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Metals X Ltd (MLX)

Waiting on Nifty Resource update, copper strategic review and higher tin grades

Recommendation
Buy (unchanged)
Price
$0.099
Target (12 months)
$0.15 (previously $0.16)

GICS Sector

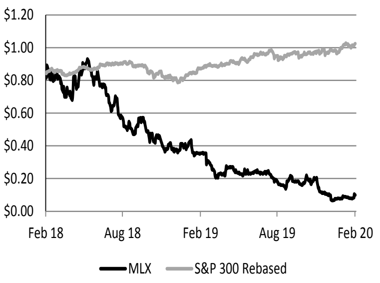
Materials

Expected Return	
Capital growth	**52%**
Dividend yield	**0%**
Total expected return	**52%**
Company Data & Ratios	
Enterprise value	**$89m**
Market cap	**$90m**
Issued capital	**907.3m**
Free float	**64%**
Avg. daily val. (52wk)	**$1.1m**
12 month price range	**$0.064 - $0.36**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.08	0.21	0.35
Absolute (%)	26.9	-51.7	-72.0
Rel market (%)	24.5	-57.3	-89.4

Absolute Price



SOURCE: IRESS

Not a great time to be trying to sell shut-in copper assets

MLX plans to release an updated Resource for Nifty (now on care and maintenance) in 3Q FY20 as it carries out a strategic review of its copper business. Drilling results over the past year have been used to develop a new geological model for Nifty that incorporates interbedded shale units for the first time, enabling improved mine design and planning. The strategic review is exploring all options for the copper assets but we think it unlikely MLX will get a fair offer for any of them and that it should retain them.

Much higher Renison grades due to boost output from 2H 2020

Tin production in concentrate in the latest quarter at Renison fell 19% quarter on quarter (qoq) to 1,652t (100% basis) at a 26% higher average all in sustaining cost (AISC) of A$20,320/t from the changed mining sequence and a delay to the start of mining in the new high grade Area 5. This only gave an EBITDA for MLX of $4.1m and resulted in a cash outflow of $1.4m. The recently revised lower FY20 production guidance was reaffirmed. Mining in the new high grade areas is now forecast to start in 1H FY21, which should see much improved performance from then on - tin production should lift strongly and unit costs are expected to fall significantly. Environmental approvals for the Rentails Project are well advanced and a review of the choice of fuming technology and development strategies is due for completion later in 2020.

Investment thesis – Buy, TP $0.15/sh (previously $0.16/sh)

MLX's inability to achieve forecast outcomes in the past few years has brought discredit on itself but we believe its three assets have greater value than is currently recognised. MLX is unlikely to get a fair price for any part of its copper business in the current environment with concerns over coronavirus and lower global growth and we think it should retain its copper assets and restart Nifty on an appropriate basis in 2021 when copper prices are more likely to reflect the underlying supply shortages. We have made minor changes to our forecasts but see strategic issues as being far more relevant at present. The company had cash of $43.7m and bank debt of $34m at 31 December 2019. We continue to assume a significant equity raising in 2020. Our target price is reduced by 6% to $0.15/sh. Our Buy recommendation is retained.

Earnings Forecast

Year end June	2019a	2020e	2021e	2022e
Sales (A$m)	205	122	100	278
EBITDA (A$m)	(18)	(31)	(28)	52
NPAT (reported) (A$m)	(117)	(101)	(56)	1
NPAT (adjusted) (A$m)	(53)	(66)	(56)	1
EPS (adjusted) (¢ps)	(7.7)	(6.7)	(4.0)	0.1
EPS growth (%)	na	na	na	na
PER (x)	na	na	na	98.3
FCF Yield (%)	-98%	-68%	-41%	-19%
EV/EBITDA (x)	(5.0)	(2.9)	(3.2)	1.7
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	na	na	na	6%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Not a great time to be trying to sell shut-in copper assets

Coronavirus and lower global growth drag copper down 12%

MLX made the last shipment of copper concentrate from Nifty in December 2019 and had largely completed the transition of Nifty operations to care and maintenance by 31 December 2019. Copper in concentrate output in the latest quarter was down 20% qoq to 2,598t but sales were up 21% qoq at 4,974t of contained copper as they included virtually all available material. Nifty had a cash outflow of $24.8m in 2Q FY20 including $10.4m of upfront care and maintenance costs. An updated Mineral Resource Estimate for Nifty is due to be released in the March 2020 quarter. It will be 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 will enable improved stope definition and mine planning. 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. It is a difficult financial environment to be selling copper assets at present with the effects of the coronavirus and forecasts of lower growth dragging the copper price down 12% in the past month.

Renison's FY20 tin production affected by lower ore grades

Tin production in the latest quarter was down as expected given prior disclosure of the low ore grades at Renison from the changed mining sequence and a delay to the start of mining in the new high grade Area 5 (Table 1).

Table 1 – MLX 2Q 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	186	188	183	178	**166**	188	(7%)	(11%)
Tin grade	%	1.33%	1.46%	1.23%	1.56%	**1.35%**	1.25%	(13%)	8%
Recovery	%	72.3%	74.9%	73.3%	74.3%	**73.7%**	68.1%	(1%)	8%
Tin production (in concentrate, 100% basis)	Kt	1,798	2,061	1,649	2,056	**1,652**	1,610	(20%)	3%
Tin sales (in concentrate, 100% basis))	Kt	1,650	2,251	1,789	1,757	**1,826**	1,662	4%	10%
Average net realised tin price[1]	US$/lb	7.86	8.72	8.21	7.02	**6.70**	6.83	(5%)	(2%)
Average net all in sustaining cost[1]	US$/lb	5.67	5.07	4.99	4.88	**4.77**	5.07	(2%)	(6%)
Operating EBITDA	A$m	8.6	12.7	7.6	9.3	**4.1**	5.1	(56%)	(20%)
Copper Division (Nifty)									
Ore milled	kt	376	284	208	290	**186**	200	(36%)	(7%)
Copper grade	%	1.49%	1.48%	1.58%	1.29%	**1.41%**	1.20%	10%	18%
Recovery	%	92.2%	94.4%	93.3%	91.6%	**92.1%**	90.8%	1%	1%
Copper production (in concentrate)	Kt	5.2	4.0	3.1	3.4	**2.6**	2.2	(24%)	19%
Copper sales (in concentrate)	Kt	4.6	4.4	4.0	4.1	**5.0**	4.6	21%	9%
Average net realised copper price received[1]	US$/lb	2.46	2.48	2.44	2.34	**2.31**	2.18	(2%)	6%
Average net all in sustaining cost	US$/lb	3.30	3.10	3.16	3.62	**3.59**	4.59	(1%)	(22%)
Operating EBITDA	A$m	(4.2)	(5.2)	(5.5)	(13.0)	**(13.0)**	(12.3)	0%	5%
Corporate & Balance Sheet	A$m								
Operating EBITDA	A$m	4.4	7.6	2.1	(3.6)	**(8.9)**	(7.2)	146%	24%
Capital expenditure	A$m	(11.4)	(14.3)	(15.1)	(15.3)	**(25.7)**	(19.7)	68%	31%
Cash	A$m	33.1	17.8	11.4	50.9	**43.7**	37.7	(14%)	16%
Total interest bearing liabilities (debt + leases)	A$m	(10.9)	(10.9)	(9.4)	(44.4)	**(43.4)**	(44.4)	(2%)	(2%)
Net cash/(liabilities)	A$m	22.2	6.9	2.0	6.5	**0.3**	(6.7)	na	na

SOURCE: METALS X LTD, BELL POTTER SECURITIES LTD ESTIMATES

The main features of MLX's 2Q FY20 production result were:

Renison – production lower again from lower ore grades

- Tin production in concentrate was 20% lower qoq at 1,652t (100% basis), reflecting a 13% fall in average ore grade from 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 164kt but ore processed was down 7% qoq at 166kt. Tin production was achieved at a 28% higher qoq average C1 cash cost of A$16,432/t (US$3.98/lb) and at a 26% higher average net AISC of A$20,320/t (US$4.88/lb).
- Sales of tin in concentrate were up 4% qoq at 1,826t at a 2% lower average realised price of A$22,036/t (5% lower in US terms at US$7.02/lb) after treatment and refining charges, resulting in MLX's 50% share of the Renison mine generating a 56% lower mine operating surplus (EBITDA) of $4.1m.
- The company has retained its recently downwardly revised production guidance for FY20 of 7.0 – 7.4kt of tin in concentrate on 100% basis at an average AISC of A$18.2 – 19.1k/t.
- The Renison Tailings Retreatment (Rentails) Project is currently subject to an internal review of the preferred technology options for tin fuming and development strategies by the Renison JV partners as the remaining studies are dependent on the fuming method selected. The environmental approvals process is well advanced but is also dependent on the fuming technology selected. The current review into fuming technology and development strategies is expected to be completed later in 2020.

Nifty – production suspended in November with move to care and maintenance

- Copper production was suspended in November 2019 and in the week following the operations were placed on care and maintenance. Copper production for the quarter was down 24% qoq at 2.6kt from processing 36% less ore with a 10% higher average head grade of 1.41% copper. The decision to place Nifty operations on care and maintenance followed an operational review in November that concluded that Nifty production had plateaued well below expectations from the Nifty Reset Plan despite the underlying fundamentals at the operation having improved including increased Resource and Reserve confidence, developing new mining areas and upgrading and rebuilding surface and underground infrastructure.
- Copper output in the latest quarter was produced at a 21% lower average C1 cash cost of US$2.58/lb and 1% lower average net AISC of US$3.59/lb (A$11,638/t). Average copper recovery for the latest quarter lifted to 92.1%.
- Regional drilling in and around Nifty was curtailed because of budgetary constraints and concluded for the 2019 field season during the quarter. Drilling was done at the Noosa, Spitfire, Maroochydore and Maroochydore East targets in the Maroochydore Project area and at Juniper in the Nifty regional leases and three holes were drilled at the Nifty mine targeting near mine extensions but although planned, drilling did not occur at the highly regarded Rainbow Prospect or Rainbow South or Goosewhacker Prospects.

Wingellina Nickel-Cobalt Project – modest work program targeting two pits

- 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 for which results are awaited. Planning has been done for a further and more extensive drilling program on seven other pits. A limited start was made on Resource definition drilling of the company's significant calcrete areas (calcrete is a key ingredient for the potential processing of the nickel-cobalt limonite) with visually excellent results obtained and a larger drilling program to completely drill out the calcrete has been planned. A limited amount of water bore drilling yielded positive results. Despite MLX's much reduced financial position, Wingellina is getting attention now because it represents a potentially very valuable asset that is also the subject of the company's ongoing corporate review.

Financials – much larger mine EBITDA loss of $8.9m

- Total mine EBITDA was a loss of $8.9m up from a loss of $3.6m in the previous quarter. Total capex was estimated at $25.7m, up 68% qoq, the bulk of which was for mine development at Nifty.
- The company's outstanding tin hedging arrangements involve 2.97kt of tin at an average price of A$25,075/t, out to December 2020, representing approximately 50% of production over the period of the arrangement.
- MLX had cash of $43.7m at 31 December 2019. The company had drawn down A$34m of the Citi debt facility at the end of the quarter, giving the company estimated interest-bearing obligations (drawdown of the Citi debt plus equipment hire purchase agreements) totalling $43.4m, at 31 December 2019 giving it estimated net cash of about $0.3m.

Target price reduced by 6% to $0.15/share

Larger losses for FY20 and FY21

We have revised our MLX forecasts following the company's 2Q FY20 production report and adjustments for the ongoing care and maintenance costs at Nifty. We have retained our assumption of an equity raising of about $35m before costs in 2020.

We are now forecasting increased normalised losses for FY20 and FY21. We are forecasting a reduced profit for FY22 (Table 2).

We have reduced our target price, which is based on our 12-month forward NPV valuation, by 6% to $0.15 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 and the Nifty and Wingellina Nickel-Cobalt Project strategic reviews and on MLX's capital needs.

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

	Previous			New			Change		
Year ending 30 June	2020e	2021e	2022e	**2020e**	**2021e**	**2022e**	2020e	2021e	2022e
Prices & currency									
Tin (US$/lb)	7.82	8.65	9.10	**7.82**	**8.65**	**9.10**	0%	0%	0%
Copper (US$/lb)	2.81	3.15	3.25	**2.81**	**3.15**	**3.25**	0%	0%	0%
US$/A$	0.68	0.70	0.73	**0.68**	**0.70**	**0.73**	0%	0%	0%
Equity production & costs									
Tin in concentrate (kt)	3.5	4.1	4.6	**3.5**	**4.2**	**4.6**	1%	2%	0%
Tin all in sustaining costs (US$/lb)	6.06	5.40	4.82	**6.00**	**5.42**	**4.53**	-1%	0%	-6%
Renison operating EBITDA (A$m)	25.1	45.8	59.6	**21.4**	**45.3**	**59.0**	-15%	-1%	-1%
Copper in concentrate (kt)	5.6	0.0	20.4	**6.0**	**0.0**	**20.4**	7%	na	0%
Copper all in sustaining costs (US$/lb)	5.36	na	3.11	**4.28**	**na**	**3.19**	-20%	na	3%
Nifty operating EBITDA (A$m)	(25.2)	0.0	29.3	**(33.1)**	**-29.4**	**24.0**	na	na	-18%
Earnings									
Revenue (A$m)	133	100	280	**122**	**100**	**278**	-8%	0%	-1%
EBITDA (A$m)	-18	1	55	**(31)**	**(28)**	**52**	na	na	-6%
EBIT (A$m)	(48)	(23)	13	**(63)**	**(52)**	**8**	na	na	-40%
NPAT (adjusted) (A$m)	(50)	(27)	7	**(66)**	**(56)**	**1**	na	na	-80%
EPS (adjusted) (Acps)	(5.1)	(1.9)	0.5	**(6.7)**	**(4.0)**	**0.1**	na	na	-80%
PER (x)	na	na	9.0	**na**	**na**	**98.3**	na	na	89.3
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$m)	(13)	(42)	(57)	**14**	**(42)**	**(69)**	na	1%	21%
Price Target ($/sh)	0.16			**0.15**			-6%		

SOURCE: BELL POTTER SECURITIES ESTIMATES

Target price reduced by 6% to $0.15/share

Our valuations of MLX (Table 3 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 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 $67mpa 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 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).

Table 3 - MLX summary valuations

	Now		+12 months		+24 months	
DCF sum-of-parts valuation	**A$m**	**$/sh[1]**	**A$m**	**$/sh[1]**	**A$m**	**$/sh[1]**
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	**183**	**0.13**	**197**	**0.14**	**227**	**0.16**
Net cash/ (debt)[2]	0	0.00	14	0.01	(42)	(0.03)
Equity Value	**183**	**0.13**	**212**	**0.15**	**185**	**0.13**

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 $0.15/sh (previously $0.16/sh)

MLX's inability to achieve forecast outcomes in the past few years has brought discredit on itself but we believe its three assets have greater value than is currently recognised. MLX is unlikely to get a fair price for any part of its copper business in the current environment with concerns over coronavirus and lower global growth and we think it should retain its copper assets and restart Nifty on an appropriate basis in 2021 when copper prices are more likely to reflect the underlying supply shortages. We have made minor changes to our forecasts but see strategic issues as being far more relevant at present. The company had cash of $43.7m and debt of $34m at 31 December 2019. We continue to assume a significant equity raising in 2020. Our target price is reduced by 6% to $0.15/sh. 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.

Metals X Ltd
as at 13 February 2020

Recommendation	Buy
Price	$0.099
Target (12 months)	$0.15

Table 4 - Financial summary

PROFIT AND LOSS

Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e
Revenue	$m	210	205	122	100	278
Operating expenses	$m	(211)	(223)	(153)	(128)	(226)
EBITDA	$m	**(1)**	**(18)**	**(31)**	**(28)**	**52**
Depreciation and amortisation	$m	(26)	(35)	(32)	(24)	(44)
EBIT	**$m**	**(26)**	**(53)**	**(63)**	**(52)**	**8**
Net interest	$m	0	0	(2)	(4)	(6)
PBT	$m	**(26)**	**(53)**	**(66)**	**(56)**	**1**
Tax expense	$m	0	0	0	0	0
Major impairments/write-offs/other	$m	0	(64)	(35)	0	0
NPAT (reported)	$m	**(26)**	**(117)**	**(101)**	**(56)**	**1**
Adjustment for abnormal items	$m	0	64	35	0	0
NPAT (normalised)	$m	**(26)**	**(53)**	**(66)**	**(56)**	**1**

PROFIT AND LOSS (INTERIMS)

Half year ending	Unit	Dec-17a	Jun-18a	Dec-18a	Jun-19a	Dec-19e
Revenue	$m	89	122	92	113	85
Expense	$m	(95)	(116)	(114)	(109)	(107)
EBITDA	$m	**(6)**	**5**	**(22)**	**4**	**(22)**
Depreciation	$m	(13)	(13)	(15)	(20)	(23)
EBIT	$m	(19)	(7)	(36)	(17)	(44)
Net interest expense	$m	0	(0)	0	(0)	(1)
PBT	$m	**(19)**	**(7)**	**(36)**	**(17)**	**(45)**
Tax (expense)/benefit	$m	1	(1)	0	0	0
Impairments/write-offs/other	$m	0	0	0	64	35
NPAT (reported)	$m	**(18)**	**(8)**	**(36)**	**48**	**(10)**
Abnormal items	$m	0	0	0	(64)	(35)
NPAT (normalised)	$m	**(18)**	**(8)**	**(36)**	**(17)**	**(45)**

CASH FLOW

Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e
OPERATING CASHFLOW						
Receipts	$m	229	202	130	99	277
Payments	$m	(203)	(217)	(148)	(125)	(230)
Tax	$m	0	0	0	0	0
Net interest	$m	0	0	(2)	(4)	(6)
Other	$m	0	0	0	0	0
Operating cash flow	$m	**27**	**(15)**	**(21)**	**(30)**	**41**
INVESTING CASHFLOW						
Capex and exploration	$m	(37)	(51)	(45)	(27)	(68)
Other	$m	(2)	5	0	0	0
Investing cash flow	$m	**(39)**	**(46)**	**(45)**	**(27)**	**(68)**
FINANCING CASHFLOW						
Net equity proceeds	$m	1	47	78	0	0
Debt proceeds/(repayments)	$m	(4)	0	34	9	26
Dividends	$m	(5)	-	0	0	0
Other	$m	1	0	0	0	0
Financing cash flow	$m	**(7)**	**42**	**112**	**9**	**26**
Change in cash	$m	(19)	(20)	46	(48)	(1)
Free cash flow	$m	(10)	(66)	(65)	(57)	(27)

BALANCE SHEET

Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e
ASSETS						
Cash & short term investments	$m	31	11	58	10	9
Accounts receivable	$m	14	17	13	14	14
Inventory	$m	55	46	46	46	46
Mine development and PPE	$m	129	89	62	71	104
Exploration & evaluation	$m	11	10	7	3	(0)
Other	$m	21	14	15	16	10
Total assets	$m	**261**	**186**	**201**	**160**	**183**
LIABILITIES						
Accounts payable	$m	32	25	26	28	23
Borrowings	$m	0	0	34	43	69
Lease liabilities	$m	10	9	9	9	9
Other	$m	59	59	60	64	66
Total liabilities	$m	**91**	**85**	**121**	**136**	**158**
SHAREHOLDER'S EQUITY						
Share capital	$m	255	302	384	384	384
Reserves	$m	31	28	25	25	25
Retained earnings	$m	(115)	(228)	(329)	(385)	(384)
Non-controlling interest	$m	0	0	0	0	0
Total equity	$m	**170**	**102**	**80**	**24**	**25**
Weighted average shares	m	611	681	978	1,407	1,407

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
IOOF Holdings Limited	60.1	6.6%	1/10/19
Directors and management	1.8	0.2%	various
Total	**322.3**	**35.5%**	

FINANCIAL RATIOS

Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	2022e
VALUATION						
NPAT (adjusted)	$m	(26.3)	(52.8)	(65.7)	(55.8)	1.4
Normalised EPS	c/sh	(4.3)	(7.7)	(6.7)	(4.0)	0.1
EPS growth	%	na	na	na	na	na
PER	x	na	na	na	na	98.3
DPS	c/sh	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%
FCF/share	c/sh	(2)	(10)	(7)	(4)	(2)
FCF yield	%	-16%	-98%	-68%	-41%	-19%
EV/EBITDA	x	na	(5.0)	(2.9)	(3.2)	1.7
PROFITABILITY RATIOS						
EBITDA margin	%	0%	-9%	-26%	-28%	19%
EBIT margin	%	-13%	-26%	-52%	-52%	3%
Return on assets	%	na	na	-50%	-35%	1%
Return on equity	%	na	na	-126%	-233%	6%
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(21)	(2)	(14)	42	69
ND / E	%	nc	nc	nc	175%	271%
ND / (ND + E)	%	nc	nc	nc	64%	73%

ASSUMPTIONS - Prices

Year ending 30 Jun	Unit	2018a	2019a	2020e	2021e	LT real
Tin - Spot	US$/lb	9.36	9.00	7.82	8.65	9.40
Copper - Spot	US$/lb	3.06	2.79	2.81	3.15	3.40
Nickel - Spot	US$/lb	5.65	5.60	6.80	7.45	8.20
CURRENCY						
USD/AUD	US$/A$	0.78	0.72	0.68	0.70	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	
Maroochydore	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 Jun	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	72.7	74.9	77.6
Tin production (in concentrate)	kt Sn	3.4	3.6	3.5	4.2	4.6
Tin all in sustaining costs	US$/lb	5.83	5.42	6.00	5.42	4.53
Operating EBITDA	A$ m	37.6	36.7	21.4	45.3	59.0
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$/lb	3.66	3.48	4.28	-	3.19
Operating EBITDA	A$ m	(18.6)	(18.4)	(33.1)	(29.4)	24.0

VALUATION

Issued capital	Unit	
Ordinary shares	m	907.3
Unlisted employee options	m	13.3
Total securities	**m**	**920.5**

	Current		+ 12 months		+ 24 months	
Sum of parts valuation	$m	$/sh[1,2]	$m	$/sh[1,2]	$m	$/sh[1,2]
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	**183**	**0.13**	**197**	**0.14**	**227**	**0.16**
Net cash/(debt)[3]	0	0.00	14	0.01	(42)	(0.03)
Equity value	**183**	**0.13**	**212**	**0.15**	**185**	**0.13**

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 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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