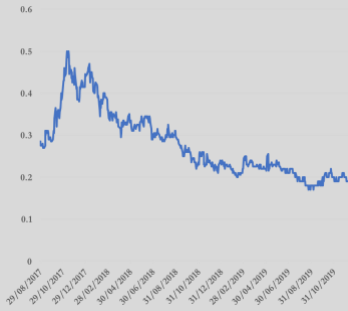


# Neometals Ltd

## Industrial Minerals

### Neometals Ltd.

Ticker: NMT AU  
 Share Price: A\$0.19  
 Market cap: A\$101m  
 Cash: A\$107.1m  
 Investments & Receivables: A\$9.4m  
 Debt: A\$0m  
 Enterprise Value: -A\$15.5m  
 Shares Outstanding: 543.5m  
 Shares - Fully Diluted: 548.0m  
 Managing Director: Chris Reed  
 Fair Value: A\$1.43



Prices as of the close of business  
 19<sup>th</sup> December 2019

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**Neometals Ltd**, the integrated project developer, continues to make progress with its portfolio of minerals and advanced materials projects, that are **all positioned to benefit from the energy storage mega-trend**. The Company's **growth** strategy involves identifying, building and realising value within this specific sector of the market. The approach was successfully demonstrated at the Company's Mt Marion Lithium Project that was acquired, developed and progressively sold with the remaining ~14% balance divested in March 2019 for A\$104 million.

At Arlington Group, we view Neometals' first-class balance sheet as a competitive advantage, allowing the Company to progress its portfolio of projects and to operate through the cycle. However, **the company trades at a discount to cash**, despite owning **three core projects** that have all seen significant progress in 2019 and that are well positioned to reach important milestones in 2020.

These core projects are;

- 1) **Lithium-Ion Battery Recycling Project**  
 (100% NMT, Pilot Stage, MoU for 50:50 JV)
- 2) **Barrambie Titanium and Vanadium Project**  
 (100% NMT, DFS Stage, MoU for 50:50 Operating JV)
- 3) **Lithium Refinery Project**  
 (Feasibility Stage, MoU for 50:50 JV)

Recent announcements from Neometals highlight the progress being made and offer evidence of its strategy in action;

## Lithium-Ion Battery Recycling Pilot-Plant Results.

Last month, the Company announced better than expected results from its **Lithium-Ion Battery Recycling** pilot-plant, located in Lakefield, Canada. Results for nickel '**materially surpassed scoping-study assumptions**', generating **high purity products** (+99.9% nickel sulphate) at a **high recovery rate** (+98%). On cobalt, the announcement said that purity and recovery data '**strongly supports the validity of previous economic evaluations.**' This data is important, because in October 2019, Neometals signed a Memorandum of Understanding (MoU) with **SMS Group**, to form a JV to accelerate commercialisation of Neometals' lithium-ion battery recycling technology. **These strong results build confidence that this project is working**, and will likely be important factors in SMS Group's final decision on a joint venture.

SMS Group is a German based, privately-owned supplier of industrial plants and metallurgical equipment. The Group has 13,000 employees and annual revenue in excess of EUR3.0 billion per annum.

The news release suggests that the pilot test-work is on course to be substantively complete by the end of December 2019. Work on the recovery of lithium remains outstanding but this is far less important to project economics than the nickel and cobalt data. A decision from SMS Group on a 50:50 joint venture seems likely early next year.

## **Mt Edwards Nickel Project: Drill Results.**

The Mt Edwards Nickel project is not a core project but is another example of Neometals' ability to identify and create value. The project, acquired in March 2018, covers a significant land holding of 240 square kilometres in an historic nickel sulphide belt in Western Australia.

Last week, the Company reported additional high-grade nickel sulphide results from drilling at the project.

Drill results from the **Widgie South Trend** included;

**16 metres @ 1.45% Nickel;**  
**21 metres @ 1.05% Nickel; and**  
**7 metres @ 1.37% Nickel.**

Further nickel sulphide targets have also been identified from Down-Hole Electromagnetic surveys and follow-up drilling to test these targets is scheduled for Q1 2020.

Since defining a Maiden Mineral Resource (JORC compliant, 2012) of 48,200 tonnes of contained nickel in April 2018, the company has rapidly increased Mineral Resources to 130,480 tonnes of contained nickel (7.7m tonnes at 1.7% Ni). These drill results and the additional targets suggest good potential for the resources to increase further.

We understand Neometals next move will be to identify the higher grade massive / matrix sulphide subsets of these resources before commencing mining evaluation. **We expect Neometals will likely crystallize value, by either selling, partnering or spinning out the project, as they've successfully done in the past.**

### **Conclusion:**

The market is valuing Neometals below its cash holding, attributing no value to its significant portfolio of core and non-core projects. Progress has been made throughout 2019, across the portfolio, and we point to recent news on the **Lithium Ion Battery Recycling Project** and the **Mt Edwards Nickel Project** as evidence of this progress. The Company has a track record of generating value for shareholders having sold the Mt Marion Lithium project in March this year. A cash balance of A\$107.1m as at 30<sup>th</sup> September 2019, A\$9.4m of investments and net receivables and zero debt puts the Company in a strong position to execute on its strategy. **We see continued progress in 2020 and a positive joint venture decision from SMS Group for the Lithium Ion Battery Recycling project as a key catalyst, early in 2020.**

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