

Quick Comment

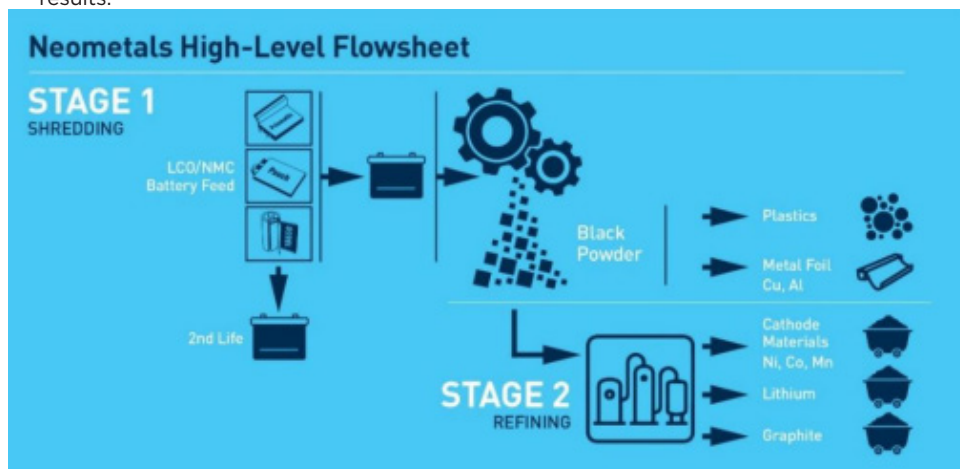
Neometals Ltd (NMT \$0.16) Buy

Analyst	Date	Price Target
Jon Bishop	2 nd April 2020	\$0.35/sh

Battery Recycling Pilot Complete: DD Underway ahead of Possible JV

Key Points

- Pilot operation of NMTs proprietary (patent pending) Battery Recycling flowsheet has reached completion;
- The testing has demonstrated high recovery (+98%) and purity of battery grade (99.9%) nickel sulphate 'concentrate' from input shredded battery feed, above pre-test estimates;
- Additionally, high purity copper, manganese and cobalt sulphates have been recovered;
- The final stage of testing resulted in over 90% of lithium extracted as aqueous Li chloride from feed. This was in-line with pre-test estimates;
- The detailed operating data and metallurgical test work will now be reviewed by SMS Group during the current Due Diligence ('DD') phase ahead any decision to enter into a formal product commercialisation Joint Venture by end of this month;
- We see little impediment to SMS Group formalising the current MOU agreement to form a JV noting that the pilot has delivered exceptional results:



- Ahead of execution, both parties have commenced negotiations around legal agreements as well as progressing early engineering design work and procurement of contract work for the commercial scale plant. Costs shared equally;
- Successful completion and operation of the demonstration plant will compel the JV to progress a commercial scale plant with Dec Q 2020 targeted for FID;
- By way of reference, the Scoping Study on full scale commercial development equates to:
 - 50tpd at <US\$7/lb opex;
 - Capex US\$66m;
 - IRR pre-tax 72%;
 - NPV12 pre-tax of US\$220m.

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Investment Thesis

The results from the pilot Battery Recycling are highly encouraging, with very high recovery of high purity Nickel sulphate a key driver for the economic potential of NMTs proprietary flowsheet. As a consequence, we anticipate that the recent MOU signed with SMS Group for the technology now looks highly likely to advance through full due diligence to formal JV this month. This will be a material independent validation of the Project, more-so given the Company current trades at cash backing. In general, this Project (following on from the MOUs struck for Barrambie and the LiOH concepts) continues to add weight to our favourable view of the Company's capacity to crystallise value in the early stages of new developments. And that NMT is often more advanced in these processes than the market understands. Therefore, significant free optionality exists and is maturing in the background. Buy maintained.

Neometals Ltd (NMT)

Share Price	0.16	A\$/sh	Enterprise Value	Nil, Zero, Zilch	A\$/m
Price Target	0.40	A\$/sh	Debt	0	A\$/m
Valuation	0.37	A\$/sh	Cash & Inv est.	87	A\$/m
Shares on issue	544	m(dil)	Largest Shareholder	D Reed	9.0%
Market Capitalisation	87	A\$m			

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Contact Details

Euroz Securities Limited +61 8 9488 1400

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Andrew Clayton - Resources Analyst	+61 8 9488 1427
Steven Clark - Resources Analyst	+61 8 9488 1430
Gavin Allen - Industrials Analyst	+61 8 9488 1413
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

Institutional Sales

Andrew McKenzie - Executive Chairman	+61 8 9488 1407
Rob Black - Managing Director	+61 8 9488 1423
Jay Hughes - Executive Director	+61 8 9488 1406
Russell Kane - Executive Director	+61 8 9488 1426
Simon Yeo - Executive Director	+61 8 9488 1404
Timothy Bunney - Executive Director	+61 8 9488 1461
Peter Schwarzbach - Executive Director	+61 8 9488 1492
Stacy Kitsantas - Institutional Adviser	+61 8 9488 1486
Jayne Walsh - Institutional Adviser	+61 8 9488 1418

Private Client Advisers

Chris Webster - Head of Private Clients	+61 8 9488 1412
Ben Statham - Executive Director	+61 8 9488 1417
Brian Bates - Executive Director	+61 8 9346 0314
Cameron Murray - Executive Director	+61 8 9488 1440
James Mackie - Executive Director	+61 8 9488 1416
Lucas Robinson - Executive Director	+61 8 9488 1424
Ryan Stewart - Executive Director	+61 8 9488 1441
Tim Lyons - Executive Director	+61 8 9346 0324
Brett Stapleton - Associate Director	+61 8 9488 1435
Giles McCaw - Associate Director	+61 8 9488 1462
Michael Bowden - Associate Director	+61 8 9346 0307
Richard Gardner - Associate Director	+61 8 9488 1444
Paul Berson - Associate Director	+61 8 9346 0314
Paul Cooper - Associate Director	+61 8 9346 0316
Ian Harrison - Investment Adviser	+61 8 9488 1422
Lauren Walker - Investment Adviser	+61 8 9488 1495
Michael Bartley - Investment Adviser	+61 8 9346 0352
Tom Kenny - Investment Adviser	+61 8 9488 1431
Zac Vinten - Associate Adviser	+61 8 9488 1473
Laurence Grescos - Associate Adviser	+61 8 9488 1419
Katrina Ryan - Associate Adviser	+61 8 9488 1453
Brandon Oosthuizen - Associate Adviser	+61 8 9488 1471

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