

# Quick Comment

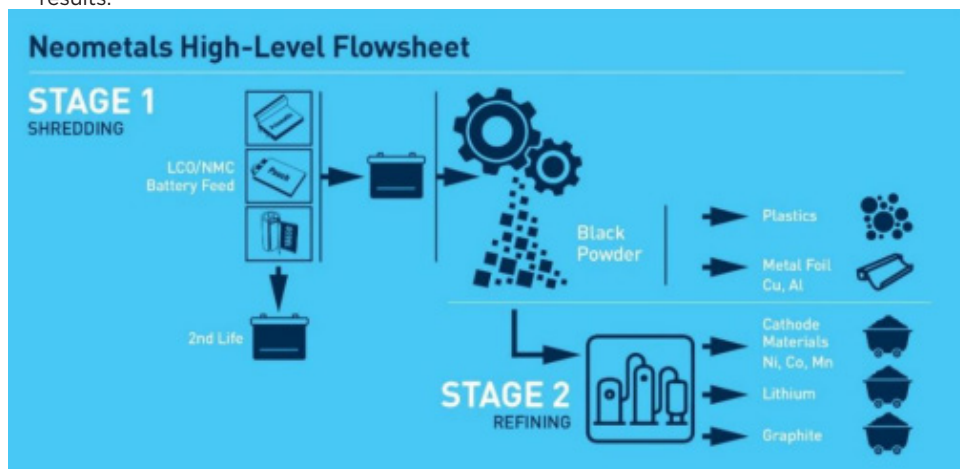
## Neometals Ltd (NMT \$0.16) Buy

Analyst	Date	Price Target
Jon Bishop	2 <sup>nd</sup> 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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## Neometals Ltd (NMT \$0.16) Buy

### 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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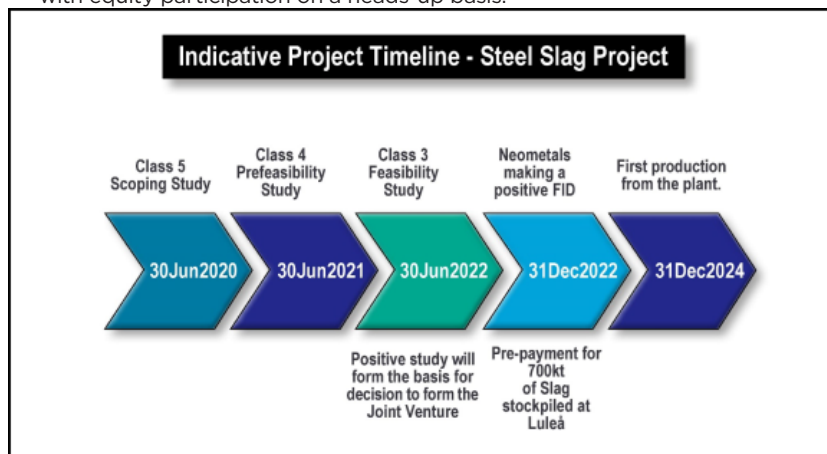
## Neometals Ltd (NMT \$0.17) Buy

Analyst	Date	Price Target
Jon Bishop	8 <sup>th</sup> April 2020	\$0.35/sh

### New Vanadium Slag Recycling Collaboration Study

#### Key Points

- NMT has added an additional collaborative technical study initiative to its EV and recycling focused portfolio;
- The Company has formed a collaborative agreement with private Scandinavian based Critical Metals – a long standing commercial relation to NMT – to evaluate the commerciality of a recycling process to liberate Vanadium chemicals from waste slag material ;
- The slag results from the ongoing steel production operations of Scandinavian based SSAB EMEA AB and SSAB Europe Oy (“SSAB”) in Sweden;
- The Collaborative Agreement with Critical Metals seeks to advance preliminary laboratory testwork that has shown up to 80% Vanadium recovery via mild leaching conditions;
- The work will evaluate hydrometallurgical leaching process flow sheet with NMT to fund the study work and sign-on payment for the Slag Supply Agreement between Critical Metals and SSAB;
- Completion of a Class 3 feasibility study will result in an decision to form a JV with equity participation on a heads-up basis:



- This is early days and the capital commitment from NMT is very low ie study work; consequently we make no change to our SOTP Valuation of 37cps;
- What we note though is that where the evolving Battery Recycling project has excellent economics on a supplied chemical basis, the source of the material is less certain;
- The Slag supply (200,000dmt/y for 10yrs minimum per the ‘Supply Agreement’) is highly reliable, particularly noting the 30yrs of steel operations pre-dating this initiative;
- Moreover, the material is a by-product, therefore does not require mining and processing (and assoc. capex and opex) as such, from NMTs process perspective;
- Metallurgical recovery as the concept is scaled is the key risk at this point;
- However, like the Battery Recycling Project, Barrambie Ti-V Project, the Lithium Hydroxide concept and the upstream Mt Edwards Ni exploration assets, there appears excellent optionality;
- Moreover, this all remains ‘free’ on account of the Company trading at effective cash backing of 16.5cps.

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### Investment Thesis

In general, the new Vanadium Slag Recycling Project follows on a theme of technological solutions to high value but nuanced metal production and/or environmental issues that conceptually provide highly commercial returns to NMT and its shareholders. Following on from the MOUs struck for Barrambie and the LiOH concepts and the maturing Battery Recycling Project, the Vanadium Slag concept 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	0.17	A\$/sh	Enterprise Value	6	A\$/m
Price Target	0.35	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	93	A\$m			

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