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Neometals Ltd: THE INVESTMENT CASE
[INVESTMENT OVERVIEW](#)

Neometals viewed as substantially undervalued as it moves to near-term profitability

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14:30 08 May 2018

The company will be turning a profit as plenty of other players in the sector are a long way from generating first revenues.



INVESTMENT OVERVIEW: NMT The Big Picture

Arlington's sum of the parts valuation of \$1.43 implies upside of about 360% to the company's recent trading range

Neometals Ltd ([ASX:NMT](#)) has dispatched a 53-tonne bulk sample from its Barrambie Titanium Vanadium deposit in Western Australia as it prepares for a direct shipping ore (DSO) operation.

The sample targeted typical high-grade titanium and vanadium mineralisation from the eastern band of the deposit, which is potentially the main feed source for the planned DSO operation.

[READ: Neometals sends titanium vanadium bulk sample to China for potential offtake partners](#)

This is an important development in accessing Chinese markets, as it should confirm the optimal pathway for the extraction of titanium, vanadium and iron products.

The results of these tests will form a basis to negotiate offtake pricing.

Chief executive officer Chris Reed said: "As we progress the dual track evaluation of DSO and integrated titanium/vanadium chemical production, it is critical we give comfort to potential Chinese customers of the quality and value of the Barrambie DSO product."

A truly diversified asset rich company

However, there is much more to Neometals than the Barrambie project and looking across the company's range of assets, its market capitalisation of \$170 million appears conservative.



It was only in mid-April that Neometals released a 48,200-tonne nickel resource within the Mt Edwards lithium project in Western Australia.

[READ: Neometals reveals nickel JORC resource at Mt Edwards](#)

The March acquisition of this brownfields lithium exploration project appeared to slip under the radar.

While it is arguably a sleeper in Neometals' impressive portfolio of assets, expect ongoing newsflow given the highly prospective location just 40 kilometres south of Mt Marion.

Arlington sees share price upside of 360%

Indeed, Mark Fernley from the UK-based Arlington Group views the company as substantially undervalued.

His sum of the parts valuation of \$1.43 implies upside of about 360% to the company's recent trading range.

The broker recently reflected on the meshing together of Neometals' Mt Marion lithium operation and its potential to assist in developing Barrambie.

Mt Marion complementary to Barrambie

Fernley said: "NMT's 13.8% share in the Mt Marion lithium mine should continue to yield strong cash flow for many years.

"This should potentially allow NMT to develop the Barrambie titanomagnetite DSO project and continue to develop the associated titanium dioxide (TiO₂) project.

"The lithium hydroxide (LiOH) plant is a positive addition to this."

Fundamentals speak for themselves

Certainly, the projected financials support Fernley's take on the company.

He is forecasting a maiden profit of \$52 million as early as fiscal 2019.

Bear in mind there are plenty of other players in the sector that are a long way from generating first revenues, let alone turning a profit.

The forecast profit equates to earnings per share of 10 cents, implying a PE multiple of three relative to the company's current trading range.

Production ramp up at Mt Marion continues

The other major shareholders involved in the Mt Marion project are [Mineral Resources Ltd \(ASX:MIN\)](#) and Ganfeng Lithium Co Ltd (SHE:002460), with each having a stake of 43.1%.

There were shipments of lithium concentrates to Ganfeng during the quarter with nearly 84,000 tonnes

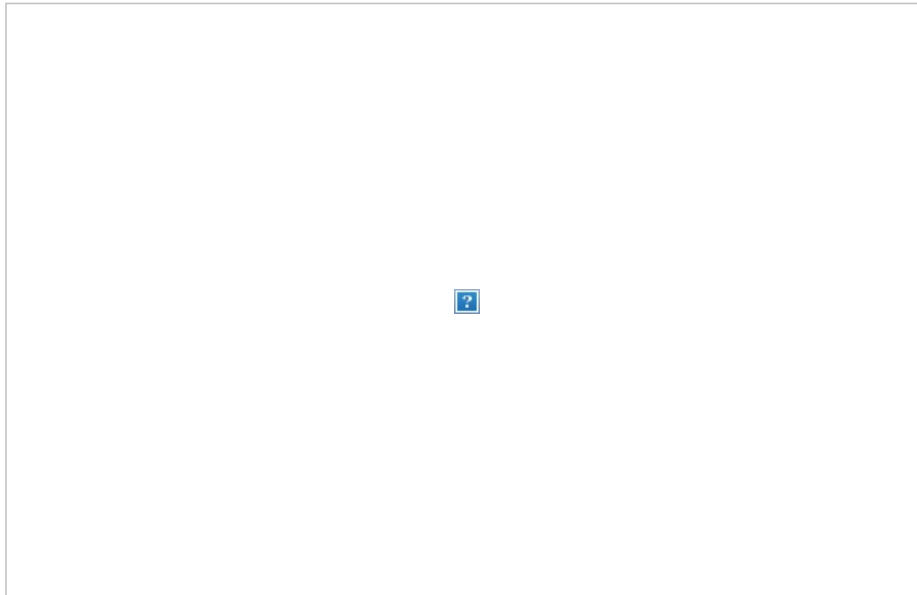
dispatched during the quarter.

March was a particularly strong month as nearly 54,000 tonnes were shipped.

Construction of the upgrade to the concentrator circuits to facilitate production of all 6% lithium concentrate is expected to be completed in the December quarter.

Extracting more value from Mt Marion

Neometals continues to assess the development of a lithium processing facility close to the Mt Marion lithium operation.



The company has retained its binding offtake option right for a minimum of 12.37% of production from Mt Marion from February 2020.

This would provide a secure supply of feedstock to support the prospective development of its own downstream processing plant.

Equipment test work completed

Neometals has completed the vendor equipment test work in North America, which was in line with the group's upbeat expectations.

The tests confirmed that proposed process flow sheet and high-quality product analysis (99.99% lithium hydroxide monohydrate).

This data will assist in the front-end engineering design (FEED) study which was launched at the start of May.

Plant to be located in Kalgoorlie

The lithium hydroxide plant is proposed to be built in Kalgoorlie.

[READ: Neometals to begin FEED study for lithium hydroxide project](#)

The FEED study should be completed by the end of 2018, and the project feasibility study will integrate these results in preparation for an investment decision in the first quarter of 2019.

Commenting on this development, Reed said: "Neometals looks forward to advancing its strategy to become an integrated lithium producer and maximise the value of its spodumene offtake rights from Mt Marion via the downstream conversion to lithium hydroxide in the local plant."

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Neometals Ltd

Market: ASX

EPIC: NMT

Market Cap: A\$173.93M

Latest Price: A\$0.32 (0,00%)

52-week H/L: A\$0.51 / A\$0.25

Sector: General Mining - Gold

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