

MINDAX LIMITED (ASX: MDX)

Equity Analysis (07 March 2023)



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Introduction

Mindax Limited:

Mindax Limited (ASX: MDX) is an Australia-based company engaged in mineral exploration. It is focused on exploration and development of its projects. The company's projects include Gold and Iron Ore. The Gold segment comprises the Meekatharra Project. The Iron Ore segment comprises the Mt Forrest Project.

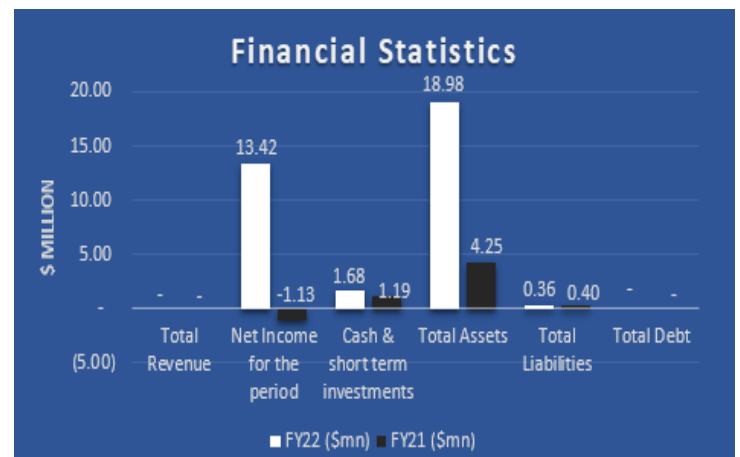
Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (AU\$)	0.082	
52-Week Low-High (AU\$)	0.040-0.0858	
Market Capitalization (AU\$)	129.54 million	
Outstanding Shares	1.99 billion	
PE (TTM)	9.14	
EPS (AU\$) (TTM)	0.007	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	-	1,623,961.06
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	8.50	34.02

Shareholder Pattern (Mn)

Top 3	Current	31 Dec'22	30 Sep'22
You (Lai)	201.52	201.52	201.52
Chen (Yuhuan)	136.42	99.94	99.94
Zhuang (Yufeng Daniel)	111.71	111.71	111.71

Operating Performance

In FY22 (period ended 30 June 2022), the company's net income was AU\$13.42 million against the net loss of AU\$1.13 million in FY21. At the end of FY22, the company had cash & short term investments of AU\$1.68 million compared with AU\$1.19 million at the end of FY21. The company had AU\$18.98 million of total assets at the end of FY22 compared to AU\$4.25 million at the end of FY21. It doesn't own any debt obligations.



Source: Refinitiv, Chart Prepared by Kapitales Research

Ratio Analysis	Industry Median	Year				
		2022	2021	2020	2019	2018
Gross Margin	46.8%	-	-	-	-	-
EBITDA Margin	34.0%	-	-1413112.5%	-5847900.0%	-990885.7%	-6042800.0%
Operating Margin	22.1%	-	-1414500.0%	-5861100.0%	-1078842.9%	-6061700.0%
Pretax Margin	19.9%	-	-1414500.0%	-5861100.0%	-1078842.9%	-5961700.0%
Net Margin	14.0%	-	-1414500.0%	-5861100.0%	-1078842.9%	-5961700.0%
Asset Turnover	0.61	0.00	0.00	0.00	0.00	0.00
ROE	17.0%	119.4%	-45.4%	-51.1%	-65.5%	-54.6%
Quick Ratio	1.10	-	-	-	-	-
Current Ratio	1.69	4.69	3.44	0.13	0.03	0.22
Cash Cycle (Days)	35.5	-	418978.50	567483.00	72258.90	433161.00
Assets/Equity	1.75	1.02	1.10	2.31	1.92	1.92
Debt/Equity	0.19	0.00	0.00	0.00	0.00	0.09
ROIC	-	119.4%	-45.4%	-51.1%	-65.5%	-54.6%

Source: Refinitiv, Analysis by Kapitales Research

Recent Updates

1. On 06 January 2023, Mindax Limited announced that it has extended the proposed completion date for the scoping study of the Mt Forrest project in Western Australia to January 31 from December 19, 2022. The company signed a binding head of agreement with infrastructure firm AGI Operations, which included feasibility and cost studies for the project. The company has appointed Leading industry consultant, Verbrec Engineering to prepare the Scoping Study.
2. On 09 November 2022, the company has informed the market that it has entered into a head of agreement with AGI Operations Pty Ltd to understand the commercial viability of development of infrastructure, including power and water, for the export of iron ore in the form of magnetite, from the Mid-West Region of Western Australia. The parties have agreed to commission Verbrec to prepare studies in three phases: Phase one is a Scoping Study; phase two is a Pre-Feasibility Study on the viability of developing infrastructure which will allow Yilgiron, and other miners in the Mid-West. Phase three will be a Detailed Feasibility Study.

Outlook

The company's strategy is to continue to pursue new opportunities, realise shareholder value exploring its existing projects with the view to potentially deliver new discoveries and seeking to amalgamate holdings through acquisition and corporate activity. The company is well funded with AU\$1.89 million of cash & cash equivalents at the end of December 2022 quarter, to pursue further exploration activities.

Risks

The company has exposure to the following risks-

- Operational risks
- Environmental risk
- Compliance risk
- Financial risks

Technical Analysis



Source: Refinitiv, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Mindax Limited	MDX	Materials	0.082	07 March 2023	Speculative Buy	0.094	0.103	0.069

The stock of material company MDX settled at AU\$0.082 on 07 March 2023 after a surge of nearly 26% from the previous day's closing. It is currently trading near its 52-week high price level.

The stock price is trading above the significant exponential moving averages of 20, 50, and 200 days on a daily time frame, indicating short-term bullishness.

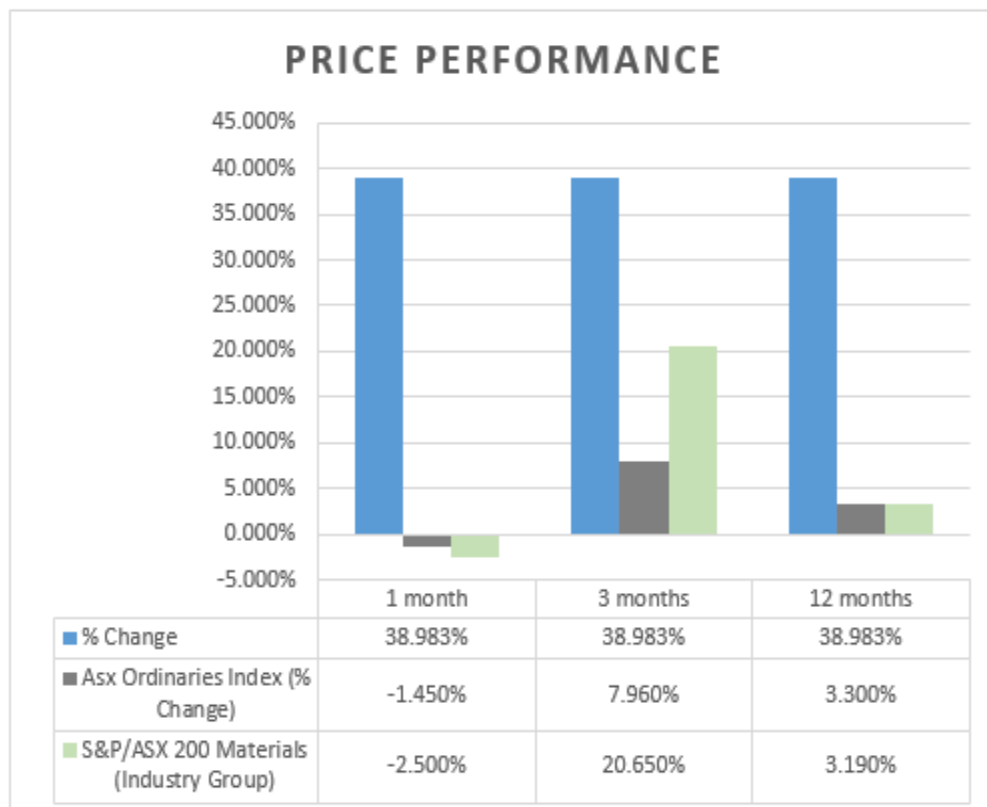
RSI (14 days) is at 76, holding a highly bullish momentum above the breakout zone in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.094 (15% upside) and AU\$0.103 (25% upside) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$0.069 (15% downside) to protect their investments in case of an unfavorable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favorable direction.

Price Performance



Source: Refinitiv, Chart Prepared by Kapitales Research

Investment Summary

Compared to the previous corresponding period, the company has increased its cash & short term investments and total assets in FY22. It has shown robust growth in its net income in FY22. The company's current ratio for 1HFY22 stood at 4.69x, better than the industry median of 1.69x, implying that the company possesses better capabilities to meet its short term obligations than its peer group.

Looking at the shareholder's pattern, MDX's two of the top three largest shareholders have maintained their stake in the company over the previous two quarters, and another one has increased its stake in the current quarter. Thus it shows their confidence in the company. The company's stock has outperformed the ASX ordinary and sector indices in one month, one quarter and one-year timeframe.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.082 as of 07 March 2023 (after-market hours).

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