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NMT: Site visit to German demo plant

NMT.ASX | NEOMETALS LIMITED | MATERIALS

PRICE

A\$0.67/sh

TARGET PRICE

A\$2.00/sh

(FROM A\$2.00/sh)

RECOMMENDATION

SPECULATIVE BUY

(FROM BUY)

ANALYST

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Site visit to demo plant

We visited the Primobius Hilchenbach recycling facility in Germany (50% NMT);

This is the ~10tpd commercial shredding plant (spoke) that produces black mass for sale, and the smaller demo hydromet (hub) circuit that produces test samples of metal sulphates for customers;

Compared to our last visit, there was noticeably high confidence about the performance and understanding of the hydromet circuit. Additionally, understanding the subtle tweaks in achieving very high recoveries in the front end is also going very well.

Remember that EU battery regulations are now looking towards industry recovery target of 90/95% (for Ni, Co, Cu). This has necessitated extra process development and innovation to attain targets.

We are still waiting on the purchase agreement for the Mercedes demo plant but hopefully that is imminent.

FID on large plants to come

The FID on the larger commercial plants (50tpd) will come after the cost study on the integrated plant due mid year.

We have increased our assumed capex to ~US\$300m-\$400m (range depends on existing infrastructure) for each 50tpd in our model. The payback on our spot numbers remains very good (<5x) but on our base commodity assumptions is >10x (which is likely still adequate for large customers, particular given in Europe it will be a regulatory requirement to recycle, plus recycling both lowers the cost of raw materials and secures supply). There is a possibility that NMT deploys the royalty model (better ROCE for NMT shareholders, minimal dilution). Our valuation is a blend.

Revenue royalty model a possibility

NMT/SMS (Primobius) is unique in offering customers a solution for lowest cost raw materials, and very high guaranteed recovery rates in exchange for a royalty. Competitor offerings ask to selling the raw materials back to the customer, which means that the customer shares less of the economics of recycling. So, upon commercialisation in 2HCY23, the expectation is that there will be a fast customer take up of the Primobius plants because of the better economics for customers.

Speculative Buy recommendation

There have been clear learnings from the demo plant that will be put into the commercial plants to optimise recoveries. This should help customer confidence in delivery and should help with the plant rollout. The timing of the rollout and capital requirements for NMT are still uncertain and that's the biggest detractor for the stock at the moment. The study due mid year should help clarify, and upon certainty we may upgrade to Buy. NMT solves a very large problem for EV industry, and the strategic value should not be underestimated. Our valuations do not include such premiums yet. Key risks are execution and commodity prices.

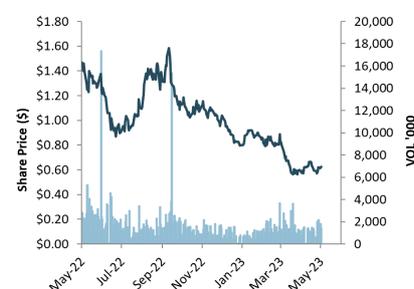
Catalyst

- Study for the hydromet circuit - mid CY23:
- FID on 50tpd plants - late CY23

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Share Price	0.665		
Price Target	2.00		
Valuation (DCF)	1.19		
WACC	12.0%		
Shares on issue	556		
Market Capitalisation	369.8		
Enterprise Value	337.5		
Cash (31 Mar 23a)	32.3		
Debt (31 Mar 23a)	-		
Key Financial Metrics	23F	24F	25F
Revenue (A\$m)	5.4	6.6	6.3
EBITDA (A\$m)	-6.1	-5.6	-5.9
EBITA (A\$m)	-10.7	-9.8	-11.4
Reported NPAT (A\$m)	-9.6	-9.1	-12.1
Normalised NPAT (A\$m)	-6.9	-6.5	-8.7
Operating Cash (A\$m)	-5.5	-4.9	-6.6
Capex (A\$m)*	-3.9	-13.9	-127.1
Op. Free Cashflow (A\$m)	-9.4	-18.8	-133.7
Revenue Growth (%)	nm	nm	nm
EBITDA Growth (%)	nm	nm	nm
Norm. NPAT Growth (%)	nm	nm	nm
Normalised EPS (Ac)	-1.3	-1.2	-1.4
Norm. EPS growth (%)	nm	nm	nm
PER (x)	nm	nm	nm
EV:EBITDA (x)	nm	nm	nm

Performance



Source: Euroz Hartleys

Figure 1: Summary Model

P&L	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Revenue	5.4	6.6	6.3	75.9
Total Costs	-11.5	-12.3	-12.2	-49.5
EBITDA	-6.1	-5.6	-5.9	26.4
margin	-111%	-85%	-93%	35%
- LIB Batt. Recycl.	2.1	2.5	2.3	34.9
- Scand. Vanadium	0.0	0.0	0.0	0.0
- Barrambie	0.0	0.0	0.0	0.0
- Overheads	-8.2	-8.2	-8.2	-8.6
D&A	-4.6	-4.2	-5.5	-10.6
EBIT	-10.7	-9.8	-11.4	15.8
Net Interest	1.0	0.7	-0.8	-3.8
Pre-Tax Profit	-9.6	-9.1	-12.1	12.0
Tax Expense	0.0	0.0	0.0	0.0
Normalised NPAT	-6.9	-6.5	-8.7	8.6
Abnormal Items	-2.7	-2.5	-3.4	3.4
Reported Profit	-9.6	-9.1	-12.1	12.0
Minority	0.0	0.0	0.0	0.0
Profit Attrib	-9.6	-9.1	-12.1	12.0
DPS	0.0	0.0	0.0	0.0

Balance Sheet	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Cash	44.5	25.7	92.0	23.4
Other Current Assets	1.9	2.0	2.0	10.5
Total Current Assets	46.4	27.7	94.0	33.9
Property, Plant & Equip.	-14.1	-4.4	117.2	244.2
Exploration	54.1	54.1	54.1	54.1
Investments/other	9.7	9.7	9.7	9.7
Tot Non-Curr. Assets	49.7	59.4	181.0	308.0
Total Assets	96.1	87.1	274.9	341.9
Short Term Borrowings	-	-	-	-
Other	3.2	3.3	3.3	8.3
Total Curr. Liabilities	3.2	3.3	3.3	8.3
Long Term Borrowings	-	-	100.0	150.0
Other	2.0	2.0	2.0	2.0
Total Non-Curr. Liabil.	2.0	2.0	102.0	152.0
Total Liabilities	5.2	5.4	105.3	160.3
Net Assets	90.8	81.7	169.6	181.6
Net Debt (pre AASB16)	-45	-26	8	127
Net Debt (post AASB16)	-43	-24	9	128

Cashflow	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Pro-forma EBITDA	-6.1	-5.6	-5.9	26.4
Working Capital	-0.5	0.0	0.0	-3.6
Cash retained in JV	0.0	0.0	0.0	0.0
Operating Cashflow	-6.6	-5.7	-5.8	22.8
Income Tax Paid	0.0	0.0	0.0	0.0
Interest & Other	1.0	0.7	-0.8	-3.8
Operating Activities	-5.5	-4.9	-6.6	19.0
Property, Plant & Equip.	-3.9	-13.9	-127.1	-137.6
Exploration and Devel.	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Investment Activities	-3.9	-13.9	-127.1	-137.6
Borrowings	0.0	0.0	100.0	50.0
Equity or "lbc capital"	0.0	0.0	100.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0
Financing Activities	0.0	0.0	200.0	50.0
Net Cashflow	-9.4	-18.8	66.3	-68.7

Substantial S/holders	5.5%	Board				
David Reed	5.5%	Steven Cole	NE Chair			
		Chris Reed	MD			
		David Reed	NE			
		Douglas Ritchie	NE			
		Natalia Streltsova	NE			
		Jennifer Purdie	NE			
		Leslie Guthrie	NE			

LIB Production (100%)	Unit	Jun 23	Jun 24	Jun 25	Jun 26	Jun 27
Throughput	kt	-	-	-	13.69	18.25
- Production						
- Li Sulphate	kt	-	-	-	2.5	3.4
- Co Sulphate	kt	-	-	-	0.9	1.2
- Ni Sulphate	kt	-	-	-	7.6	10.1
- Copper	kt	-	-	-	1.4	1.9
Capex	A\$m	0	-20	-266	-286	0

Scandinavian Vanadium (100%)	Unit	Yr 0	Yr 1	Yr 2	Yr 3
V2O5	M lb		5.8	17.5	17.5
Cash Costs	US\$/lb		-6.2	-5.1	-5.1
Capex	A\$m		-244	-244	0

Barrambie (100%), MGC	Unit	Yr 0	Yr 1	Yr 2	Yr 3
Concentrate	Mt		1.0	1.0	1.0
Cash Costs	US\$/t		-133	-133	-133
Capex	A\$m		-110	-110	0

Price Assumptions	Unit	Jun 23	Jun 24	Jun 25	Jun 26	Jun 27
AUDUSD	US\$/A\$	0.66	0.71	0.73	0.74	0.74
Spodumene - Chemical (ie Battery)	US\$/t	3800	3600	3500	3500	3000
LiOH	US\$/t	48808	35687	30528	26617	25091
LC	US\$/t	48808	35687	30528	26617	25091
Nickel	US\$/lb	10.0	9.8	9.5	8.8	8.8
Copper	US\$/lb	4.0	4.1	4.0	3.8	3.8
Cobalt	US\$/lb	27	25	25	25	25
V2O5 - 98% China	US\$/lb	8.0	8.0	8.0	8.0	8.0
V2O5 - 99.5% Rotterdam	US\$/lb	9.6	9.6	9.6	9.6	9.6
Ilmenite	US\$/t	314	325	250	250	250

Valuation	A\$m	A\$/shr
LIB ~500tpd integrated, blended royalty vs 25% BOO	578	0.80
59% Vanadium Slag - Scandinavia (pre-tax NPV@12%)	113	0.16
100% Barrambie - (pre-tax NPV@12%)	50	0.07
35% ELI Portugal (pos-tax NPV14%)	107	0.15
Other Assets/Exploration	20	0.03
Forwards	0	0.00
Corporate Overheads	-100	-0.14
Net Cash (Debt)	32	0.04
AASB16 Debt	0	0.00
Investments (mainly HNR.asx)	7	0.01
Tax (NPV future liability)	-306	-0.42
Options & Other Equity	100	0.14
Total	602	1.19

Source: Euroz Hartleys

Figure 2: Photo of the 10tpd plant (not a site visit photo)



Source: NMT

Figure 3: Timetable

Indicative Commercial Rollout Timeline



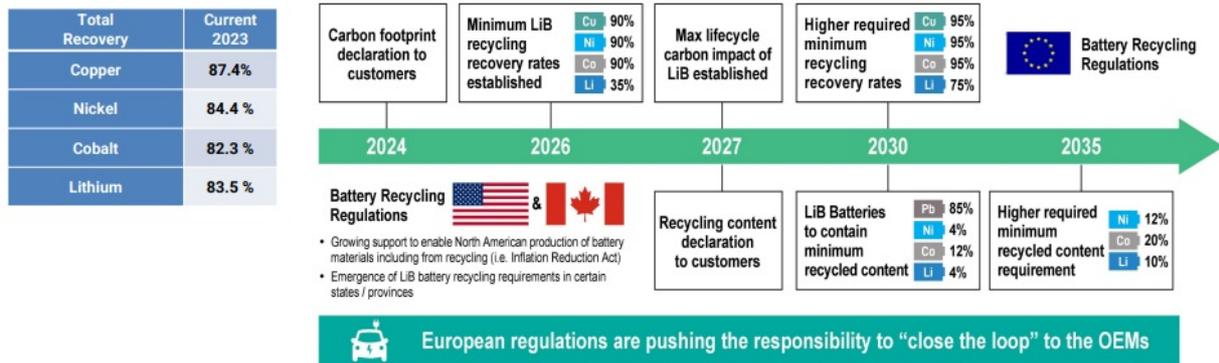
*Subject to Customer Award/Primobius and Neometals Approvals
 #Key Performance Indicators (KPI) as negotiated at Supply

Source: NMT

Figure 4: EU regulation targeting very high recoveries

European Regulation Driving Automakers to “Close the Loop”

AIM TO BE THE FIRST TO BE FULLY COMPLIANT WITH ALL EU BATTERY REGULATIONS FOR LiB RECYCLING, ON TRACK FOR 2026



Source: European Commission, FCAB

Source: European commission, FCAB

Source: NMT

Figure 5: Price target scenarios

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	35%	\$1.19	\$1.34
1.5x NAV	25%	\$1.78	\$2.00
NPV at spot commodity and fx prices	27%	\$3.42	\$3.83
Grossed up dividend yield of 9.7%	1%	\$0.00	\$0.00
Net cash	12%	\$0.06	\$0.05
Risk weighted composite		\$1.79	
12 Months Price Target		\$2.00	
Shareprice - Last		\$0.665	
12 mth total return (% to 12mth target + dividend)		200.9%	

Source: Euroz Hartleys

Company disclosures

The companies and securities mentioned in this report, include:

Neometals Limited (NMT.ASX) | Price A\$0.63 | Target price A\$2.00 | Recommendation Speculative Buy;

Price, target price and rating as at 03 May 2023 (not covered)*

Additional disclosures

The analyst declares that they have a beneficial interest in: Neometals Limited (NMT.ASX)

Other disclosures, disclaimers and certificates

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