpa and 9.2ktpa with forecast average AISCs of about US\$5.42/lb and US\$4.53/lb respectively;

2. Our forecasts for Nifty follow the company's decision to suspend production and put the operation on care and maintenance. We are forecasting no production for Nifty in FY21 and 20.4kt for FY22 with a forecast average net AISC of around US\$3.19/lb in FY22;
3. We are forecasting sustaining and project capex of around \$49m in FY20; \$23m in FY21; and \$67m in FY22 for MLX's share of Renison (excluding the Rentails development) and have assumed costs of \$20m for the resumption of operations at Nifty (assuming it is not sold);
4. Annual exploration spend is forecast to be around \$3 - 4m;
5. The major Renison expansion project, Rentails, remains under active development consideration. At the current tin price of around US\$7.50/lb (A\$24,300/t), 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, may come under consideration for development after a more detailed understanding of the extent of the oxide and sulphide mineralisation has been gained from further drilling and metallurgical test work programs;
7. We have a valuation of \$28.5m on the Central Musgrave Nickel Project (CMNP) because we see reduced likelihood that it is developed in the next few years due to MLX's reduced financial position. Development of CMNP in conjunction with a major Asian industrial group using their proprietary nickel extraction process when nickel prices demonstrate stability above about US\$7/lb remains the likely path but the CMNP asset is currently the subject of a strategic review. With the company focused on Renison and advancing the Rentails Project, the CMNP is not a priority development project at this time. We expect the CMNP will be developed with an appropriate partner and is most likely to be initially developed as a modest scale operation targeting higher grade mineralisation following completion of further test work and economic studies; and
8. The company disposed of most of its investments in listed companies at the end of FY19 and currently only retains an approximately 2.4% interest in Nelson Resources (ASX – NES, not rated), which is currently valued at about \$0.05m.

### **In December 2019 MLX flagged the likelihood of a capital raising in 1H 2020**

MLX stated on 18 December 2019 that it was considering the timing and options for a capital raising in the first half of 2020. We have assumed MLX does raise additional net equity capital of about \$40.0m in 1H 20 (Table 3). We have assumed this additional equity will be used to fund 100% of the restart of Nifty on an appropriate basis in about mid-2021. It may be, however, that the company is able to attract a suitable partner for Nifty and in that case, MLX may have a significantly reduced need of funding for a Nifty restart. MLX is also continuing to advance the Rentails Project and given its indicative favourable economics, Rentails could be an alternative and/or additional need for funding. Although we expect Rentails to be likely to attract significant project funding in its own right, MLX is still likely to be required to contribute some equity to it. We have assumed that any equity raised in 1H 2020 is done at the current share price even though there could be favourable outcomes from the copper business strategic review and the potential impact of higher

copper and tin prices once the coronavirus issues have been completely overcome, which may lead to a share price re-rating by the time that capital is actually sought.

**Table 3 - Forecast additional equity to be raised by BYE in FY20**

Year to June	2020e
Net amount to be raised <sup>1</sup> (A\$m)	40.2
Share price assumed (A\$)	0.086
Number of shares to be issued (m)	500.0
<b>Total number of shares on issue at year end (m)</b>	<b>1,407.3</b>

SOURCE: BELL POTTER SECURITIES

NOTE 1. AFTER CAPITAL RAISING COSTS

Our valuations of MLX (Table 4) are based on **tin and copper price and FX forecasts in Table 2** (on page 4). Our valuations are **equity diluted to account for potential additional shares issued in FY20 (Table 3)**.

**Table 4 - MLX summary valuations**

DCF sum-of-parts valuation	Now		+12 months		+24 months	
	A\$m	\$/sh <sup>1</sup>	A\$m	\$/sh <sup>1</sup>	A\$m	\$/sh <sup>1</sup>
Tin Division	141	0.10	153	0.11	146	0.10
Copper Division	35	0.02	35	0.02	69	0.05
Nickel Division	29	0.02	29	0.02	29	0.02
Other assets	1	0.00	1	0.00	1	0.00
Corporate	(24)	(0.02)	(21)	(0.01)	(19)	(0.01)
Enterprise Value	<b>183</b>	<b>0.13</b>	<b>197</b>	<b>0.14</b>	<b>227</b>	<b>0.16</b>
Net cash/ (debt) <sup>2</sup>	1	0.00	1	0.00	(47)	(0.03)
Equity Value	<b>184</b>	<b>0.13</b>	<b>198</b>	<b>0.14</b>	<b>179</b>	<b>0.13</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION; BASED ON DILUTIVE CAPITAL OF 1,420.5M SHARES

2. DOES NOT INCLUDE ANY CASH FROM EXERCISE OF OPTIONS THAT ARE NOT DILUTIVE AT THE ABOVE VALUATIONS AND INCLUDES ASSUMED NET EQUITY TO BE RAISED IN 2020.

# Metals X Limited (MLX)

## Company description

MLX demerged its gold business in December 2016, and following suspension of the Nifty Copper Operation in November 2019, MLX now only has one operating division being 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 7.0 – 7.4kt of tin in concentrate from lower ore grades despite a recent expansion that included a tertiary crushing and ore sorter to lift output; 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 and infrastructure in the Great Sandy Desert region of Western Australia (WA) was put on care and maintenance in December 2019 as it was unlikely to meet planned production at an acceptable cost; and the Maroochydore copper deposit located 90km away, which was previously seen as a potential near term development involving open pit mining and possible trucking of ore for processing at Nifty.

The Nickel Division contains the globally significant Wingellina Nickel-Cobalt Project in the Central Musgrave Ranges near the WA/NT border (MLX 100%). This Project has been under consideration as a potential development that could ultimately see potentially very significant amounts of nickel, cobalt, scandium and iron production based from the staged development of higher grade zones within the very large nickel limonite deposit involving important new processing technology, provided a suitable development arrangement could be agreed with the developer of the processing technology (a major Asian group) and the nickel price recovers further. MLX is currently carrying out a strategic review of this asset.

## 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. Our valuation of the company's Wingellina Nickel-Cobalt Project reflects the reduced certainty over its development and the likelihood of that taking longer than previously expected.

## Investment thesis: Buy, TP \$0.14/sh (previously \$0.15/sh)

MLX's 1H FY20 result reflects the poor production performance and weaker commodity price environment in the period, which led to the suspension of Nifty operations in late 2019. The market is waiting for the outcome of several matters – the strategic review of its copper assets; clarity on the company's capital needs; and its new strategy. Meanwhile MLX is advancing plans to start mining the high grade Area 5 zone at Renison early in 2H 2020. We have made minor changes to our forecasts but regard the strategic issues as being far more relevant drivers of the share price at present. We continue to assume MLX does a significant equity raising in 1H 2020. Our target price is reduced by 7% to \$0.14/sh, reflecting the dilutive impact of the assumed capital raising at the currently lower share price. Our Buy recommendation is retained.



## Shareholders

The current status of some shareholdings is yet to be clarified post the recent equity raising but we believe the major shareholders are: APAC Resources Ltd (15.3%); L1 Capital (13.4%); and IOOF Holdings Limited (6.6%). Directors and management currently have a total interest of about 0.2%.

## 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.



Table 5 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e	Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e
Revenue	\$m	210	205	146	100	278	<b>VALUATION</b>						
Operating expenses	\$m	(211)	(223)	(168)	(126)	(226)	NPAT (adjusted)	\$m	(26.3)	(52.8)	(47.1)	(53.2)	1.6
<b>EBITDA</b>	\$m	<b>(1)</b>	<b>(18)</b>	<b>(22)</b>	<b>(26)</b>	<b>52</b>	Normalised EPS	c/sh	(4.3)	(7.7)	(4.8)	(3.8)	0.1
Depreciation and amortisation	\$m	(26)	(35)	(23)	(24)	(44)	EPS growth	%	na	na	na	na	na
<b>EBIT</b>	\$m	<b>(26)</b>	<b>(53)</b>	<b>(45)</b>	<b>(50)</b>	<b>8</b>	PER	x	na	na	na	na	75.9
Net interest	\$m	0	0	(2)	(3)	(6)	DPS	c/sh	-	-	-	-	-
<b>PBT</b>	\$m	<b>(26)</b>	<b>(53)</b>	<b>(47)</b>	<b>(53)</b>	<b>2</b>	Franking	%	0%	0%	0%	0%	0%
Tax expense	\$m	0	0	0	0	0	Yield	%	0%	0%	0%	0%	0%
Major impairments/write-offs/other	\$m	0	(64)	(34)	0	0	FCF/share	c/sh	(2)	(10)	(6)	(3)	(2)
<b>NPAT (reported)</b>	\$m	<b>(26)</b>	<b>(117)</b>	<b>(81)</b>	<b>(53)</b>	<b>2</b>	FCF yield	%	-19%	-113%	-76%	-40%	-18%
Adjustment for abnormal items	\$m	0	64	34	0	0	EV/EBITDA	x	na	(4.3)	(3.5)	(3.0)	1.5
<b>NPAT (normalised)</b>	\$m	<b>(26)</b>	<b>(53)</b>	<b>(47)</b>	<b>(53)</b>	<b>2</b>	<b>PROFITABILITY RATIOS</b>						
<b>PROFIT AND LOSS (INTERIMS)</b>													
Half year ending	Unit	Jun-18a	Dec-18a	Jun-19a	Dec-19a	Jun-20e	EBITDA margin	%	0%	-9%	-15%	-26%	19%
Revenue	\$m	122	92	113	109	37	EBIT margin	%	-13%	-26%	-31%	-50%	3%
Expense	\$m	(116)	(114)	(109)	(122)	(46)	Return on assets	%	na	na	-40%	-31%	1%
<b>EBITDA</b>	\$m	<b>5</b>	<b>(22)</b>	<b>4</b>	<b>(13)</b>	<b>(9)</b>	Return on equity	%	na	na	-86%	-130%	4%
Depreciation	\$m	(13)	(15)	(20)	(14)	(9)	<b>LIQUIDITY &amp; LEVERAGE</b>						
EBIT	\$m	(7)	(36)	(17)	(27)	(18)	Net debt / (cash)	\$m	(21)	(2)	(1)	47	70
Net interest expense	\$m	(0)	0	(0)	(1)	(1)	ND / E	%	nc	nc	nc	116%	163%
<b>PBT</b>	\$m	<b>(7)</b>	<b>(36)</b>	<b>(17)</b>	<b>(28)</b>	<b>(19)</b>	ND / (ND + E)	%	nc	nc	nc	54%	62%
Tax (expense)/benefit	\$m	(1)	0	0	0	0	<b>ASSUMPTIONS - Prices</b>						
Impairments/write-offs/other	\$m	0	0	64	(34)	0	<b>Year ending 30 Jun</b>	<b>Unit</b>	<b>2018a</b>	<b>2019a</b>	<b>2020e</b>	<b>2021e</b>	<b>LT real</b>
<b>NPAT (reported)</b>	\$m	<b>(8)</b>	<b>(36)</b>	<b>48</b>	<b>(62)</b>	<b>(19)</b>	Tin - Spot	US\$/lb	9.36	9.00	7.82	8.65	9.40
Abnormal items	\$m	0	0	(64)	34	0	Copper - Spot	US\$/lb	3.06	2.79	2.81	3.15	3.40
<b>NPAT (normalised)</b>	\$m	<b>(8)</b>	<b>(36)</b>	<b>(17)</b>	<b>(28)</b>	<b>(19)</b>	Nickel - Spot	US\$/lb	5.65	5.60	6.80	7.45	8.20
<b>CASH FLOW</b>							<b>CURRENCY</b>						
Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e	USD/AUD	US\$/A\$	0.78	0.72	0.68	0.70	0.74
<b>OPERATING CASHFLOW</b>							<b>ASSUMPTIONS - Mineral Resources (equity share)</b>						
Receipts	\$m	229	202	147	99	273	<b>Tin Division</b>	Tonnes (M)	Grade Sn	Metal (kt Sn)	Grade Cu	Metal (kt Cu)	
Payments	\$m	(203)	(217)	(168)	(118)	(221)	Renison	8.8	1.50%	132	0.20%	18	
Tax	\$m	0	0	0	0	0	Mt Bischoff	0.8	0.54%	5			
Net interest	\$m	0	0	(2)	(3)	(6)	Rentails	11.9	0.44%	52	0.22%	26	
Other	\$m	0	0	0	0	0	<b>Totals</b>	<b>21.6</b>	<b>0.87%</b>	<b>188</b>	<b>0.20%</b>	<b>44</b>	
<b>Operating cash flow</b>	\$m	<b>27</b>	<b>(15)</b>	<b>(22)</b>	<b>(22)</b>	<b>46</b>	<b>Copper Division</b>						
<b>INVESTING CASHFLOW</b>							Nitty - Sulphide	36.3			1.50%	546	
Capex and exploration	\$m	(37)	(51)	(41)	(27)	(68)	- Oxide and Heap Leach	7.6			0.79%	60	
Other	\$m	(2)	5	0	0	0	Maroochydore	48.6			1.00%	486	
<b>Investing cash flow</b>	\$m	<b>(39)</b>	<b>(46)</b>	<b>(41)</b>	<b>(27)</b>	<b>(68)</b>	<b>Totals</b>	<b>92.6</b>			<b>1.18%</b>	<b>1,092</b>	
<b>FINANCING CASHFLOW</b>							<b>Nickel Division</b>	Tonnes (M)	Grade Ni	Metal (kt Ni)	Grade Co	Metal (kt Co)	Metal (Mt Fe)
Net equity proceeds	\$m	1	47	71	0	0	Wingellina	168	0.93%	1,561	0.07%	123	77
Debt proceeds/(repayments)	\$m	(4)	0	31	9	26	<b>ASSUMPTIONS - Production (equity share) and Profitability</b>						
Dividends	\$m	(5)	-	(0)	0	0	<b>Year ending 30 Jun</b>	<b>Unit</b>	<b>2018a</b>	<b>2019a</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Other	\$m	1	0	0	0	0	<b>Tin Division</b>						
<b>Financing cash flow</b>	\$m	<b>(7)</b>	<b>42</b>	<b>93</b>	<b>9</b>	<b>26</b>	Ore treated	kt	366	373	350	370	370
Change in cash	\$m	(19)	(20)	29	(39)	4	Average head grade	% Sn	1.25	1.32	1.40	1.50	1.60
Free cash flow	\$m	(10)	(66)	(64)	(48)	(22)	Recovery	%	73.6	72.6	72.7	74.9	77.6
<b>BALANCE SHEET</b>							Tin production (in concentrate)	kt Sn	3.4	3.6	3.5	4.2	4.6
Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e	Tin all in sustaining costs	US\$/lb	5.83	5.42	6.00	5.42	4.53
<b>ASSETS</b>							Operating EBITDA	A\$ m	37.6	21.1	18.4	45.3	59.0
Cash & short term investments	\$m	31	11	41	1	5	<b>Copper Division</b>						
Accounts receivable	\$m	14	17	11	12	17	Ore treated	Mt	1.4	1.3	0.5	-	1.5
Inventory	\$m	55	46	20	20	20	Average head grade	% Cu	1.33	1.45	1.34	-	1.45
Mine development and PPE	\$m	129	89	106	113	144	Recovery	%	92.5	92.6	94.6	-	92.4
Exploration & evaluation	\$m	11	10	9	8	6	Copper production (in concentrate)	kt Cu	16.8	16.9	6.0	-	20.4
Other	\$m	21	14	14	15	9	Copper all in sustaining costs	US\$/lb	3.66	3.48	4.28	-	3.19
<b>Total assets</b>	\$m	<b>261</b>	<b>186</b>	<b>202</b>	<b>169</b>	<b>202</b>	Operating EBITDA	A\$ m	(18.6)	(18.4)	(26.1)	(29.4)	24.0
<b>LIABILITIES</b>							<b>SUBSTANTIAL &amp; SIGNIFICANT SHAREHOLDERS</b>						
Accounts payable	\$m	32	25	12	20	23	<b>Shareholder</b>	<b>M Shares</b>	<b>Interest</b>	<b>Date of Latest Change</b>			
Interest bearing liabilities	\$m	10	9	40	49	75	APAC Resources Ltd	138.9	15.3%	1/10/19			
Provisions	\$m	48	50	56	60	61	L1 Capital	121.5	13.4%	17/01/20			
Other	\$m	1	0	0	0	0	IIOF Holdings Limited	60.1	6.6%	1/10/19			
<b>Total liabilities</b>	\$m	<b>91</b>	<b>85</b>	<b>108</b>	<b>128</b>	<b>159</b>	Directors and management	1.8	0.2%	various			
<b>SHAREHOLDER'S EQUITY</b>							<b>Total</b>	<b>322.3</b>	<b>35.5%</b>				
Share capital	\$m	255	302	375	375	375	<b>VALUATION</b>						
Reserves	\$m	31	28	28	28	28							
Retained earnings	\$m	(115)	(228)	(309)	(363)	(361)	<b>Sum of parts valuation</b>	<b>\$m</b>	<b>\$/sh<sup>1,2</sup></b>	<b>\$m</b>	<b>\$/sh<sup>1,2</sup></b>	<b>\$m</b>	<b>\$/sh<sup>1,2</sup></b>
Non-controlling interest	\$m	0	0	0	0	0	Tin Division	141	0.10	153	0.11	146	0.10
<b>Total equity</b>	\$m	<b>170</b>	<b>102</b>	<b>94</b>	<b>41</b>	<b>43</b>	Copper Division	35	0.02	35	0.02	69	0.05
<b>SHARE CAPITAL</b>							Nickel Division	29	0.02	29	0.02	29	0.02
<b>Issued capital</b>						<b>Unit</b>	Other assets	1	0.00	1	0.00	1	0.00
Ordinary shares							Corporate	(24)	(0.02)	(21)	(0.01)	(19)	(0.01)
Unlisted employee options							<b>Enterprise value</b>	<b>183</b>	<b>0.13</b>	<b>197</b>	<b>0.14</b>	<b>227</b>	<b>0.16</b>
<b>Total securities</b>							Net cash/(debt) <sup>3</sup>	1	0.00	1	0.00	(47)	(0.03)
							<b>Equity value</b>	<b>184</b>	<b>0.13</b>	<b>198</b>	<b>0.14</b>	<b>179</b>	<b>0.13</b>

Notes: 1. May not add due to rounding and dilution

2. Based on diluted capital of 1,420.5m securities. Includes assumed net equity from raising in 1H 2020

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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