

Neometals Ltd

(NMT \$0.245) Buy

Analyst
Jon Bishop

Date
March 2019

Price Target
\$0.40/sh

Comments

- NMT has agreed to sell its remaining 13.8% interest in the operating Mt Marion lithium (spodumene) mine for \$104m to the exiting JVPs;
- All approvals have been met - we expect the proceeds to settle shortly;
- NMT will retain a binding option for LOM offtake of 6% LiO₂ (spodumene) concentrate at mkt linked pricing to progress NMT's proposed downstream, lithium chemical processing business;
- At close, NMT will have -\$130m (24cps) in cash assuming that any capital gains will be offset by the balance of corporate tax losses;
- NMT is trading cash backing, providing for no value attributable to the maturing Barambie TiO₂-V₂O₅ and Battery Recycling businesses;
- We see medium term catalysts from finalisation of offtake discussions pertaining to the proposed Barambie DSO development: This will consume very little cash to realisation;
- As a result of this divestment, NMT will no longer proceed with the proposed demerger of the Barambie business

Val/ Sh	Li2O Ref Price									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
AUD/USD	\$0.43	\$0.41	\$0.41	\$0.41	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42
15%	\$0.41	\$0.41	\$0.41	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42
10%	\$0.41	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.43	\$0.43	\$0.43	\$0.43
5%	\$0.42	\$0.42	\$0.42	\$0.42	\$0.43	\$0.43	\$0.43	\$0.43	\$0.43	\$0.43
0%	\$0.42	\$0.43	\$0.43	\$0.43	\$0.43	\$0.43	\$0.44	\$0.44	\$0.44	\$0.44
-5%	\$0.43	\$0.43	\$0.43	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44	\$0.45
-10%	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
-15%	\$0.44	\$0.44	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45

Val/ Sh	Li2O Ref Price									
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
LiOH	\$0.43	\$0.47	\$0.47	\$0.47	\$0.47	\$0.47	\$0.48	\$0.48	\$0.48	\$0.48
15%	\$0.45	\$0.45	\$0.46	\$0.46	\$0.46	\$0.46	\$0.46	\$0.47	\$0.47	\$0.47
10%	\$0.44	\$0.44	\$0.44	\$0.44	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45	\$0.45
5%	\$0.42	\$0.43	\$0.43	\$0.43	\$0.43	\$0.43	\$0.44	\$0.44	\$0.44	\$0.44
0%	\$0.41	\$0.41	\$0.41	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.42	\$0.43
-5%	\$0.40	\$0.40	\$0.40	\$0.40	\$0.40	\$0.41	\$0.41	\$0.41	\$0.41	\$0.41
-10%	\$0.38	\$0.39	\$0.39	\$0.39	\$0.39	\$0.39	\$0.40	\$0.40	\$0.40	\$0.40
-15%										

Market Statistics

		Year End 30 June			
Share price	\$0.245 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)	\$133 m	Shareholders			
Enterprise Value	\$3 m	D Reed	9.0%		
Cash	\$130 m				
Debt	\$0 m				

Investment Case

NMT has realised \$200m for an initial \$3m investment in Mt Marion after announcing divestment of its remaining interests for \$104m in cash. The Company is now trading at its \$130m cash backing of 23cps, effectively valuing the remainder of its downstream Li chemical and Barambie TiO₂ & V₂O₅ businesses at \$0. We believe that value will crystallise for (particularly) Barambie in the medium term for little cost given the relative maturity of the commercialisation work completed to date. We retain our Buy recommendation as a consequence and determining a SOTP Valuation of \$0.43/sh.

Our Market Sensitivity

Price Target: \$0.40/sh
Valuation: \$0.42/sh

Bull Scenario - \$2.00/sh

NMT advances to commercialisation of Barambie DSO TiO₂ and V₂O₅ developments and commercialisation of the LiOH processing plant and commercialisation of the Li-Ion Battery Recycling process.

Base Scenario - \$0.40/sh

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

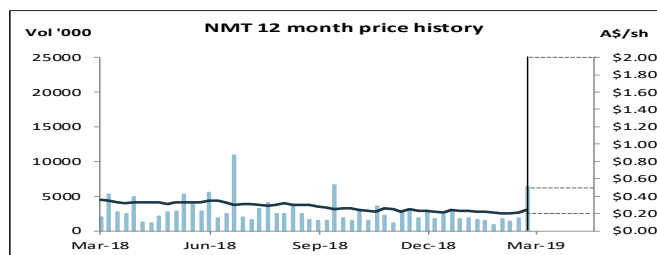
Bear Scenario - \$0.20/sh

NMT fails to commercialise its TiO₂ & V₂O₅ Barambie and downstream LiOH and Battery Recycling ventures.

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.

Share Price Performance

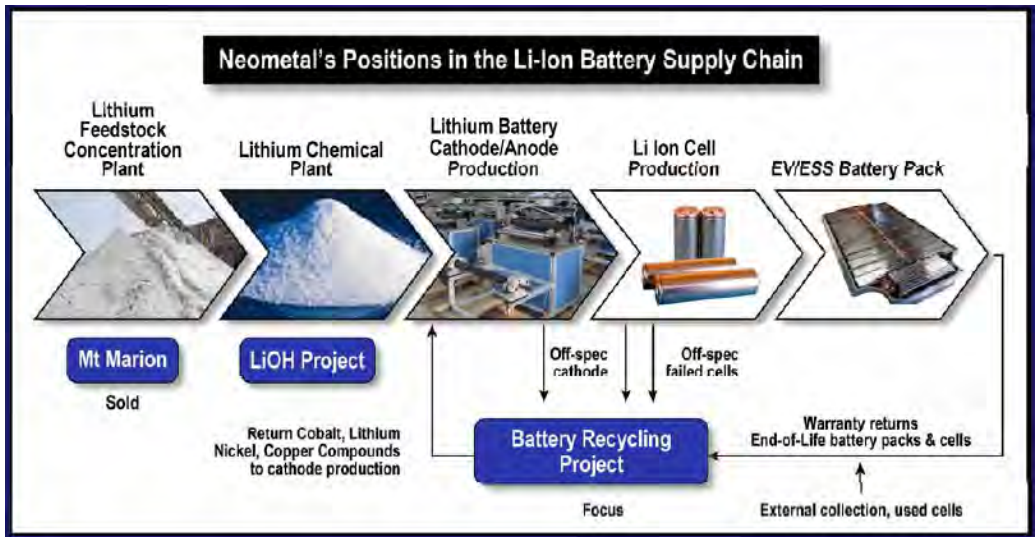


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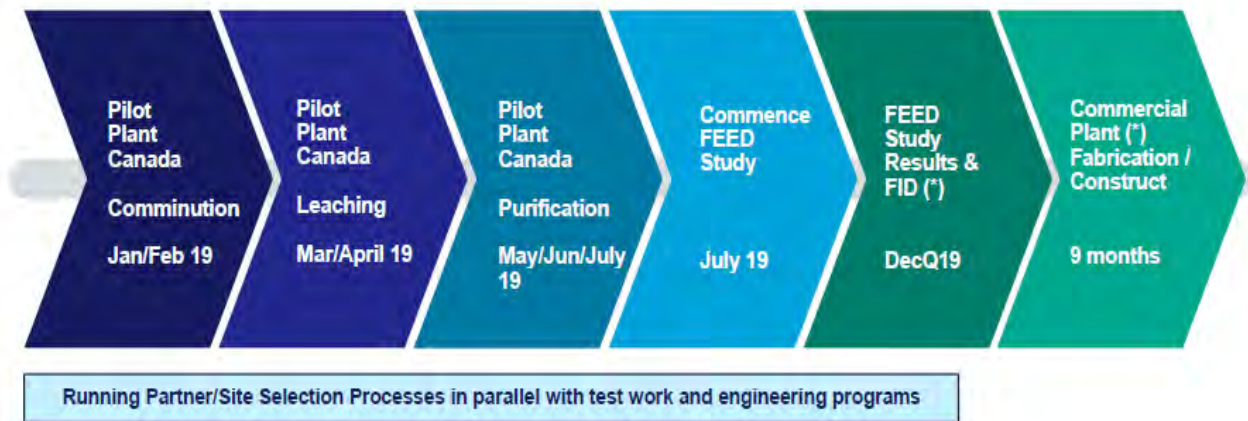
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RESOURCES QUARTERLY MARCH 2019

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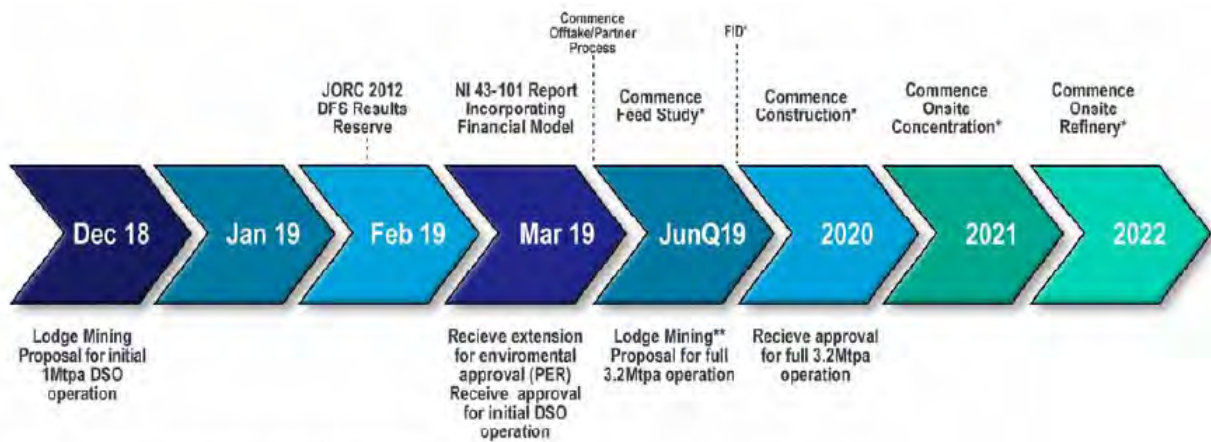
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NMT Battery Recycling Project timeline. Source: NMT Presentation, Feb 2019



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* Subject to Board Approval. ** Subject to Grant of GPL and Receipt of Section 46 Approval.

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