

Neo Building a Uranium Producing Titan

Following the Beisa projects acquisition announcement earlier this month by **Neo Energy Metals plc** (NEO.L) for a consideration of ZAR381m (c. £16.5m), in this updated research note, we examine the impact of this upon the Group's estimated valuation to determine a revised share price target.

Key Points

- Beisa's acquisition adds a substantial SAMREC resource to the Group with **90.2m lbs uranium** and **4.2m ounces gold**, in South Africa's primary uranium producing region, where uranium has been mined continuously for over 70 years. Beisa's combined in-situ resource value amounts to \$17bn at current spot prices.
- Due diligence on the new Beisa acquisition was completed on 16 Aug '24, with formal documentation expected to be signed by the end of next month.
- Neo's management **strategy** is to position the Group as South Africa's leading uranium mining company and one of Africa's major uranium mine operators and developers.
- Other potential **complementary uranium acquisitions** are being advanced in the region, the details of which we anticipate will be revealed by end of Q3, '24
- Although Beisa will become the Group's largest asset by resource size, the Henkries project is **nearer to production and cash flow revenue**, an event which we believe could be less than 24 months away.

Valuation & Recommendation

Using the existing valuation of Henkries as a benchmark (at \$80 per lb) as outlined in our valuation note from 13 Jun '24, we have estimated an un-risked amount for each uranium lb resource, to provide the basis to determine a risked value for the new Beisa projects.

Various risks have been applied, such as a 'Resource & Feasibility' risk of 40% to 70% for each of the three Beisa resources. This is a relatively high risk as the SAMREC resource is at the 'Inferred' confidence level. A modest 'Development' risk of 20% to 35% is used, given the assets location in an established mining district. 'Finance' risk of obtaining mining capex remains low at 5% to 20% due to the presence of mining financier and entrepreneur Quinton van der Burgh as investor and Neo Board Director. Some of the uranium and gold resources also have a 'By-Product' processing risk applied. This leads us to arrive at an estimated \$384.8m for Beisa's uranium and \$359.8m for its gold resources, representing around 5% of each metals spot price.

By adding Henkries estimated value of \$58.5m to Beisa's uranium and gold figures, a Group figure of **\$803.1m** is derived. When divided by Neo's projected number of shares in issue, to account for the Beisa consideration shares and any other share that may be issued within the next 18-months, a risked value per share of 23p is computed or 20p to factor in a small 10% sign-off risk prior to concluding Beisa's purchase.

Upside to our valuation comes from potential increases to uranium and gold market prices, an increased resource size and improvement in the current 'Inferred' resource at Beisa's and continued project de-risking as both Henkries and Beisa move nearer production. Considering that Beisa adds 17p to 20p to the existing valuation of 3.33p and ambitious acquisition value led accretive strategy being pursued, we continue to rate the shares as a **'Buy'** with a target price of **20p per share**. This provides considerable upside for investors positioning themselves in the equity, with Neo currently trading at less than 1p per share.



TP 20p

MARKET DATA:

Name:	Neo Energy Metals plc
Ticker:	NEO.L
Price:	0.83p
SI:	1450m
Market Cap:	£12m
Sector:	Resources (Uranium, gold)
Listing:	LSE SL – London A2X – South Africa

FINANCIALS: / KEY DATES

Last Placings:	9/10-Nov 23 - £625K @1.25p.
Strategic Inv:	Nov 23 - Jan 25 - £3.5m @ 0.75p
RTO Date:	9 Nov 23
Last Results:	28 Jun 24 – 6'mth. to 31 Mar '24

ACTIVITIES:

Exploration and development of advanced uranium and gold assets in Africa.

KEY ASSETS/ PROJECTS

Henkries - uranium
Beisa# - uranium & gold
#subject to final signing by 30 Sept '24.

DIRECTORS & MANAGEMENT:

Sean Heathcote (CEO)
Jason Brewer (Exec. Chairman)
Quinton van der Burgh (Non-Exec)
Bongani Raziya (Non-Exec.)
Jackline Muchai (Non-Exec.)
James Longley (Non-Exec.)
Charles Tatnall (Non-Exec.)

SHAREHOLDINGS: (>4%)

Morgan Stanley Client Sec's Nom	14.8%
Pershing Nominees	13.8%
Hargreaves Lansdowne Nom	12.0%
O'Sullivan Advisory & Inv Ltd	11.1%
Jim Nominees	5.1%
AUO Commercial Brokerage LLC	4.7%

Directors hold a total of 377m (26%) shares, some of which are held under above nominee names.

***First Equity Limited acts as Broker to Neo Energy Metals plc**

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Henkries Valuation

FE est. Risked Valuation at \$80 per lb production	Low Case	CPR Case	Initial Target Case	Notes
Resource / Contained Uranium	4.7mlb	7.0mlb	10.0mlb	
Un-risked NPV8 Erudite est.	\$42.8m	\$75.2m	\$150.5m	Independent result study results.
<i>Un-Risked \$ per mlb</i>	<i>\$9.11</i>	<i>\$10.74</i>	<i>\$15.05</i>	Un-Risked Case Average = \$12.37 per lb.
Resource Risk	5%	15%	25%	Risk of proving up resource required for each operating scenario to 'Measured' JORC.
	(\$2.1m)	(\$11.3m)	(\$37.6m)	
Development Risk	15%	15%	15%	Risk of developing mine and infrastructure prior to production commencing.
	(\$6.1m)	(\$9.6m)	(\$16.9m)	
Finance Risk	5%	5%	5%	Minimal Finance Risk of obtaining mine Capex due to involvement of AUO Commodities.
	(\$1.7m)	(\$2.7m)	(\$4.8m)	
Risked NPV8 – US\$	\$32.8m	\$51.6m	\$91.1m	
Average Case Valuation	\$58.5m			
	\$8.09 per lb risked			

Fig 1: Henkries estimated risked value (Source: First Equity Limited).

Beisa Valuation (Uranium)

Uranium Beisa	Beisa Reef		Beatrix Reef	Notes
	Beisa North	Beisa South	Beisa South	
Est Un-Risked Uranium per lb	\$12.37 less 3.5% royalty = \$11.94 per lb			Using Henkries est. as a benchmark value (Fig 1).
Uranium Resource (Inferred)	57.23mlb	32.00mlb	1.01mlb	SAMREC Code compliant resource.
Un-Risked Value	\$683m	\$382m	\$12m	Resource x \$11.94 per lb.
Resource & Feasibility Risk	40%	70%	70%	Risk of proving up resource to 'Measured' status. Risks are high due to 'Inferred' resource on all 3 deposits, but lower risk for Beisa North as Scoping Study completed in 2014.
	(\$273m)	(\$268m)	(\$8m)	
Development Risk	20%	30%	35%	Risk of developing mine and infrastructure prior to production commencing.
	(\$82m)	(\$34m)	(\$1.3m)	
Finance Risk	5%	10%	20%	Minimal Finance Risk of obtaining Capex due to involvement of AUO and possible other parties.
	(\$16m)	(\$8m)	(\$0.5m)	
By-Product Risk	n/a	n/a	50%	Where applicable, processing and other risks of uranium produced as a by-product from gold production
			(\$0.4m)	
Risked Value	\$311.6m	\$72.2m	\$0.9m	
Est. Uranium Total Risked Value	\$384.8m \$4.26 per lb risked or 5.3% of In-Ground Value at \$80 per lb.			

Fig 2: Beisa (uranium) implied estimated risked value (Source: First Equity Limited).

Beisa Valuation (Gold)

Gold Beisa	Beisa Reef		Beatrix Reef	Notes
	Beisa North	Beisa South	Beisa South	
Gold Resource (Inferred)	2.05m oz	0.76m oz	1.54m oz	SAMREC Code compliant resource.
Risked Value per ounce	\$122.6	\$122.6	\$122.6	5.3% of \$2,300 per ounce gold spot price implied from risked uranium valuation.
Less Royalty per ounce	\$122.2	\$122.2	\$122.2	Less Royalty \$7.5 / \$2300.
Less By-Product Risk	50%	50%	n/a	
Risked Gold Value per ounce	\$61.1	\$61.1	\$122.2	
Est. Gold Resource Value	\$125.2m	\$46.4m	\$188.2m	
Est. Gold Total Risked Resource Value	\$359.8m			

Fig 3: Beisa (gold) implied estimated risked value (Source: First Equity Limited).

Neo Energy Metals Summary Valuation

Neo Energy Metals		Notes
Henkries (Uranium)	\$58.5m	Fig 1
Beisa (Uranium)	\$384.8m	Fig 2
Beisa (Gold)	\$359.8m	Fig 3
Total	\$803.1m	
Less est. debt facility	(\$40m)	Incorporates £7.6m cash element of Beisa acquisition.
Sub Total (US\$)	\$763.1m	
Sub Total (£)	£587.0m	Ex Rate £1.30/US\$.
Value Per Share (Prior to Sign off)	23p	Divided by 2597m est. Projected Shares In Issue (SII) in 18 month's time = 1450m SII now + 680m Beisa acquisition shares + 467m est. any other.
Value Per Share (After Sign off)	20p	Less 10% Risk - Although acquisition due diligence is completed, formal documentation sign-off is still required, which is reported to be "on-track for no later 30 Sept' '24".

Fig 4: Group Summary Valuation (Source: First Equity Limited).

BEISA ACQUISITION

In mid-August, Neo Energy confirmed it had completed due diligence on the acquisition of a 100% interest in the uranium and gold interests of the Beisa Projects from Sunshine Mineral Reserve Limited for a total consideration of around ZAR381m (£16.5m). About 47% of the consideration is paid in cash, with the remainder to be paid in equity (mostly at 1.25p per share). Sunshine will retain a small uranium royalty of between \$3 and \$5 per lb, based on a uranium spot price of \$100 to \$150 per lb, along with a gold royalty of \$7.5 per ounce. The final acquisition documentation is expected to be completed by 30 September '24.

The Beisa projects cover an area of 80 sq. km in the Witwatersrand Basin of the Free State Province in South Africa, with a SAMREC resource of 90.2m lbs of uranium and 4.2m ounces gold in the Inferred category (Fig 8).

The Witwatersrand Basin is an established and prolific gold and uranium producing area, which has produced about 2 billion ounces of gold. Uranium production has been continuous for a period of over 70 years.

Most of the defined resource lies on the Beisa Reef (North and South), where gold is mined as a by-product from uranium production. Neo will be seeking to conduct infill drilling to improve the size and confidence level of the deposit once the acquisition is finalised. A non-dilutive debt facility will fund working capital requirements, which is currently being negotiated with AUO and "several other parties".

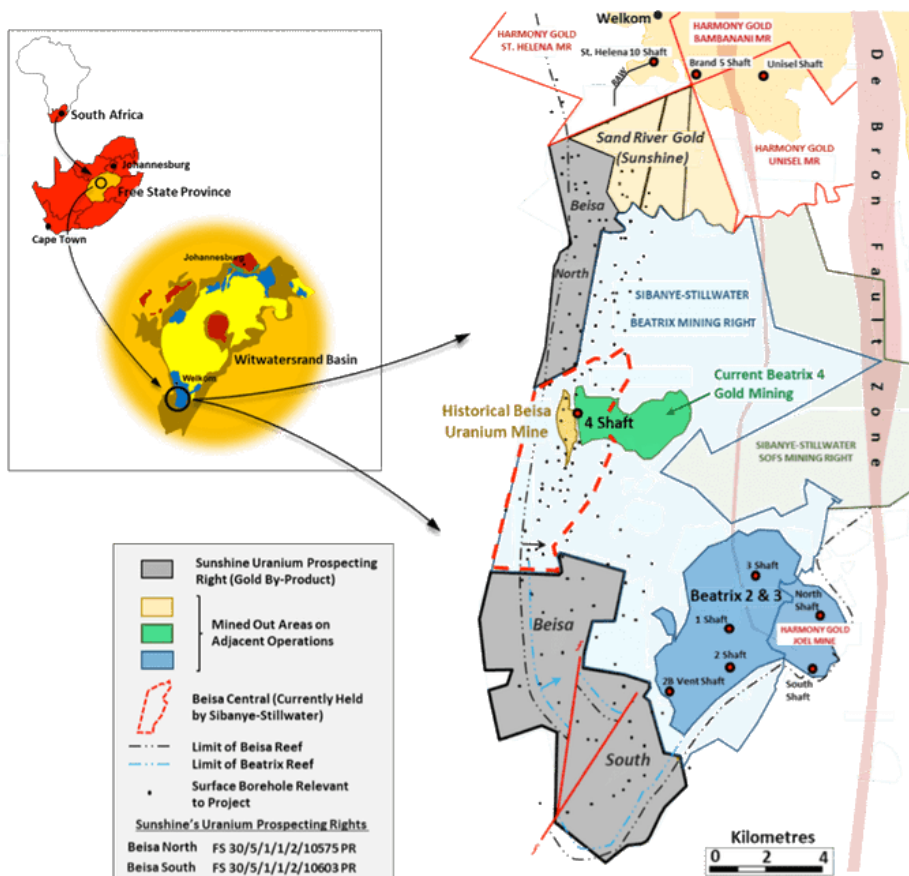


Fig 5: Beisa Project Location (Source: Neo Energy Limited).

HENKRIES

Neo Energy holds up to a 70% stake in the **Henkries** Uranium Project located in the Northern Cape Province of South Africa, covering an area of 742.87 sq. km. The other 30% project interest is owned by Wavecrest Investments, a South African Black Empowerment partner.

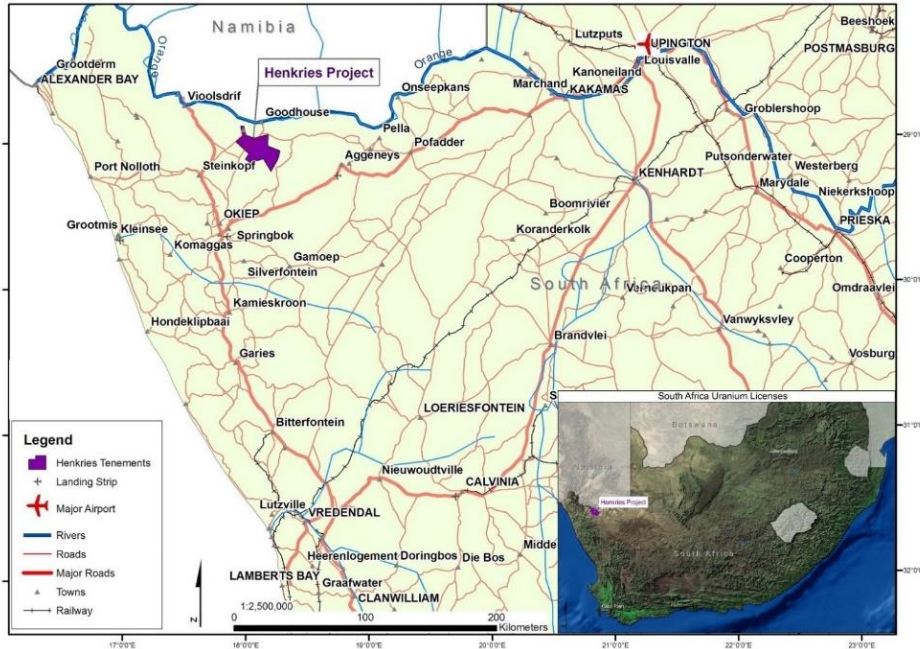


Fig 6: Henkries project location in Northern Cape Province of South Africa (Source CPR for Henkries – 22 Sept '23).

The uranium deposit was discovered by mining major Anglo-American in 1976, which then went on to drill around 7,600 metres at '**Henkries Central**' and around 2,080 metres at '**Henkries South**' and '**Henkries North**' to define a resource estimate. Anglo American also completed a feasibility study, which included a large amount of metallurgical test work and process design.

From Anglo American's work it was established that the 'Henkries Central' deposit is close to surface, mostly less than 8 metres in depth. This therefore means that mining should be low-cost, especially when considering that no blasting or crushing is required, with only minimal grinding needed.

We understand that over \$30m has been spent on historic exploration, drilling, test-pitting, mining and other work connected with the feasibility study by previous project owners.

Due to the drop in uranium prices and sentiment following the 1979 Three-Mile Island incident in the USA, **Anglo American** took the decision not to develop the project. The only subsequent exploration on the project area was undertaken in 2008 and 2009 by UK listed **Niger Uranium Limited**.

A drilling resource expansion programme will commence in H2 2024, with the objective of increasing the JORC resource to over 10mlb's of uranium (Fig 7).

RESOURCE ESTIMATES

Henkries - In addition to the JORC resource estimate, an exploration target of 2.1m to 2.9m tonnes at a grade of 230 to 315 ppm, with 1.1m to 2.0m lbs of contained uranium, was estimated as part of the Competent Person Report (CPR) assessment in the Nov 2023 prospectus for the 'Henkries North' deposit.

These figures probably understate the significant exploration upside given that only 10% of the prospective ground has been fully tested. Moreover, there could be potential for Neo to expand its project footprint on adjacent properties.

Henkries JORC resource <i>(100 ppm cut-off)</i>	Million Tonnes	Average Grade Uranium (ppm)	Average Dry Density	Million (lbs) Uranium Contained
Henkries Central (HC)				
Indicated	1.97	635	1.08	2.75
Inferred	1.74	211	1.38	0.81
HC Sub Total	3.71	436	1.22	3.57
Henkries North (HN)				
Inferred	1.63	315	1.13	1.14
HN Sub Total	1.63	315	1.13	1.14
TOTAL RESOURCE	5.34	399	1.19	4.70

Fig 7: Henkries JORC resource completed by Minsearch Geological Consulting (Pty) Ltd – Sept '23 for Nov '23 RTO prospectus.

Beisa Projects

Beisa SAMREC Resource		Uranium <i>(cut-off at 50cm kg/t)</i>		Gold <i>(By-Product)</i>	
Project	Ore Tonnes at 35% Loss (Mt)	ppm	M lb	g/t	M oz
Beisa Reef	All Inferred Resources				
Beisa North	31.4	830	57.2	2.03	2.05
Beisa South	22.2	720	32.0	0.76	0.58
Total	53.6	780	89.2	1.51	2.63
	Ore Tonnes at 45% Loss (Mt)	Uranium <i>(By-Product)</i>		Gold <i>(cut-off 250 cmg/t)</i>	
Beatrix Reef	All Inferred Resources				
Beisa South	15.2	30	1.01	3.14	1.54

Fig 8: Beisa projects SAMREC Code compliant resource (Source: 13 Aug '24 Neo Energy Metals RNS).

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First Equity Limited acts as Broker to Neo Energy Metals plc.

First Equity Limited clients and employees hold shares and warrants in Neo Energy Metals plc.

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