Neometals retains buy recommendation according to research report

Neometals Ltd (ASX:NMT) is carving a niche in the growing battery sector with a fully-integrated lithium battery chain and the soon-to-be-demerged Barrambie Titanium-Vanadium Project, according to a research report from Euroz Limited.

The Perth-based financial services company has valued Neometals at 51 cents, more than twice its current share price of 24 cents, and has retained its buy recommendation.

Euroz states in its report that its valuation "provides for a mere $50 million nominal value for Barrambie yet there is a clear and substantial upside as the development parameters and timeframe are set-out".

The report notes that as the stock is trading below its 27-cent discounted cashflow valuation of Neometals' Mt Marion Lithium Project, the proposed vanadium demerger will crystallise value for the Barrambie assets.

**READ: Neometals begins feasibility study update for Barrambie as vanadium prices rise**

The following is an extract from the report:

**Investment case and analysis**

Though there are several moving parts to the NMT strategy, it appears the efforts with respect to both Barrambie and the lithium-ion recycling project are verging on proof-of-concept milestones.

We are encouraged by the staged nature of [Barrambie's] planned development, enabling initial cashflow from the low-risk open pit direct shipping ore (DSO) operation to fund studies seeking to de-risk and economically shore-up subsequent stages of beneficiation and/or project expansion.

This is a similar process currently at play with the lithium business which has to date proven to be both sensible and respectful of the capital structure and shareholder base.

It differentiates NMT from the number of small vanadium hopefuls looking to capitalise on strong commodity pricing by pursuing the well-trodden and perennial unsuccessful path of capital-intensive high-risk downstream processing as stage I.

It is also complementary to the geology characteristics of the Barrambie ore body enabling stage I to run in parallel with advancement of stages II and III.

**READ: Neometals reveals spodumene concentrate pricing for**
Mt Marion Lithium Operation

To date, the trial downstream processing of the Barrambie DSO has proven successful.

Potential offtake partners may be announced mid-June half 2019, ahead of the revised definitive feasibility study (DFS) end of financial year 2019.

We view that subject to completion of the demerger and requisite low capex financing for stage I, mining operations should start in early 2020.

READ: Neometals and partners add 500,000 tonnes to lithium resource at Mt Marion

On our analysis, the demerger makes sense, with the market discounting the lithium and treasury by the remaining NMT businesses.

Clearly, this combined with encouraging feedback from Chinese downstream titanium processors has driven the demerger decision.

Successful performance tests of the ore combined with positive outcomes on logistics studies will prompt commercial negotiations with the downstream with a view to commencing a DSO mining operation.

READ: Neometals adds two experienced directors ahead of demerger

The demerger is subject to final board approval, third-party consents and regulatory plus shareholder approvals … [and] expected to be completed in the March quarter of 2019.

NMT shareholders will receive shares in NewCo proportional to their existing NMT shareholders and should, subject to confirmatory Australian Taxation Office (ATO) class ruling, receive demerger tax relief.

NewCo will then seek admission to join the ASX.
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