

Neometals Ltd

(NMT \$0.340) Buy

Analyst Jon Bishop	Date June 2018	Price Target \$0.60/sh
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Comments

- Mt Marion performing strongly and Mt Edwards secured to expand exploration footprint;
- Dividends flowing back to NMT and to shareholders;
- Lithium-ion Battery Recycling Project - Pilot plant testing is underway;
- Barrambie DSO under shipment to China for smelter testing ahead of offtake;
- FEED study underway and site secured for LiOH Project;

Val/ Sh		Li2O Ref Price								
\$0.55		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
AUD/USD	15%	\$0.48	\$0.48	\$0.49	\$0.50	\$0.50	\$0.51	\$0.52	\$0.52	\$0.53
	10%	\$0.49	\$0.50	\$0.51	\$0.51	\$0.52	\$0.53	\$0.53	\$0.54	\$0.55
	5%	\$0.51	\$0.51	\$0.52	\$0.53	\$0.54	\$0.54	\$0.55	\$0.56	\$0.56
	0%	\$0.53	\$0.53	\$0.54	\$0.55	\$0.55	\$0.56	\$0.57	\$0.58	\$0.58
	-5%	\$0.54	\$0.55	\$0.56	\$0.57	\$0.58	\$0.58	\$0.59	\$0.60	\$0.60
	-10%	\$0.57	\$0.57	\$0.58	\$0.59	\$0.60	\$0.60	\$0.61	\$0.62	\$0.62
	-15%	\$0.59	\$0.60	\$0.60	\$0.61	\$0.62	\$0.62	\$0.63	\$0.64	\$0.65

Val/ Sh		Li2O Ref Price								
\$0.55		-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
LiOH	15%	\$0.57	\$0.57	\$0.58	\$0.59	\$0.60	\$0.60	\$0.61	\$0.62	\$0.62
	10%	\$0.55	\$0.56	\$0.57	\$0.57	\$0.58	\$0.59	\$0.60	\$0.60	\$0.61
	5%	\$0.54	\$0.55	\$0.55	\$0.56	\$0.57	\$0.58	\$0.58	\$0.59	\$0.60
	0%	\$0.53	\$0.53	\$0.54	\$0.55	\$0.55	\$0.56	\$0.57	\$0.58	\$0.58
	-5%	\$0.51	\$0.52	\$0.53	\$0.53	\$0.54	\$0.55	\$0.56	\$0.56	\$0.57
	-10%	\$0.50	\$0.51	\$0.51	\$0.52	\$0.53	\$0.53	\$0.54	\$0.55	\$0.56
	-15%	\$0.48	\$0.49	\$0.50	\$0.51	\$0.51	\$0.52	\$0.53	\$0.54	\$0.54

Investment Case

Though there are several moving parts to the NMT strategy, it appears the efforts with respect to both Barrambie and the Lithium-ion Recycling project are verging on proof of concept milestones. Whilst the LiOH Success in the short term with respect to trial processing (DSO) and beneficiation and processing of the Barrambie ore will arguably crystallise value only partially recognised in the NMT share price. Moreover, it should provide commercial leverage in terms of negotiations with downstream DSO offtakers, thereby bringing forward commercialisation of the asset, improving payability and avoiding significant capex and lead time to developing a midstream operation. Successful commissioning of the Lithium-ion recycling plant will attract significant interest from downstream industry. We suspect sum-of-the-parts is greater than the whole. Buy.

Our Market Sensitivity

Price Target: \$0.60/sh
Valuation: \$0.55/sh

Bull Scenario - \$2.00/sh

NMT advances to commercialisation of Barrambie DSO development and commercialisation of the LiOH processing plant and commercialisation of the Li-Ion Battery Recycling process.

Base Scenario - \$0.60/sh

NMT advances to commercialisation of Barrambie DSO development or commercialisation of the LiOH processing plant or commercialisation of the Li-Ion Battery Recycling process.

Bear Scenario - \$0.25/sh

NMT fails to commercialise its other ventures outside of its core Mt Marion interest (EZL valuation - \$0.26/sh).

Company Summary

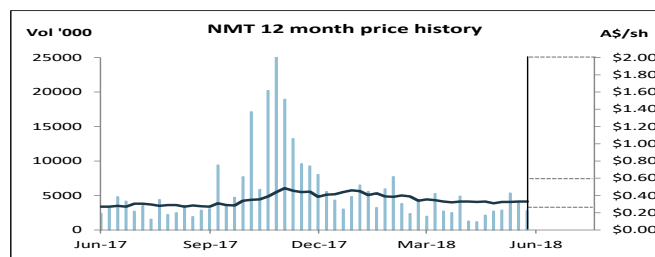
Neometals Ltd (NMT) is primarily a minerals exploration -production company with operations in Western Australia. Key assets include the Barrambie Titanium Project and the Mt Marion Lithium spodumene mine with MIN.ASX. At Barrambie short-term catalysts relate to progressing commercially via mid-stream beneficiation and DSO. Successful commissioning of the Lithium-ion battery recycling plant and advancement of the Li-Hydroxide plant in Kalgoorlie will attract Lithium producers in a healthy macro.

Market Statistics

Share price	\$0.340 A\$/sh	Directors	
Issued Capital		S Cole	Chair
Fully Paid Ord	544 m	D Reed	NE Dir
Options (var. prices)	- m	N Streltsova	NE Dir
Total Dil. FPOrd	544 m	D Ritchie	NE Dir
		C Reed	MD
Market Capitalisation (dil)	188 \$m	Shareholders	
Enterprise Value	146 \$m	D Reed	11.7%
Cash	42 \$m	Melaid	7.2%
Debt	0 \$m		

Year End 30 June

Share Price Performance



Euroz Securities declares that it has acted as underwriter to and/or arranged an equity issue in and/or provided corporate advice to Neometals Ltd during the last year. Euroz Securities has received a fee for these services.

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RESOURCES QUARTERLY JUNE 2018

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Asset Valuation	A\$m	A\$/sh
RIM (Mt Marion) 13.8%	144	0.26
RAM (LiOH) 70.0%	63	0.12
Barrambie Ti	50	0.09
Alphamet Ti	3	0.01
Expl'n & Inv (HNR)	10	0.02
Corp & Tax Losses	(11)	(0.02)
Working Capital	-	-
unpaid capital	1	0.00
Debt	0	0.00
Cash	42	0.08
Total	301	0.55

F/Cast Production	2017a	2018f	2019f	2020f
Sales 100%				
Li Conc 6% Li2O	170	326	250	250
Li Conc 4% Li2O	80	200	200	200
Li Conc Total	250	526	450	450
LCE	33	68	57	57

Cash Costs (feed)	59	54	52	51
Cash Costs (prod)	377	274	256	251

Assumptions	2017a	2018f	2019f	2020f
Spod Conc Price	650	600	550	500
FX Rate ass'd	0.75	0.78	0.76	0.78

Ratio Analysis (A\$m)	2017a	2018f	2019f	2020f
Cashflow	-7	3	12	8
Cashflow per Share	-1	1	2	1
Cashflow Ratio (x)	-33.9	58.7	16.2	22.9
Earnings	5	11	11	8
Earnings per Share	1	2	2	1
EPS Growth (%)	-78%	132%	2%	-30%
Earnings Ratio (x)	46.0	16.9	16.6	23.7

Enterprise Value	183	148	139	130
EV : EBITDA	42.5	38.2	11.9	16.0
EV : EBIT	46.1	39.6	12.1	16.3

Net Debt : Net Debt+Equity (%)	35%	32%	35%	36%
EBIT Margin (%)	0%	0%	0%	0%
Return on Equity (%)	6%	13%	12%	8%
Return on Assets (%)	5%	4%	11%	7%

Dividend (c/sh)	0	0	0	0
Dividend payout ratio	0%	0%	0%	0%
Dividend Yield	0%	0%	0%	0%
Dividend Franking	100%	100%	100%	100%

Reserves and Resources

Mt Marion Lithium Deposits	Tonnes mt	Li2O %	Fe2O3 %
Area 1	4.4	1.46	1.3
Area 1	2.2	1.34	1.6
Area 2	1.3	1.47	1.6
Area 2	1.0	1.44	1.7
Area 2W	3.4	1.48	1.2
Area 2W	4.5	1.40	1.1
Area 4	0.9	1.25	1.4
Area 4	1.3	1.34	1.3
Area 5	1.0	1.33	2.4
Area 6	3.2	1.24	1.7
Total Indicated	10.1	1.45	1.3
Total Inferred	13.2	1.34	1.5
Total	23.2	1.40	1.4
Exploration Target (add'l)	15-25	1.3-1.4	

Profit and Loss (A\$m)	2017a	2018f	2019f	2020f
Sales Revenue	31	18	34	31
Interest Revenue	0	0	0	0
Other Revenue	0	1	0	0
Total Revenue	31	19	34	31
Opex	20	8	16	16
O/H	7	6	7	7
Provisions	0	0	0	0
Other	-1	-6	0	0
EBITDA	4	4	12	8
D&A	0	0	0	0
EBIT	4	4	11	8
Finance costs	0	0	0	0
PBT	5	11	11	8
Tax	0	-1	0	0
NPAT	5	11	11	8

Cash Flow (A\$m)	2017a	2018f	2019f	2020f
Net Profit	4	3	12	8
Working Capital	-11	0	-1	0
+ Dep/Amort	0	0	0	0
+ Tax Expense	0	-1	0	0
- Tax Paid	0	0	-1	0
= Operating Cashflow	-7	3	12	8

-Capex + Development	2	1	2	0
-Exploration	0	1	0	0
-Assets Purchased	0	0	0	0
+Asset Sales	0	0	0	0
+Other	-8	0	0	0
= Investing Cashflow	-10	-2	-2	0

+ Equity Issues (Rts,plc,opts)	-5	-2	0	0
+Loan Drawdown	0	0	0	0
+Other	0	0	0	0
-Loan Repayment	0	0	0	0
-Dividends	11	0	0	0
-Interest Payments	-1	0	0	0
= Financing Cashflow	-15	-2	0	0

Period Surplus	-31	0	10	8
FX Adjustments	0	0	0	0

CASH	42	42	52	60
CASH & Equiv	49	70	80	88

Balance Sheet (A\$m)	2017a	2018f	2019f	2020f
Assets				
Cash	43	42	52	60
Current Receivables	1	1	1	1
Other Current Assets	8	8	8	8
Total Current Assets	52	51	60	69
PP&E, MineProp, EE&D	26	14	14	14
Other	6	28	28	28
Total NC Assets	33	42	42	42
Total Assets	85	93	102	111

Liabilities				
Borrowings	0	0	0	0
Trade Payables	0	1	1	1
Provisions	6	4	4	4
Other Liabilities	0	0	0	0
Total Liabilities	6	5	5	5

Net Assets	79	88	97	106
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