

Analyst

Peter Arden 613 9235 1833

Authorisation

Duncan Hughes 618 9326 7667

Recommendation

Buy (unchanged)

Price

\$0.815

Target (12 months)

\$1.02 (previously \$0.85)

Expected Return

Capital growth	25.2%
Dividend yield	2.5%
Total expected return	27.8%

Company Data & Ratios

Enterprise value	\$475m
Market cap	\$497m
Issued capital	609.3m
Free float	64%
Avg. daily val. (52wk)	\$3.9m
12 month price range	\$0.52 - \$0.92

GICS sector

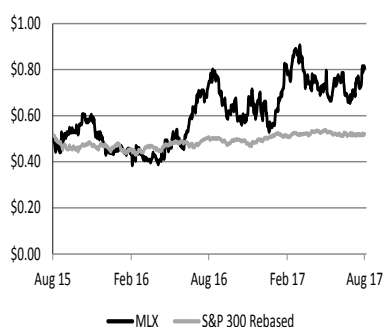
Materials

Disclosure: Bell Potter Securities acted as Co-Manager for the \$100.6m August 2016 placement and received fees for that service.

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	0.655	0.71	0.681
Absolute (%)	23.3	14.5	18.6
Rel market (%)	23.2	17.0	14.8

Absolute Price



SOURCE: IRESS

Metals X Limited (MLX)

Nifty exploration success coming through as tin output set to lift

Nifty drilling success underpins higher production for longer

MLX's plan to lift copper in concentrate output at the Nifty mine in WA to a rate of 35ktpa in 2H of 2017 and then to 40ktpa in 1H of 2018 is taking shape, boosted by results of ongoing exploration. Exploration had ceased under the previous owners, but MLX's active exploration program in and around Nifty has yielded very positive results. After completing a new geological model in early 2017 and then an updated mine plan, MLX has defined a 59% increase in contained copper in Ore Reserves, increasing mine life to over 4 years at the 2018 target rate. An upgraded Ore Reserve is due to be released in September 2017. Regional programs have identified significant indications of mineralisation. Exploration drilling has just begun on the Finch target, a potential Nifty look-alike, and is planned to start at the nearby Maroochydore deposit in September 2017. Copper production has begun to recover from the production dip in the March quarter that was related to inherited mine planning issues, with contained copper up 17% to 5,939t at 7% lower AISC of US\$2.74/lb in the June 2017 quarter.

Ore sorting and Rentals to boost Renison's tin output, returns

Construction of the ore sorting facility at Renison is underway, which, when fully operational, is expected to lift tin output by 15-20% to around 8,000 to 8,500tpa at the company's 50% owned Renison mine starting in the June quarter of 2018. The Renison JV partners have just completed an updated DFS on the Rentals Project, showing it is economically very attractive at current tin prices.

Investment thesis – Buy, TP \$1.02/sh (prev. \$0.85)

Exploration success is driving Nifty, underpinning long-run sustainability of higher copper production. Nifty's improved performance and financial returns are being aided by rising copper prices. Renison is also set to produce higher returns, aided by higher output and a firm tin price. We have revised our earnings forecasts for some changed commodity price and FX forecasts and lower Nifty ore grades, resulting in decreases of 65% for FY17 and 25% for FY18 and FY19 estimates. Our 12-month forward NPV-based target price, however, is increased by 20% to \$1.02/share reflecting the longer Nifty mine life and Renison expansions. Our Buy recommendation is retained.

Earnings Forecast

Year end June	2016a	2017e	2018e	2019e
Sales (A\$m)	354	236	370	416
EBITDA (A\$m)	36	31	100	122
NPAT (reported) (A\$m)	(24)	137	69	63
NPAT (adjusted) (A\$m)	(23)	6	69	63
EPS (adjusted) (eps)	(5)	1	11	10
EPS growth (%)	na	na	1007%	-8%
PER (x)	na	84.7	7.2	7.9
FCF Yield (%)	na	-11%	20%	20%
EV/EBITDA (x)	12.4	14.4	4.5	3.7
Dividend (eps)	-	-	2	2
Yield (%)	0.0%	0.0%	2.5%	2.5%
Franking (%)	0%	0%	0%	100%
ROE (%)	-6%	3%	25%	19%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Nifty production lifts, Renison output steady

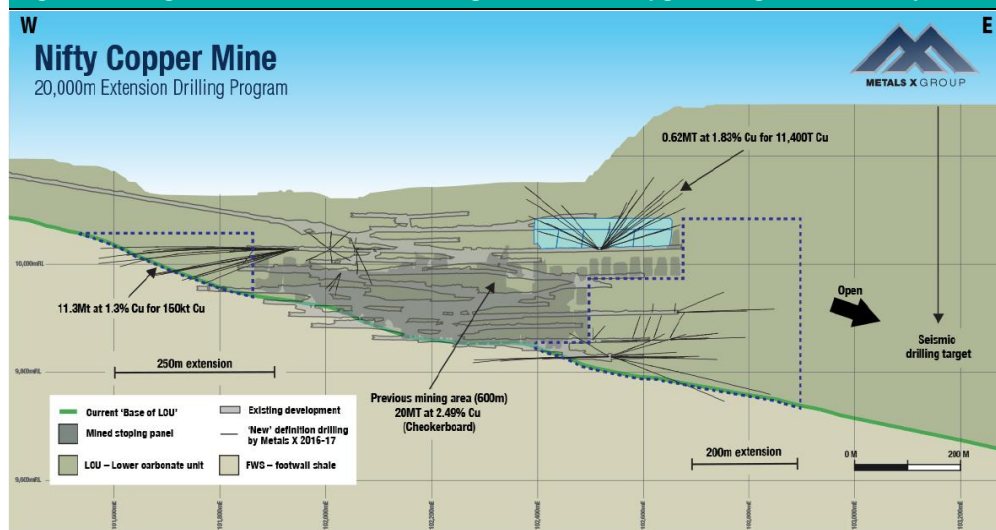
Table 1 – MLX 4Q FY17 production summary

		Jun-16 Actual	Sep-16 Actual	Dec-16 Actual	Mar-17 Actual	Jun-17 Actual	Jun-17 Estimate	Variance % qoq	Variance % BP est.
Copper Division (Nifty)									
Ore milled	kt		277	395	344	381	375	11%	2%
Copper grade	%		1.73%	2.11%	1.59%	1.66%	1.75%	5%	-5%
Copper production (in concentrate)	Kt		4.5	7.9	5.1	5.9	6.1	17%	-3%
Copper sales (in concentrate)	Kt		4.2	8.2	4.5	7.9	6.1	77%	29%
Average realised copper price received	US\$/lb		2.14	2.40	2.66	2.62	2.54	-2%	3%
All in sustaining costs	US\$/lb		2.18	2.15	2.94	2.74	2.59	-7%	6%
Operating surplus (EBITDA)	A\$m		(2.2)	10.1	(3.3)	0.6	1.2	na	-47%
Tin Division (Renison)									
Ore milled	kt	165	189	190	185	174	185	-6%	-6%
Tin grade	%	1.05%	1.28%	1.29%	1.28%	1.32%	1.39%	3%	-5%
Recovery	%	66.8%	71.0%	72.3%	75.7%	74.1%	75.5%	-2%	-2%
Tin production (in concentrate)	Kt	1,152	1,718	1,768	1,783	1,703	1,943	-4%	-12%
Tin sales (in concentrate)	Kt	1,450	1,394	1,868	1,730	1,709	2,178	-1%	-22%
Average realised tin price	US\$/lb	7.52	8.51	9.58	9.10	9.23	9.10	1%	1%
All in sustaining costs	US\$/lb	7.78	5.97	6.35	6.53	6.72	5.95	3%	13%
Operating surplus (EBITDA)	A\$m	(0.5)	5.1	10.7	10.0	8.8	13.9	-12%	-37%
Balance Sheet									
Cash	A\$m	40.2	174.1	28.3	28.3	31.4	43.8	11%	-28%
Debt	A\$m	(15.4)	(40.4)	(9.9)	(9.9)	(9.9)	(9.9)	0%	0%
Net cash / (debt)	A\$m	24.8	133.6	18.4	18.4	21.5	33.9	17%	-36%

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

The main features of the 4Q FY17 production report were:

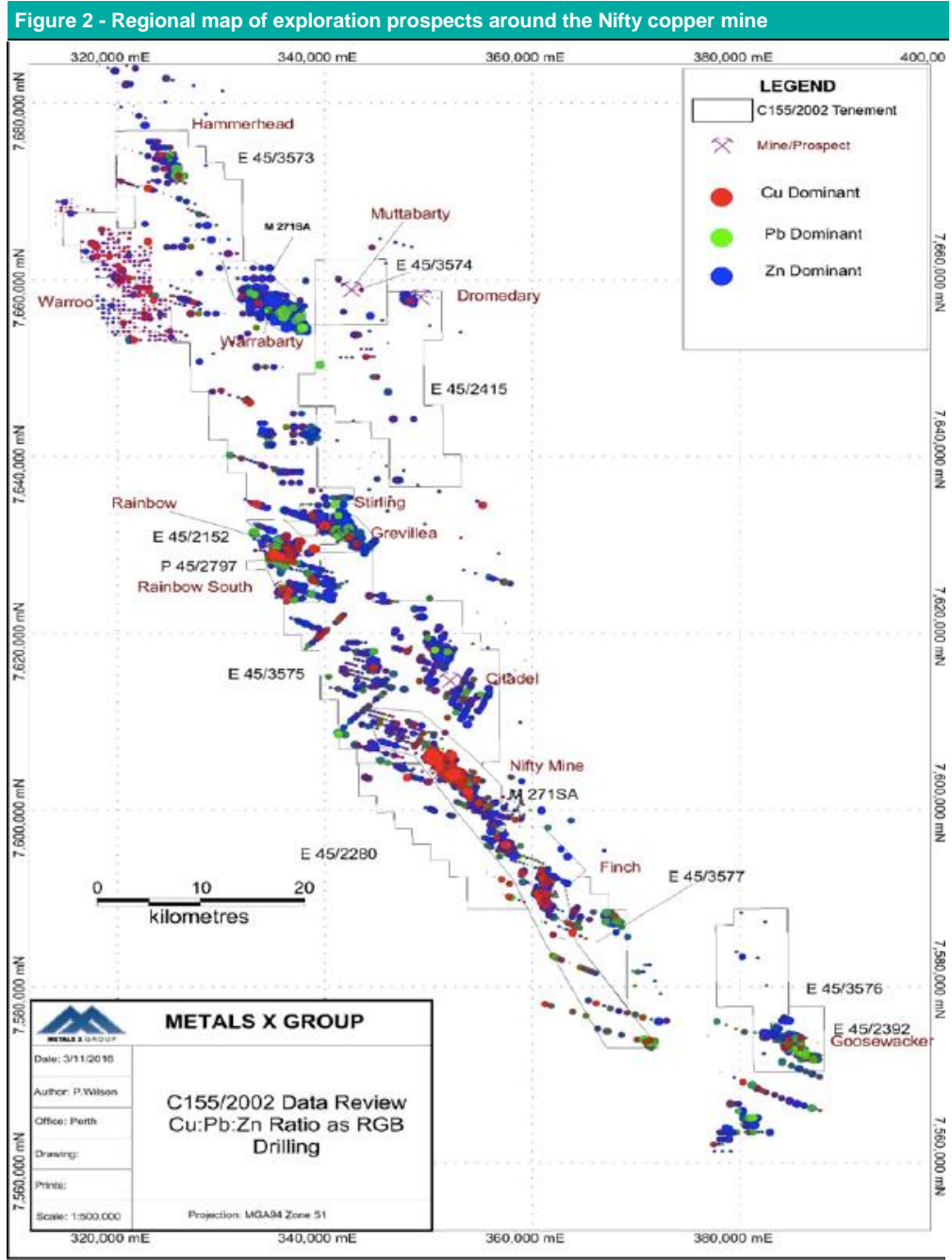
- Nifty's copper production recovered in the latest quarter as new stoping fronts were opened up but output was still adversely affected by the legacy effects of a lack of capital development in the mine prior to the acquisition by MLX. Copper in concentrate was up 17% on the previous quarter at 5.9kt from the combination of a 5% lift in head grade and 11% more ore processed (Table 1). Unit costs of copper production in concentrate were lower, with the average cash cost being down 13% at US\$2.06/lb and the average AISC down 7% at US\$2.74/lb. The company continues to work hard implementing its operational improvement and ramp-up plan, which is on track to deliver targeted copper in concentrate output at a rate of 35ktpa in 2H of 2017 and 40ktpa in 1H of 2018.
- Exploration drilling at Nifty continued to yield positive results with significant extensions to copper mineralisation confirmed outside the current mining areas in numerous long and high grade copper intersections. These results have defined significant new zones of mineralisation that have become Resource upgrade target areas (Figure 1).

Figure 1 – Long section of extensional drilling and Resource upgrade target areas at Nifty mine


SOURCE: METALS X LTD

High grade intersections from the Nifty drilling included 120m averaging 1.46% copper from 27m including 6.0m at 4.97%Cu from 46m; 32.0m at 3.15%Cu from 61m; and 16.4m at 2.42%Cu from 163.6m; 209m at 1.30%Cu from 19.0m including 8.0m at 4.66% Cu from 39m; 11.0m at 3.03%Cu from 86m; and 19.0m at 3.06% Cu from 156m; and 146m at 1.59% Cu from 16m including 13.1m at 3.44% Cu from 39.0m; 11.45m at 3.43%Cu from 57.9m and 27.5m at 3.06% Cu from 86.5m.

- Regional exploration drilling commenced at the end of the quarter at the Finch Prospect (Figure 2), which is considered to be a stratigraphic look-alike of the Nifty ore system located 20km southeast of Nifty, following a very successful 3D seismic survey in early May 2017 which has helped define the down plunge extension of the Nifty Syncline.



SOURCE: METALS X LTD

Exploration diamond drilling is about to start at the nearby Maroochydore deposit to test high grade sulphide and 3D induced polarisation (IP) targets following completion of the reprocessing of the 3D IP data, which identified various anomalous targets.

- Total tin in concentrate production from the company's 50% owned Renison mine was slightly down on the previous quarter at 1,703t as a planned mill shutdown resulted in 6% lower ore throughput and recoveries were lower, which more than offset a 3% lift in head grade (Table 1). The average AISC was 3% higher at US\$6.72/lb from the impact of the commencement of construction of the ore sorter, ongoing construction of the new tailings dam and additional mine development related to higher ore production for the new ore sorter. The average realised tin price was marginally higher at US\$9.23/lb, enabling Renison to produce another solid operating EBITDA of \$8.8m. The ore sorting facility is due to start in May 2018, targeting a 15-20% increase in tin production.
- MLX completed an updated Definitive Feasibility Study (DFS) into the Renison expansion – the Renison Tailings Retreatment Project (Rentails) – during the quarter and released the details of that just after the end of the quarter. Rentails involves the reprocessing of an estimated 22.5Mt of tailings with an average grade of 0.45% tin and 0.22% copper containing about 96.5kt of tin and 49kt of copper, which the JV believes can be economically attractively treated in a fuming plant (Figure 3) to produce an average of about 5.4kt of tin and 2.2kt of copper per annum in a high grade matte at an average cash operating cost of about A\$13,400 per tonne of tin (net of copper credits) at an estimated capital cost for construction of A\$205m over an approximately 11 year mine life. On the basis of the attractive economics indicated by the updated DFS, MLX and its JV partner have commenced discussions with parties in relation to financing options and to establish the timing of long lead time items, final approvals and the capacity of suppliers to service Rentails.

Figure 3 - View showing current Renison mine and infrastructure and planned Rentails facility



SOURCE: METALS X LTD

- Total operating EBITDA for MLX was \$9.4m, up 42% on the previous quarter. MLX reported that its balance sheet remained strong at 30 June 2017 with cash and working capital of \$110.9m. In the absence of specific information on its cash and borrowings position, we have estimated that they are around \$31.4m and \$9.9m respectively, similar to the position at 31 December 2016, when the company disclosed that it had a \$42.6m copper receivable, the proceeds of which it expected to fully receive.
- MLX has extended its copper hedging strategy. The company has entered into price hedges of 1,500t of copper per month from October 2017 to July 2018 inclusive based on floor prices of A\$7,600 to A\$7,800 per tonne and ceiling prices from A\$8,000 to A\$8,255 per tonne and participation at spot prices in between these levels to protect the downside risk of the Nifty operation as it continues to ramp up production.

No guidance

MLX has not given any formal production or cost guidance for FY18.

Earnings and valuation changes

Earnings reduced but Nifty + Rentals upgrades lift valuations

We have updated and rolled forward our forecasts for the June quarter 2017 production and cost report and for minor changes to the forecasts for tin prices over the next 18 months and a higher US\$/A\$ rate in FY18. Following release of the increased Ore Reserve and updated mine plan for Nifty and ongoing exploration success in and around the mine, we have revised our forecasts to incorporate higher ore production rates but at lower head grades that deliver extended mine life at Nifty. Following the commencement of construction of the ore sorter and the release of the updated DFS for the Rentals Project - we have now formally incorporated these projects into our models. As a result, we have updated our earnings forecasts, which have decreased by 62% in FY17 and 25% in FY18 and FY19 (Table 2).

We have increased our target price by 20%, however, which incorporates the impact of the near mine and regional exploration success at Nifty and the ore sorter and Rentals projects and is based on our 12-month forward NPV valuation of \$1.02 per share. We retain our Buy recommendation.

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

Year ending 30 June	2017e	2018e	2019e	2017e	2018e	2019e	2017e	2018e	2019e
Prices & currency									
Copper (US\$/lb)	2.40	2.88	3.00	2.43	2.88	3.00	1%	0%	0%
Tin (US\$/lb)	8.59	8.93	9.50	9.00	9.30	9.50	5%	4%	0%
US\$/A\$	0.75	0.75	0.75	0.76	0.77	0.75	1%	2%	0%
Equity production & costs									
Copper in concentrate (kt)	25.0	30.1	34.8	23.4	37.6	39.4	-6%	25%	13%
Copper all in sustaining costs (US\$/lb)	1.91	1.78	1.84	2.47	2.22	2.30	29%	24%	25%
Tin in concentrate (kt)	3.6	3.9	3.9	3.5	3.7	4.0	-4%	-3%	3%
Tin all in sustaining costs (net of by-products) (US\$/lb)	5.52	5.34	5.56	6.41	5.99	6.01	16%	12%	8%
Earnings									
Revenue (\$m)	203	312	361	236	370	416	16%	18%	15%
EBITDA (\$m)	38	130	147	31	100	122	-19%	-23%	-17%
EBIT (\$m)	15	104	116	7	67	84	-54%	-36%	-28%
NPAT (adjusted) (\$m)	15	92	84	6	69	63	-62%	-25%	-25%
EPS (adjusted) (cps)	3	15	14	1	11	10	-62%	-25%	-25%
PER (x)	32.5	5.5	6.0	na	7.2	7.8	na	31%	29%
EPS Growth (%)	na	461%	-9%	na	na	-8%	na	na	-10%
DPS (reported) (cps)	0	3.0	3.0	0	2.0	2.0	na	-33%	-33%
Yield	0.0%	3.6%	3.6%	0.0%	2.5%	2.5%	na	-32%	-32%
Net cash (debt)	94	203	287	22	121	208	-77%	-40%	-27%
Valuation (\$/sh)	0.84	0.85	0.97	0.91	1.02	1.13	8%	20%	16%
Price Target (\$/sh)	0.85			1.02			20%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

12-month forward valuation increased by 20% to \$1.02/share

Our valuations of MLX (Table 3) are based on:

- A sum-of-the-parts DCF valuation for each of the current tin and copper mining operations plus the Wingellina Nickel Project using a discount rate of 10%. The projects not in production have been risk weighted to reflect their development uncertainty.

- Key modelled assumptions, as follows:
 1. Copper production at Nifty is forecast to increase to around 35ktpa in the second half of 2017 and to 40ktpa in the first half of 2018 at lower AISCs from about US\$2.47/lb in the 11 months of FY17 (for which MLX have owned Nifty) to about US\$2.22/lb in FY18 and US\$2.30/lb in FY19 as increased production is achieved on the more efficient basis being demonstrated and planned by MLX;
 2. Tin production at Renison (100% basis) is expected to be increased to between 8.0ktpa to 8.5ktpa with AISCs that we forecast will be around US\$6.00/lb over the course of the next two years (FY18 and FY19) from the incorporation of ore sorting, which is expected to lift tin production by 15 – 20% from current levels when it is at the targeted operating levels after capex of about \$14m;
 3. Sustaining capex of around \$19mpa for MLX's share of Renison and for Nifty;
 4. Annual exploration spend of around \$6mpa;
 5. The Renison expansion project, Rentails, is now under active development consideration with the firmer tin price making development attractive given the project has 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 now estimated to be about A\$205m (MLX 50% share being A\$102.5m) for a 2Mtpa concentrator, tin fuming plant and new tailings dam;
 6. The Maroochydore Copper Project is expected to come under consideration for development as an open pit mining operation with ore trucked about 90km to the under-utilised modern Nifty concentrator (with processing capacity of 2.5Mtpa compared to the current treatment rate of around 1.6Mtpa). It is likely that MLX will need to do considerable confirmatory drilling (which is about to start) and pre-development studies before deciding to develop the project; and
 7. The Wingellina Nickel Project continues to be one of the largest undeveloped nickel-cobalt-scandium deposits in the world. We have been expecting that it would be developed in conjunction with POSCO using their proprietary nickel extraction process (PosNEP) when nickel prices recover, initially as a modest scale operation targeting higher grade mineralisation grading around 1.5% nickel at a rate of about 2Mtpa to produce about 18kt of nickel metal and 1.2kt of contained cobalt and possibly very significant additional by-product scandium. There is considerable potential for the project to be scaled up to a much larger operation over time. More recently, with the increase in world cobalt prices, MLX has been reviewing the potential for high grade cobalt production from high grade domains within the Wingellina deposit such as 29.7Mt at 0.14% cobalt containing 41.6kt of cobalt (at a 0.1% cobalt cut-off) and 85.9Mt at 0.11% cobalt containing 94kt of cobalt (at a 0.05% cobalt cut-off). MLX is currently planning a drilling program to better define the high grade cobalt areas.

Table 3 - MLX valuations

	Now		+12 months		+24 months	
	A\$m	\$/sh ¹	A\$m	\$/sh ¹	A\$m	\$/sh ¹
DCF sum-of-parts valuation						
Copper Division	295	0.48	281	0.46	253	0.41
Tin Division	151	0.24	156	0.25	161	0.26
Nickel Division	67	0.11	67	0.11	67	0.11
Exploration and other assets	15	0.02	15	0.02	15	0.02
Corporate	(19)	(0.03)	(16)	(0.03)	(13)	(0.02)
Total enterprise value	509	0.83	503	0.82	483	0.78
Net cash/ (debt) ²	53	0.09	127	0.21	214	0.35
Equity Value	562	0.91	629	1.02	697	1.13

SOURCE: BELL POTTER SECURITIES ESTIMATES

NOTES: 1. MAY NOT ADD DUE TO ROUNDING AND DILUTION
2. INCLUDES CASH FROM EXERCISE OF OPTIONS

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 major undeveloped nickel 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; 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 revamp aimed at lifting annual copper in concentrate output to around 40kt; 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 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%) as the main asset. This Project is continuing to advance towards a potential development that would see potentially significant amounts of nickel, cobalt, scandium and iron production based on targeting higher grade zones in a very large nickel limonite deposit and incorporating important new processing technology (PosNEP), provided a suitable development arrangement can be agreed with the developer of the processing technology (POSCO) and the nickel price recovers. MLX is currently reviewing the potential for high grade cobalt from high grade zones of cobalt 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.

Investment thesis: Buy, TP \$1.02/shr (prev. \$0.85/shr)

Exploration success is driving Nifty, underpinning long-run sustainability of higher copper production. Nifty's improved performance and financial returns are being aided by rising copper prices. Renison is also set to produce higher returns, aided by higher output and a firm tin price. We have revised our earnings forecasts for some changed commodity price and FX forecasts and lower Nifty ore grades, resulting in decreases of 65% for FY17 and 25% for FY18 and FY19 estimates. Our 12-month forward NPV-based target price, however, is increased by 20% to \$1.02/share reflecting the longer Nifty mine life and Renison expansions. Our Buy recommendation is retained.

Shareholders

Major shareholders include: the Blackrock Group (11.7%); APAC Resources Ltd (9.2%); the Jinchuan Group Limited (7.2%); and Ausbil Investment Management Ltd (5.3%). Directors and management currently have a total interest of about 3%.

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 4 - Financial summary

PROFIT AND LOSS							FINANCIAL RATIOS								
Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e	Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e		
Revenue	\$m	314	354	236	370	416	VALUATION								
Operating expenses	\$m	(226)	(318)	(205)	(270)	(293)	NPAT (adjusted)	\$m	47.2	(23.1)	5.9	68.5	63.2		
EBITDA	\$m	89	36	31	100	122	Adjusted EPS	c/sh	11.4	(5.2)	1.0	11.1	10.2		
Depreciation and amortisation	\$m	(44)	(64)	(25)	(33)	(38)	EPS growth	%	28%	na	na	1007%	-8%		
EBIT	\$m	44	(28)	7	67	84	PER	x	11x	na	85x	7.2x	7.9x		
Net interest	\$m	3	1	1	2	6	DPS	c/sh	5.7	-	-	2.0	2.0		
PBT	\$m	47	(27)	8	69	90	Franking	%	61%	0%	0%	0%	100%		
Tax expense	\$m	-	4	(2)	(0)	(27)	Yield	%	7.0%	0.0%	0.0%	2.5%	2.5%		
Impairments/write-offs/other	\$m	(6)	(1)	131	-	-	FCF/share	c/sh	2	(15)	(9)	16	16		
NPAT (reported)	\$m	41	(24)	137	69	63	FCF yield	%	3%	na	-11%	20%	20%		
Abnormal items	\$m	6	1	(131)	-	-	EV/EBITDA	x	5.1x	12.4x	14.4x	4.5x	3.7x		
NPAT (adjusted)	\$m	47	(23)	6	69	63	PROFITABILITY RATIOS								
PROFIT AND LOSS (INTERIMS)															
Half year ending	Unit	Jun-15a	Dec-15a	Jun-16a	Dec-16a	Jun-17e									
Revenue	\$m	164	37	318	129	107	EBITDA margin	%	28%	10%	13%	27%	29%		
Expense	\$m	(131)	(6)	(312)	(102)	(103)	EBIT margin	%	14%	-8%	3%	18%	20%		
EBITDA	\$m	33	31	5	27	5	Return on assets	%	10%	-4%	2%	18%	13%		
Depreciation	\$m	(24)	(33)	(31)	(11)	(13)	Return on equity	%	14%	-6%	3%	25%	19%		
EBIT	\$m	8	(2)	(26)	16	(9)	LIQUIDITY & LEVERAGE								
Net interest expense	\$m	2	1	0	1	0	Net debt / (cash)	\$m	(94)	(24)	(22)	(121)	(208)		
PBT	\$m	10	(1)	(26)	16	(9)	ND / E	%	nc	nc	nc	nc	nc		
Tax (expense)/benefit	\$m	-	2	2	(2)	-	ND / (ND + E)	%	nc	nc	nc	nc	nc		
Impairments/write-offs/other	\$m	4	-	(1)	131	-	ASSUMPTIONS - Prices								
NPAT (reported)	\$m	14	1	(24)	145	(9)	Year ending 30 Jun	Unit	2015a	2016a	2017a	2018e	LT real		
Abnormal items	\$m	17	-	1	(131)	-	Copper - Spot	US\$/lb	2.89	2.22	2.43	2.88	3.10		
NPAT (adjusted)	\$m	31	1	(23)	14	(9)	Tin - Spot	US\$/lb	8.60	7.12	9.00	9.30	9.50		
							Nickel - Spot	US\$/lb	7.00	4.23	4.84	5.65	6.65		
							CURRENCY								
							USD/AUD	US\$/A\$	0.83	0.73	0.76	0.77	0.75		
CASH FLOW							ASSUMPTIONS - Production (equity %)								
Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e	Year ending 30 Jun	Unit	2015a	2016a	2017a	2018e	2019e		
OPERATING CASHFLOW							Copper Division								
Receipts	\$m	298	334	355	382	413	Ore treated	Mt			1.4	2.2	2.4		
Payments	\$m	(220)	(275)	(346)	(255)	(279)	Average head grade	% Cu			1.78	1.79	1.75		
Tax	\$m	-	-	-	-	(13)	Recovery	%			94.0	93.9	93.7		
Net interest	\$m	3	1	3	2	6	Copper production (in concentrate)	kt			23.4	37.6	39.4		
Other	\$m	2	2	5	-	-	Copper all in sustaining costs	US\$/lb			2.47	2.22	2.30		
Operating cash flow	\$m	83	62	18	130	127	Tin Division								
INVESTING CASHFLOW							Ore treated	kt	641	687	738	739	721		
Capex and exploration	\$m	(74)	(128)	(68)	(30)	(27)	Average head grade	% Sn	1.56	1.29	1.29	1.35	1.44		
Other	\$m	(1)	(4)	(66)	-	-	Recovery	%	70.5	72.0	73.2	74.9	76.4		
Investing cash flow	\$m	(74)	(132)	(134)	(30)	(27)	Tin production (in concentrate)	kt	3.5	3.2	3.5	3.7	4.0		
FINANCING CASHFLOW							Tin all in sustaining costs	US\$/lb	7.65	6.17	6.41	5.99	6.01		
Net equity proceeds	\$m	-	-	110	-	-	SUBSTANTIAL & SIGNIFICANT SHAREHOLDERS								
Debt proceeds/(repayments)	\$m	(1)	(3)	(2)	-	-	Shareholder	M Shares	Interest	Date of Latest Change					
Dividends	\$m	(10)	(10)	-	-	(12)	BlackRock Group	71.5	11.7%	8/05/17					
Other	\$m	44	23	-	-	-	APAC Resources Ltd	55.9	9.2%	16/02/17					
Financing cash flow	\$m	33	10	108	(12)	(12)	Jinchuan Group Limited	44.0	7.2%	9/09/16					
Change in cash	\$m	42	(60)	(8)	100	87	Ausbil Investment Management Ltd	32.1	5.3%	21/03/17					
Free cash flow	\$m	9	(66)	(50)	100	99	Directors and management	17.0	2.8%	various					
							Total	220.5	36.2%						
BALANCE SHEET							VALUATION								
Year ending 30 Jun	Unit	2015a	2016a	2017e	2018e	2019e	Issued capital					Unit			
ASSETS							Ordinary shares					m	609.3		
Cash & short term investments	\$m	99	39	31	131	218	Unlisted employee options					m	7.3		
Accounts receivable	\$m	16	16	40	28	30	Total securities					m	616.6		
Inventory	\$m	37	52	60	60	60	Sum of parts valuation								
Mine development and PPE	\$m	225	277	122	113	96	Current	\$m	\$/sh ¹	+ 12 months	\$m	\$/sh ¹	+ 24 months	\$m	\$/sh ¹
Exploration & evaluation	\$m	100	165	10	15	21	Copper Division	295	0.48	281	0.46	253	0.41		
Other	\$m	10	50	47	42	42	Tin Division	151	0.24	156	0.25	161	0.26		
Total assets	\$m	487	599	310	389	468	Nickel Division	67	0.11	67	0.11	67	0.11		
LIABILITIES							Exploration; shareholdings; and other assets	15	0.02	15	0.02	15	0.02		
Accounts payable	\$m	37	68	39	48	56	Corporate	(19)	(0.03)	(16)	(0.03)	(13)	(0.02)		
Borrowings	\$m	5	15	10	10	10	Enterprise value	509	0.83	503	0.82	483	0.78		
Other	\$m	99	120	56	58	78	Net cash/(debt) ²	53	0.09	127	0.21	214	0.35		
Total liabilities	\$m	141	204	105	116	144	Equity value	562	0.91	629	1.02	697	1.13		
SHAREHOLDER'S EQUITY							Notes: 1. May not add due to rounding and dilution								
Share capital	\$m	333	407	253	253	253	2. Includes cash from exercise of options								
Reserves	\$m	23	34	33	33	33									
Retained earnings	\$m	(10)	(46)	(80)	(12)	39									
Non-controlling interest	\$m	-	-	-	-	-									
Total equity	\$m	346	395	205	273	324									
Weighted average shares	m	415	448	577	609	609									

SOURCE: 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.

Research Team

Staff Member	Title/Sector	Phone	@bellpotter.com.au
TS Lim	Head of Research	612 8224 2810	tslim
Industrials			
Sam Haddad	Industrials	612 8224 2819	shaddad
Jonathon Higgins	Industrials	613 9235 5706	jhiggins
Tim Piper	Industrials	612 8224 2825	tpiper
Chris Savage	Industrials	612 8224 2835	csavage
Jonathan Snape	Industrials	613 9235 1601	jsnape
John Hester	Healthcare	612 8224 2871	jhester
Tanushree Jain	Healthcare/Biotech	612 8224 2849	tnjain
Financials			
TS Lim	Banks/Regionals	612 8224 2810	tslim
Lafitani Sotiriou	Diversified	613 9235 1668	Isotiriou
Resources			
Peter Arden	Resources	613 9235 1833	parden
David Coates	Resources	612 8224 2887	dcoates
Duncan Hughes	Resources	618 9326 7667	dhughes
Associates			
James Filius	Research Associate	613 9235 1612	jfilius
Alex McLean	Research Associate	613 8224 2886	amclean

Bell Potter Securities Limited

ACN 25 006 390 7721

Level 38, Aurora Place
88 Phillip Street, Sydney 2000

Telephone +61 2 9255 7200

www.bellpotter.com.au**The following may affect your legal rights. Important Disclaimer:**

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Bell Potter Securities Limited. In the USA and the UK this research is only for institutional investors. It is not for release, publication or distribution in whole or in part to any persons in the two specified countries. In Hong Kong this research is being distributed by Bell Potter Securities (HK) Limited which is licensed and regulated by the Securities and Futures Commission, Hong Kong. This is general investment advice only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives ('relevant personal circumstances'), a Bell Potter Securities Limited investment adviser (or the financial services licensee, or the representative of such licensee, who has provided you with this report by arrangement with Bell Potter Securities Limited) should be made aware of your relevant personal circumstances and consulted before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Bell Potter Securities Limited has not verified independently the information contained in the document and Bell Potter Securities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or impliedly, that the information contained in this document is complete or accurate. Nor does Bell Potter Securities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Bell Potter Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

Disclosure of interest:

Bell Potter Securities Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document (which its representatives may directly share) and may from time to time hold interests in the securities referred to in this document.

Peter Arden owns 150000 shares in MLX.

Disclosure: Bell Potter Securities acted as Co-Manager for the \$100.6m August 2016 placement and received fees for that service.

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers and were prepared in an independent manner; (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report; and (3) The Analyst responsible for this report does hold an interest (150,000 shares) in the securities of Metals X Ltd at the date of this report.