

Metals X Ltd^{4,1*}

▼ **HOLD**

MLX-ASX

1 February 2017

Last: **A\$0.79**
▲ Target: **A\$0.84**

Solid quarter from Renison, Nifty now generating cash

Renison continues to deliver into favourable tin price

Renison produced another solid quarter of owner operator production of 190,438t @ 1.3% Sn for 1,768t Sn that beat the previous quarter and was largely in line with expectations (S&Pe 190,000t @ 1.35% Sn for 1,821t Sn). The production was sold at a favourable price of A\$27,911/t, a beat on our assumptions of A\$26,798/t. This impacted revenue and resulted in a more favourable cash position. Initial results from a continuing ore sorting study indicate that tin production could be expanded 15-20% with minimal additional capital expenditure at Renison.

Nifty production shows considerable improvement and cashflow positive

Nifty production output of 395kt continues to grow QoQ but fell short of expectations (S&Pe 500kt). However, grades (2.1% Cu) and recoveries (95%) beat expectations (S&Pe 1.9% Cu & 94%) and were much improved on the previous quarter. The resulting 7,909t of copper metal produced was a miss on expectations (S&Pe 8,930t Cu) but was sold at a considerably higher copper price of A\$6,970/t resulting in an additional A\$6m in revenue and a further improved cash balance.

Reduce to HOLD rating and lift price target to A\$0.84/share

Our SOTP valuation based price target has lifted slightly due to the quarterly increase in spot tin and copper prices and slightly improved tin sales resulting in a stronger cash and working capital position than expected.

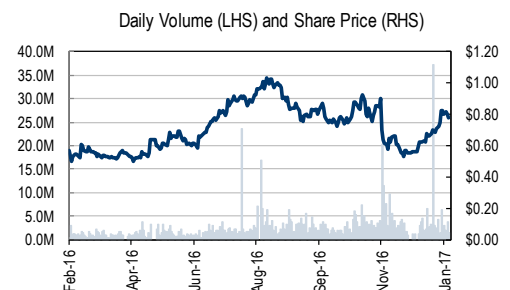
Despite the slight increase in our valuation, market valuations are now inline and consequently we reduce to a HOLD recommendation.

What's changed	Old	New
Rating	BUY	HOLD
Target (A\$)	\$0.79	\$0.84
Tin Production 2016 (kt)	3.18	3.18
Tin Production 2017E (kt)	3.59	3.56
Tin Production 2018E (kt)	3.64	3.64
Copper Production 2016 (Kt)	33.06	33.06
Copper Production 2017E (Kt)	35.76	34.74
Copper Production 2018E (Kt)	44.65	44.65

Share Data	
Share o/s (m, basic)	609.3
52-week high/low (A\$)	1.1/0.49
52-week average daily volume (shares)	2.5 M
Market cap (A\$m)	\$478.33
EV (A\$m)	\$403.30
End Qtr Net debt (A\$m)	-\$75.04
Projected return	8%
NAV0%/share	\$0.84
NAV8%/share	\$0.84
P/NAV0%	0.93
P/NAV8%	0.93

Financial Data			
YE June 30	FY16	FY17E	FY18E
Tin production (kt)	3.18	3.56	3.64
AISC(A\$/t)	\$19,952	\$17,821	\$17,724
Copper production (Kt)	n.a	34.74	44.65
AISC (A\$/lb)	n.a	\$2.71	\$2.48
Capex (A\$m)	-\$102	-\$25	-\$26
Free cashflow (A\$m)	\$39.2	\$45.1	\$44.8
EPS	-\$0.05	\$0.06	\$0.06
FCFPS	\$0.08	n.a.	\$0.07
P/E	-15.9	13.5	12.2
P/FCF	9.6	n.a.	10.7
EV/EBITDA	-13.2	5.4	4.3

All figures in A\$.



Source: ASX Warning: Past performance is not indicative of future performance

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**See important disclosures on the last page of this report*

Figure 1. Quarterly performance against our expectations and the previous quarter

Assumption	Actual	Our Assumption	September 16
Tin Price paid (A\$/t)	27,911	26,798	24,727
Copper Price paid (A\$/t)	6,970	6,517	6,236
Renison Ore milled (t)	190,438	190,000	188,631
Renison Head grade (% Sn)	1.29	1.35	1.28
Renison Recovery (%)	72.33	71	71.07
Renison Tin produced (t)	1,768	1,821	1,718
Nifty Ore milled (t)	394,985	500,000	277,356
Nifty Head grade (% Cu)	2.11	1.9	1.73
Nifty Recovery (%)	94.85	94	93.86
Nifty Copper produced (t)	7,909	8,930	4,504
Renison Tin sold (t)	1,868	1,821	1,394
Renison cash cost (A\$/t Sn)	11,980	13,302	11,028
Renison AISC (A\$/t Sn)	18,495	17,781	17,344
Nifty Copper sold (t)	8,213	8,930	4,224
Nifty Cash cost (A\$/t Cu)	4,223	4,143	4,625
Nifty AISC (A\$/t Cu)	6,232	5,836	6,348
Est. Cash (A\$m)	75	61.7	

Source: Somers and partners

Valuation		Financials (A\$m)									
Asset	Discount rate	Unrisked NAV (A\$m)	NAV *X* Factor	NAV Target (A\$m)	Target Price (A\$)	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Nifty	10%	\$177.1	1.00 X	\$177.1	\$0.29						
Renison (50%)	10%	\$179.3	1.00 X	\$179.3	\$0.29						
Rentails (50%)	n.a	\$20.0	1.00 X	\$20.0	\$0.03						
Wingellina	10%	\$162.3	0.15 X	\$24.4	\$0.04						
Exploration Upside	n.a	\$15.0	1.00 X	\$15.0	\$0.02						
Cash (est. qtr end)	n.a	\$75.0	1.00 X	\$75.0	\$0.12						
Listed investments	n.a	\$15.3	1.00 X	\$15.3	\$0.03						
Corporate (incl. tax credits)	10%	\$8.2	1.00 X	\$8.2	\$0.01						
Total NAV		\$652.2		\$514.2	\$0.84						

Financials (A\$m)		Balance Sheet					
Profit & Loss	Assets	Liabilities					
Revenue	Cash	Borrowings					
Cost of Sales	Total Current Assets	Total Current Liabilities					
Gross Profit	PPE & Exp. & Dev.	Total Non Current Liabilities					
EBITDA	Total Non Current Assets	Total Liabilities					
Net Profit before tax	Total Assets	Cashflow Generation					
Net Profit after tax		Operating cashflow					
Tax Payable		Debt Funding					
Profit after tax		Equity Funding					
		Capital Expenditure					
		Debt Repayments					
		Free cashflow					
		Dividend Payouts					
		Dividend paid					
		Dividend per share					
		Dividend yield					

Reserve and Resources Statement (attributable)				
Status	Tonnes (Mt)	Grade	Contained	EV/t
Nickel Reserve	168.4	0.9	1,561,000	\$258
Nickel Resource	215.8	0.9	1,953,000	\$206
Tin Reserve	27.3	0.6	170,000	\$2,379
Tin Resource	35.7	0.8	274,000	\$1,470
Copper Reserve	32.3	0.5	161,000	\$2,508
Copper Resource	113.0	1.0	1,107,000	\$364

Production Profile (t Sn, Cu) (attributable & before payabilities)				
Operation	FY2016	FY2017	FY2018	FY2020
Renison (t Sn)	3,181	3,564	3,642	3,642
Nifty (t Cu)	33,056	34,738	44,650	44,650

All in Sustaining Costs (A\$)*				
Operation	FY2016	FY2017	FY2018	FY2020
Renison (A\$/t Sn)	\$19,952	\$17,821	\$17,724	\$17,724
Nifty (A\$/lb)	\$2.62	\$2.71	\$2.48	\$2.47

Commodity Prices (A\$)				
AUD / t	FY2016	FY2017	FY2018	FY2020
Tin	\$21,316	\$27,851	\$28,000	\$28,000
Copper	\$6,627	\$7,144	\$7,333	\$7,600
Nickel	\$12,414	\$14,514	\$16,022	\$17,858
AUD:USD	\$0.74	\$0.75	\$0.75	\$0.75

Ratios and Key Financial Data		
EPS (AUDc)	-5c	6c
CFPS (AUDc)	13c	12c
FCFPS (AUDc)	8c	n.a.
P/E ratio (x)	-15.9 X	13.5 X
P/CF (x)	6.1 X	6.7 X
P/FCF (x)	9.6 X	n.a.
EV/EBITDA (x)	-13.2 X	5.4 X
Current ratio (x)	3.4	4.9
Shares on Issue (M)	479.7	609.3

Directors & Management		Major Shareholders	
Non-Ex Chairman	Peter Newton	Apac Resources	12.9%
Managing Director	Warren Hallam	Blackrock	14.0%
Non Executive Director	Stephen Robinson	Jinchuan	7.3%
Non Executive Director	Simon Heggen	Ausbil	4.9%
Non Executive Director	Xie Penggen	Ruffer	4.0%
Chief Financial Officer	Fiona Van Maanen	Total	43.0%

Mine Life assumption		
Operation	Renison	Nifty
Years	8.00	5.50

Source: Company data, Somers estimates. Warning: Forward looking statements are uncertain and may not actually be achieved

* after byproduct credits. Expensing and capitalising of cash costs will vary and consequently differ from management guidance

About the analysts

Duncan Hughes, Director, Mining and Metals analyst

Duncan has over 17 years' experience in the mining sector. Duncan joined Somers and Partners in July 2014 from RFC Ambrian where he was Head of Research based in London and Perth. At RFC Ambrian Duncan was focussed on small to mid-cap mining stocks. Duncan holds a first class honours degree in Geology and worked for 10 years as a geologist in Western Australia. As Exploration Superintendent at Jubilee Mines, he was actively involved in the discovery of a number of high grade nickel sulphide ore bodies that have since been mined. He has also spent time exploring for base metals and gold with Lion Ore Australia and was involved in the discovery of the Deep South Gold Mine whilst at Sons of Gwalia.

On completion of an MBA on investment and risk from Imperial College London, Duncan spent three years as a fund manager investing in small cap resources companies in Australia with the LinQ Resource fund and in London at CD Capital.

Conrad Mulherin, Equities Research analyst

Conrad joined Somers and Partners in 2012 as an Equities Research Analyst covering Mining and Emerging Technology Companies.

Conrad has an Honours degree in Geological Sciences from Queen's University in Canada and a MSc in Resources Management from the University College London in the U.K.

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