

Neometals Ltd

(NMT \$0.17) Buy

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Analyst
Jon Bishop

Date
June 2020

Price Target
\$0.35/sh

Investment Case

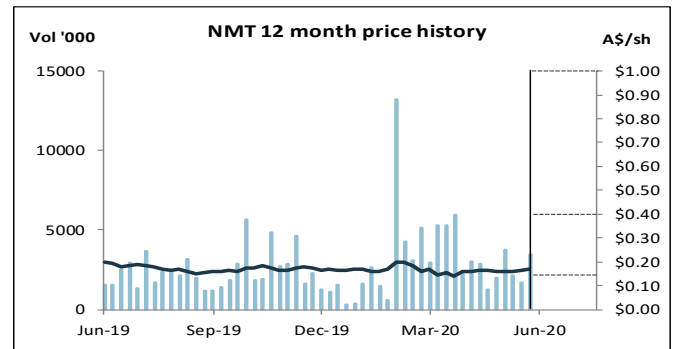
The preliminary results from the pilot Battery Recycling are highly encouraging, with very high recovery of high purity Nickel sulphate a key driver for the economic potential of NMTs proprietary flowsheet. Yet NMT currently trades at cash backing. The recent MOU signed with SMS Group for the technology now looks highly likely to advance to (at least) full due diligence ahead of commitment to the proposed 2mtpa commercial demonstration plants. In general, this MOU (following on from those struck for Barrambie, Vanadium slag recycling 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. Otherwise, its west Widgiemooltha Dome Ni exploration play is ticking along in the background. Therefore, significant free optionality exists and is maturing in the background. Buy maintained.

Comments

- Pilot operation of NMTs proprietary (patent pending) Battery Recycling flowsheet has delivered exceptional results from the on-going independent testing phase from the Canadian plant:
- The testing has demonstrated high recovery (+98%) and high purity of Ni, Cu, Co, Mn sulphate 'concentrate' from input shredded battery feed. This is above pre-test estimates;
- Due Diligence by SMS Group is advancing towards possible formation of a 50:50 JV to commercialise the Li-Ion Battery Recycling Process flow sheet, later this month;
- FEED work to understand full scale opex, capex and market evaluation would be undertaken in parallel. Scoping Study work determined US\$66m capex (50tpd @ <US\$7/lb opex) drives NPV12 of US\$220m pre-tax;
- A c.2mtpa capacity demonstration plant to be manufactured at SMS Group's Germany and Austrian site is contemplated;
- 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, with costs to be born equally;
- NMT is backed to 16.5cps in Cash (\$95m at Mar 31).

Asset Valuation	A\$m	A\$/sh
Battery Recycling	10	0.02
RAM (LiOH) 70.0%	45	0.08
Barrambie Ti	50	0.09
Alphamet Ti	3	0.01
Expl'n & Inv (HNR)	9	0.02
Corp & Tax Losses	(30)	(0.05)
Working Capital	-	-
unpaid capital	-	-
Debt	0	0.00
Cash	100	0.18
Total	192	0.35

Share Price Performance



Market Statistics

Market Statistics		Year End 30 June	
Share Price	\$0.17 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)	\$93 m	Shareholders	
Enterprise Value	\$(7) m	D Reed	9.0%
Cash	\$100 m		
Debt	\$0 m		

Our Market Sensitivity

Price Target: \$0.35/sh
Valuation: \$0.35/sh

Bull Scenario - \$1.00/sh

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

Base Scenario - \$0.35/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 - \$0.15/sh

NMT fails to commercialise its TiO₂ & V₂O₅ Barrambie and downstream LiOH and Battery Recycling ventures. Cash is consumed.

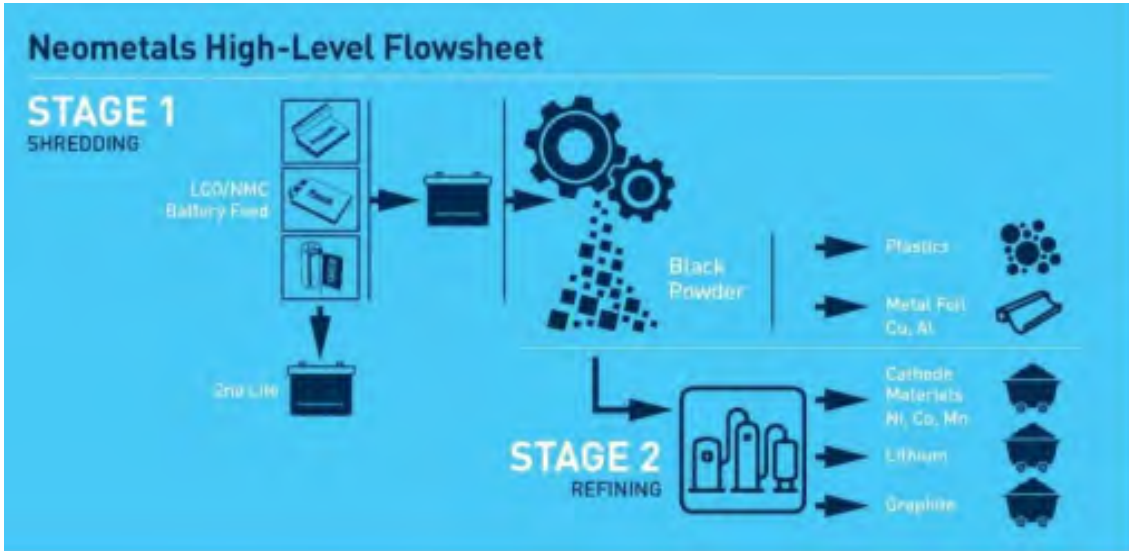
Company Summary

Neometals Ltd (NMT) is primarily a minerals exploration -production company with operations in Western Australia. Key assets include the Barrambie Titanium Project; Battery Recycling; and LiOH developments. At Barrambie short-term catalysts relate to progressing commercially via mid-stream beneficiation and DSO. Successful commissioning of the Lithium-ion battery recycling plant will attract industry looking for a solution to a large environmental problem.

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RESOURCES QUARTERLY JUNE 2020

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Source: NMT Presentation



* Subject to Board Approval.

Source: NMT Presentation

<p>RECYCLING PLANT FEED RATE</p> <p>50tpd 18,263tpa</p>	<p>EV & CONSUMER BATTERY FEED</p> <p>Products Inc. high purity Co, Ni, Cu, Li</p>	<p>OPEX</p> <p>US<\$7/lb* contained cobalt excluding co-products</p>
<p>CAPITAL COSTS</p> <p>US\$66M* A\$92M</p>	<p>PAYBACK</p> <p><2 years</p>	<p>PRE TAX NPV₁₂</p> <p>US\$220M A\$308M</p> <p>IRR 72%</p>

*1 USD: 1.4 AUD at US\$6.75/kg Cobalt Sulphate (~20% cobalt contained in CoSO₄), US\$59/kg Lithium Sulphate, US\$3.30/kg Nickel Sulphate, US\$27/kg Copper Sulphate

Source: NMT Presentation