

Analyst

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Authorisation

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Metals X Ltd (MLX)

Playing the waiting game

Recommendation

Buy (unchanged)

Price

\$0.08

Target (12 months)

\$0.11 (previously \$0.14)

Risk

Speculative

GICS Sector

Materials

Expected Return

Capital growth	38%
Dividend yield	0%
Total expected return	38%

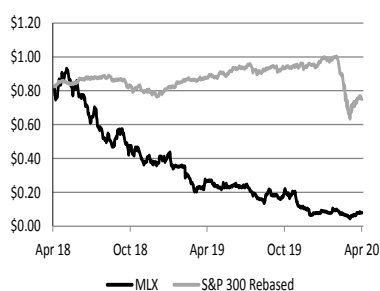
Company Data & Ratios

Enterprise value	\$91m
Market cap	\$73m
Issued capital	907.3m
Free float	64%
Avg. daily val. (52wk)	\$740,000
12 month price range	\$0.043 - \$0.28

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.06	0.08	0.27
Absolute (%)	31.1	-4.8	-70.5
Rel market (%)	29.8	18.5	-55.8

Absolute Price



SOURCE: IRESS

Renison's 3Q20 production improves slightly, financials slip

Tin production in concentrate in 3Q FY20 at Renison was up 5% quarter-on-quarter (qoq) to 1,740t (100% basis) at a 2% higher average all in sustaining cost (AISC) of A\$20,320/t from the changed mining sequence resulting from the delay to the start of mining in the new high grade Area 5. Although tin sold was up 14% qoq to 2,080t (100% basis) and the average realised tin price was essentially flat at A\$22,290/t (down 3% qoq at US\$6.65/lb), the operation generated a 27% lower EBITDA for MLX of \$3.0m and a cash outflow of \$1.5m. FY20 production guidance for Renison was reaffirmed. Operations at Nifty remained on care and maintenance, which was done at a net cost of \$6.3m. Infill drilling at the Wingellina Project confirmed further shallow high nickel-cobalt mineralisation suitable for starter pits. The company had net debt of \$18.1m at 31 March 2020 (made up of cash of \$20.8m, bank debt of \$33m and estimated finance leases of \$5.9m) compared to net cash of \$0.3m at the end of 2019.

Much hinges on outcome of June 2020 copper business review

The impact of the COVID-19 pandemic has dramatically reduced global economic growth, with the major economies now forecast to suffer recessions. This has led to significant falls in commodity prices, which has only been partially offset by falls in the value of the currencies of producing countries such as Australia. MLX is carrying out a strategic review of its copper business against this very difficult economic backdrop, with much hanging on the outcome, due in the June 2020 quarter.

Investment thesis – Spec. Buy, Valn. \$0.11/sh (prev. \$0.14/sh)

We have revised our forecasts, mainly related to commodity price and FX forecasts and we have raised the discount rate for our valuations to 12% reflecting the greater global economic uncertainty. Strategic issues remain very important for MLX. We have continued to assume the company's copper business is not sold (as a sufficiently significant price is unlikely to be achieved in the current environment) and that MLX will need to raise significant additional equity in 2020. We now see MLX incurring losses until FY22. Our NPV-based valuation, which incorporates such an equity raising, is reduced by 21% to \$0.11/share. Our recommendation is moved to Speculative Buy.

Earnings Forecast

Year end June	2019a	2020e	2021e	2022e
Sales (A\$m)	205	143	89	265
EBITDA (A\$m)	(18)	(21)	(24)	40
NPAT (reported) (A\$m)	(117)	(79)	(48)	(5)
NPAT (adjusted) (A\$m)	(53)	(45)	(48)	(5)
EPS (adjusted) (eps)	(7.7)	(4.6)	(3.4)	(0.4)
EPS growth (%)	na	na	na	na
PER (x)	na	na	na	na
FCF Yield (%)	-121%	-64%	-10%	-24%
EV/EBITDA (x)	na	na	na	2.2
Dividend (eps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	na	na	na	na

SOURCE: BELL POTTER SECURITIES ESTIMATES

Renison not contributing much at present

Higher tin sales in 3Q FY20 generated 27% lower Renison EBITDA

With Nifty on care and maintenance, Renison was the sole operation for MLX in 3Q FY20 but its contribution was only modest (Table 1). Despite 14% higher tin sales from Renison at a relatively flat price and only slightly higher average AISC, Renison generated a 27% lower EBITDA of \$3m to MLX. Nifty had a much smaller cash outflow in 3Q FY20, incurring \$6.3m of care and maintenance costs. The company continued its strategic review of its copper business, which is considering all options including joint ventures and the partial or complete divestment of some or all of its copper assets. The strategic review is due to be concluded in the June 2020 quarter.

Table 1 – MLX 3Q FY20 production report summary

Year to 30 June		Dec-18 Actual	Mar-19 Actual	Jun-19 Actual	Sep-19 Actual	Dec-19 Actual	Dec-19 BP est	Change on prev. (%)	Actual vs BP est (%)
Tin Division (Renison)									
Ore milled (100% basis)	kt	188	183	178	166	175	175	5%	0%
Tin grade	%	1.46%	1.23%	1.56%	1.35%	1.36%	1.30%	1%	4%
Recovery	%	74.9%	73.3%	74.3%	73.7%	73.1%	71.1%	(1%)	3%
Tin production (in concentrate, 100% basis)	Kt	2,061	1,649	2,056	1,652	1,740	1,680	5%	4%
Tin sales (in concentrate, 100% basis)	Kt	2,251	1,789	1,757	1,826	2,080	1,558	14%	33%
Average net realised tin price ¹	US\$/lb	8.72	8.21	7.02	6.83	6.65	6.84	(3%)	(3%)
Average net all in sustaining cost ¹	US\$/lb	5.07	5.93	5.01	6.30	6.19	6.52	(2%)	(5%)
Operating EBITDA	A\$m	12.7	7.6	9.3	4.1	3.0	2.8	(27%)	6%
Copper Division (Nifty)									
Ore milled	kt	284	208	290	186				
Copper grade	%	1.48%	1.58%	1.29%	1.41%				
Recovery	%	94.4%	93.3%	91.6%	92.1%				
Copper production (in concentrate)	Kt	4.0	3.1	3.4	2.6				
Copper sales (in concentrate)	Kt	4.4	4.0	4.1	5.0				
Average net realised copper price received ¹	US\$/lb	2.48	2.44	2.34	2.35				
Average net all in sustaining cost	US\$/lb	3.10	3.16	3.62	3.66				
Operating EBITDA	A\$m	(5.2)	(5.5)	(13.0)	(13.0)	(6.3) ²	(6.0)	(51%)	5%
Financials									
Operating EBITDA	A\$m	7.6	2.1	(3.6)	(8.9)	(3.3)	(2.8)	(63%)	18%
Capital expenditure	A\$m	(14.3)	(15.1)	(15.3)	(25.7)	(10.7)	(12.3)	(58%)	(13%)
Cash	A\$m	17.8	11.4	50.9	43.7	20.8	23.6	(52%)	(12%)
Total interest bearing liabilities (debt + leases)	A\$m	(10.9)	(9.4)	(44.4)	(43.4)	(38.9)	(43.4)	(10%)	(10%)
Net cash/(liabilities)	A\$m	6.9	2.0	6.5	0.3	(18.1)	(19.7)	na	(8%)

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

NOTES : 1. PRICE REALISED AFTER SMELTING & REFINING CHARGES; 2.CARE AND MAINTENANCE COSTS

The main features of MLX's 3Q FY20 production result were:

Renison – production improved slightly from higher ore processing rate

- Tin production in concentrate was 5% higher qoq at 1,740t (100% basis), reflecting a 5% increase in ore processed and a 1% lift in average ore grade from continuation of the changed mining sequence and a delay to the start of mining in the new high grade Area 5. Ore mined was 2% lower qoq at 204kt but ore processed was up 5% qoq to 175kt. Tin production was achieved at a 11% higher qoq average C1 cash cost of A\$18,213/t (7% higher at US\$5.44/lb) related to higher maintenance costs but it was at only a 2% higher average net AISC of A\$20,747/t (2% lower at US\$6.19/lb).
- Sales of tin in concentrate were up 14% qoq at 2,080t (100% basis) at a 1% higher average realised price of A\$22,290/t (3% lower in US terms at US\$6.65/lb) after treatment and refining charges, resulting in MLX's 50% share of the Renison mine

generating a 27% lower mine operating surplus (EBITDA) of \$3.0m and net cash outflow of \$1.5m.

- The company has reiterated its production guidance for FY20 of 7.0 – 7.3kt of tin in concentrate on 100% basis at an average AISC of A\$18.2 – 19.1k/t.
- The Area 5 Optimisation Study remains on track for completion in the June quarter of 2020 and the company progressed a major Metallurgical Improvement Program at Renison that is aimed at improving mill throughput rate and metallurgical recovery.

Nifty – on care and maintenance, Resource updated, strategic review nears end

- Operations remained on care and maintenance at a net cost of \$6.3m and the cost for 4Q FY20 has been guided at \$3.1m, slightly higher than the previous guidance for monthly costs of around \$0.7m.
- An updated Mineral Resource Estimate for Nifty was released during the quarter, resulting in a 10% increase in contained copper in the Nifty mine. The update was based on drilling over the past year that has contributed to a new geological model incorporating the interbedded shale units for the first time. Although these shales are low grade lithologies, they enable improved stope definition and mine planning.
- The strategic review of the company's copper business continued, with all options including joint ventures and the partial or complete divestment of some or all of the copper assets being considered. The review is due to be completed in 4Q FY20.

Wingellina Nickel-Cobalt Project – infill drilling at two pits confirms high grades

- A modest program of infill drilling was carried out on the Wingellina deposit targeting high grade cobalt-nickel areas within two of the 15 pits previously defined by the 2017 drilling program, which confirmed the presence of shallow high grade nickel-cobalt mineralisation suitable as starter pits for a potential future operation. Notwithstanding MLX's much reduced financial position, Wingellina continues to receive at least some attention now because it represents a potentially very valuable asset that is also the subject of the company's ongoing corporate review.

Financials – 63% lower operating EBITDA loss

- Total mine EBITDA was a significantly lower loss of \$3.3m compared with a loss of \$8.9m in the previous quarter. Total capex was estimated to have been 58% lower qoq at \$10.7m, the bulk of which (\$6.3m) was for care and maintenance at Nifty.
- The company's current tin hedging arrangements at the end of March 2020 involve 2,670kt of tin at an average price of A\$24,916/t, out to June 2021, representing approximately 50% of production over the period of the arrangement.
- MLX had cash of \$20.8m at 31 March 2020. The company had drawn down A\$33m of the Citi debt facility at the end of the quarter after repayment of \$1m during the quarter, giving the company estimated interest-bearing obligations (drawdown of the Citi debt plus estimated equipment lease commitments of \$5.9m) totalling \$38.9m, at 31 March 2020 giving it estimated net interest bearing debt of about \$18.1m.

Valuation reduced by 21% to \$0.11/share

FY20 and FY21 losses trimmed slightly but FY22 loss now likely

We have revised our MLX forecasts following the company's 3Q FY20 production report and allowance for slightly higher ongoing care and maintenance costs at Nifty and revised commodity and US\$/A\$ forecasts. We have retained our assumption of an equity raising of about \$40m before costs, likely in mid-2020.

We are now forecasting slightly lower normalised losses for FY20 and FY21. We are now forecasting a small loss for FY22 (Table 2).

We have reduced our valuation, which is based on our 12-month forward NPV valuation, by 21% to \$0.11 per share. **We have moved to a Speculative Buy recommendation reflecting the greatly increased global economic uncertainty leading to our forecast of extended losses, and the uncertainties of the outcome of the company's copper business review and potential need to raise additional equity.** We expect the MLX share price to remain weak in the current difficult economic environment and particularly until the market obtains clarity on the company's copper business strategic review and on MLX's capital raising plans.

Table 2 – Summary of revised earnings estimates and valuation for MLX

Year ending 30 June	Previous			New			Change		
	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Prices & currency									
Tin (US\$/lb)	7.82	8.65	9.10	7.38	7.05	7.85	-6%	-18%	-14%
Copper (US\$/lb)	2.81	3.15	3.25	2.59	2.85	3.20	-8%	-10%	-2%
US\$/A\$	0.68	0.70	0.73	0.67	0.67	0.71	-2%	-5%	-2%
Equity production & costs									
Tin in concentrate (kt)	3.5	4.2	4.6	3.6	4.2	4.6	2%	1%	0%
Tin all in sustaining costs (US\$/lb)	6.00	5.42	4.53	5.68	5.60	4.91	-5%	3%	8%
Renison operating EBITDA (A\$m)	18.4	45.3	59.0	11.1	23.7	34.7	-40%	-48%	-41%
Copper in concentrate (kt)	6.0	0.0	20.4	6.0	0.0	20.4	0%	na	0%
Copper all in sustaining costs (US\$/lb)	4.28	na	3.19	4.21	na	3.13	-2%	na	-2%
Nifty operating EBITDA (A\$m)	(26.1)	-29.4	24.0	(28.8)	(19.4)	24.5	na	na	2%
Earnings									
Revenue (A\$m)	146	100	278	143	89	265	-2%	-11%	-5%
EBITDA (A\$m)	(22)	(26)	52	(21)	(24)	40	-4%	-7%	-22%
EBIT (A\$m)	(45)	(50)	8	(44)	(47)	(2)	-2%	-5%	na
NPAT (adjusted) (A\$m)	(47)	(53)	2	(45)	(48)	(5)	na	na	na
EPS (adjusted) (Acps)	(4.8)	(3.8)	0.1	(4.6)	(3.4)	(0.4)	na	na	na
PER (x)	na	na	75.9	na	na	na	na	na	na
EPS Growth (%)	na	na	na	na	na	na	na	na	na
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)	1	(47)	(70)	15	4	(23)	1403%	na	-67%
Valuation (\$/sh)	0.14 ¹			0.11			-21%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTE 1: PREVIOUSLY PRICE TARGET

Valuation reduced by 21% to \$0.11/share

Our valuations of MLX (Table 4 over page) 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 was downgraded

in January 2020 and we are now forecasting FY20 production of 7.2kt (on a 100% basis) with an average AISC of about US\$5.60/lb (A\$19,300/t). Our tin production forecasts (100% basis) for FY21 and FY22 are 8.2ktpa and 9.2ktpa at forecast average AISCs of about US\$5.60/lb and US\$4.90/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\$3.13/lb in FY22;
3. We are forecasting sustaining and project capex of around \$46m in FY20; \$16m in FY21; and \$64m in FY22 for MLX's share of Renison (excluding the Rentals 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 reduce to around \$2m;
5. The major Renison expansion project, Rentals, remains under active development consideration. At tin prices of around US\$7.00/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 was 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 Rentals 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 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 9.2% interest in Nelson Resources (ASX – NES, not rated).

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 mid-2020 (Table 3). We have assumed this additional equity will be used to repay the Citi facility in the first instance and then, assuming that facility is still available, used to fund 100% of the restart of Nifty on an appropriate basis starting 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 Rentals Project and given its indicative favourable economics, Rentals could be an alternative and/or additional need for funding. Although we expect Rentals 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 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 reduction in the amount of any equity raised then and potentially a share price re-rating by the time any equity capital is actually sought.

Table 3 - Forecast additional equity to be raised by MLX in 2020

Year to June	2020e
Net amount to be raised ¹ (A\$m)	37.0
Share price assumed (A\$)	0.08
Number of shares to be issued (m)	500.0
Total number of shares on issue at year end (m)	1,407.3

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 2020 (Table 3).

Table 6 - MLX summary valuations

DCF sum-of-parts valuation	Now		+12 months		+24 months	
	A\$m	\$/sh ¹	A\$m	\$/sh ¹	A\$m	\$/sh ¹
Tin Division	86	0.06	98	0.07	96	0.07
Copper Division	38	0.03	38	0.03	58	0.04
Nickel Division	28	0.02	28	0.02	28	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	130	0.09	144	0.10	165	0.12
Net cash/ (debt) ²	19	0.01	15	0.01	4	0.00
Equity Value	149	0.10	160	0.11	170	0.12

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 BUT DOES INCLUDE THE ASSUMED NET EQUITY TO BE RAISED IN 2020 (INCLUDING THE "NOW" CASE).

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 operation).

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: Spec. Buy, Valn. \$0.11/sh (prev. \$0.14/sh)

We have revised our forecasts, mainly related to commodity price and FX forecasts and we have raised the discount rate for our valuations to 12% reflecting the greater global economic uncertainty. Strategic issues remain very important for MLX. We have continued to assume the company's copper business is not sold (as a sufficiently significant price is unlikely to be achieved in the current environment) and that MLX will need to raise significant additional equity in 2020. We now see MLX incurring losses until FY22. Our NPV-based valuation, which incorporates such an equity raising, is reduced by 21% to \$0.11/share. Our recommendation is moved to Speculative Buy.

Shareholders

The major shareholders of MLX 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.
- **Global pandemics:** Global pandemics such as the COVID-19 virus may have a very adverse impact on macro economic factors such as commodity pricing and demand and on all aspects of the operating environment because of the need for social distancing.
- **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 June	Unit	2018a	2019a	2020e	2021e	2022e	Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
Revenue	\$m	210	205	143	89	265	VALUATION						
Operating expenses	\$m	(211)	(223)	(164)	(113)	(224)	NPAT (adjusted)	\$m	(26.3)	(52.8)	(45.5)	(47.8)	(5.2)
EBITDA	\$m	(1)	(18)	(21)	(24)	40	Normalised EPS	c/sh	(4.3)	(7.7)	(4.6)	(3.4)	(0.4)
Depreciation and amortisation	\$m	(26)	(35)	(23)	(23)	(43)	EPS growth	%	na	na	na	na	na
EBIT	\$m	(26)	(53)	(44)	(47)	(2)	PER	x	na	na	na	na	na
Net interest	\$m	0	0	(2)	(0)	(3)	DPS	c/sh	-	-	-	-	-
PBT	\$m	(26)	(53)	(45)	(48)	(5)	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)	(5)	(1)	(2)
NPAT (reported)	\$m	(26)	(117)	(79)	(48)	(5)	FCF yield	%	-20%	-121%	-64%	-10%	-24%
Adjustment for abnormal items	\$m	0	64	34	0	0	EV/EBITDA	x	na	(5.1)	(4.3)	(3.8)	2.2
NPAT (normalised)	\$m	(26)	(53)	(45)	(48)	(5)	PROFITABILITY RATIOS						
							EBITDA margin	%	0%	-9%	-15%	-27%	15%
							EBIT margin	%	-13%	-26%	-31%	-53%	-1%
							Return on assets	%	na	na	na	na	na
							Return on equity	%	na	na	na	na	na
							LIQUIDITY & LEVERAGE						
							Net debt / (cash)	\$m	(21)	(2)	(15)	(4)	23
							ND / E	%	nc	nc	nc	nc	58%
							ND / (ND + E)	%	nc	nc	nc	nc	37%
							ASSUMPTIONS - Prices						
							Year ending 30 June	Unit	2018a	2019a	2020e	2021e	LT real
							Tin - Spot	US\$/lb	9.36	9.00	7.38	7.05	8.50
							Copper - Spot	US\$/lb	3.06	2.79	2.59	2.85	3.30
							Nickel - Spot	US\$/lb	5.65	5.60	6.46	7.05	8.00
							CURRENCY						
							USD/AUD	US\$/A\$	0.78	0.72	0.67	0.67	0.74
							ASSUMPTIONS - Mineral Resources (equity share)						
							Tin Division	Tonnes (M)	Grade Sn	Metal (kt Sn)	Grade Cu	Metal (kt Cu)	
							Renison	8.8	1.50%	132	0.20%	18	
							Mt Bischoff	0.8	0.54%	5			
							Rentails	11.9	0.44%	52	0.22%	26	
							Totals	21.6	0.87%	188	0.20%	44	
							Copper Division						
							Nifty - Sulphide	36.3			1.50%	546	
							- Oxide and Heap Leach	7.6			0.79%	60	
							Marochydore	48.6			1.00%	486	
							Totals	92.6			1.18%	1,092	
							Nickel Division	Tonnes (M)	Grade Ni	Metal (kt Ni)	Grade Co	Metal (kt Co)	Metal (Mt Fe)
							Wingellina	168	0.93%	1,561	0.07%	123	77
							ASSUMPTIONS - Production (equity share) and Profitability						
							Year ending 30 June	Unit	2018a	2019a	2020e	2021e	2022e
							Tin Division						
							Ore treated	kt	366	373	350	370	370
							Average head grade	% Sn	1.25	1.32	1.40	1.50	1.60
							Recovery	%	73.6	72.6	73.4	75.3	77.9
							Tin production (in concentrate)	kt Sn	3.4	3.6	3.6	4.2	4.6
							Tin all in sustaining costs	US\$/lb	5.83	5.42	5.68	5.60	4.91
							Operating EBITDA	A\$ m	37.6	21.1	11.1	23.7	34.7
							Copper Division						
							Ore treated	Mt	1.4	1.3	0.5	-	1.5
							Average head grade	% Cu	1.33	1.45	1.34	-	1.45
							Recovery	%	92.5	92.6	94.6	-	92.4
							Copper production (in concentrate)	kt Cu	16.8	16.9	6.0	-	20.4
							Copper all in sustaining costs	US\$/lb	3.66	3.48	4.21	-	3.13
							Operating EBITDA	A\$ m	(18.6)	(18.4)	(28.8)	(19.4)	24.5
							SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS						
							Shareholder	M Shares	Interest	Date of Latest Change			
							APAC Resources Ltd	138.9	15.3%	1/10/19			
							L1 Capital	121.5	13.4%	17/01/20			
							IIOF Holdings Limited	60.1	6.6%	1/10/19			
							Directors and management	1.8	0.2%	various			
							Total	322.3	35.5%				
							VALUATION						
								Current	+ 12 months	+ 24 months			
							Sum of parts valuation	\$m	\$/sh ^{1,2}	\$m	\$/sh ^{1,2}	\$m	\$/sh ^{1,2}
							Tin Division	86	0.06	98	0.07	96	0.07
							Copper Division	38	0.03	38	0.03	58	0.04
							Nickel Division	28	0.02	28	0.02	28	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	130	0.09	144	0.10	165	0.12
							Net cash/(debt) ³	19	0.01	15	0.01	4	0.00
							Equity value	149	0.10	160	0.11	170	0.12
							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 and assumed net cash from 1H 2020 equity raising						

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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