Significant titanium and vanadium values add market intrigue

Since bringing the Mt Marion lithium pegmatite project online in February, Neometals Ltd. (ASX: NMT) ("Neometals") have spared some time to advance their Barrambie resource, a site which hosts significant titanium and vanadium values. The decision to relaunch Barrambie was likely motivated by the recent turnaround in the titanium and vanadium markets; although with vanadium, it has been more of a surge. And while sections of the resource feature some of the highest grade hard rock titanium globally (48Mt @ 22% TiO_2), the rising vanadium price in particular makes this site looks incredibly enticing, at least to me.

With lithium shipments to partner Ganfeng hitting the road above target, the balance sheets at Neometals are looking healthy enough to move in on this highly prospective region. Furthermore, the company's proprietary leaching process allows for the potential to recover high purity titanium dioxide (TiO_2), iron (Fe_2O_3) and vanadium pentoxide (V_2O_5) from the Barrambie deposit with costs in the lowest percentile. It is certainly Neometals' most economically feasible option, since prices of all three metals in the company's would-be portfolio are trending skyward over the next decade, making for some attractive margins.

All that remains is to advance the resource to a level at which it can attract an industry partner who could assist in completing the project by way of a joint venture or shared equity agreement. To this end, it is doubtless that the extensive industry connections of the current management will come in handy over the next few years. Neometals' team has a collective experience of over a century, not to mention the fact that they have already achieved production at their flagship site and with a supply agreement with one of the world's leading lithium manufacturers.

Last month, Neometals released impressive results from Barrambie, with highly recoverable TiO_2 grades of over 30% becoming a regular feature over significant core lengths of 40 metres. Along with the project's vanadium content, this makes for encouraging economics; the global titanium dioxide market is expected to grow substantially between now and 2021 supported by such growth drivers as increasing pressure on Chinese producers, a growing housing market, and the increasing use of TiO_2 in ceramic production, but challenges such as competitive pricing pressure and an escalation in the cost of feedstock ore will keep many companies at bay.

Barrambie, however, with its promise to keep costs as low as possible, stands a real chance of emerging into the space unscathed. Formal laboratory scale test work in Canada has already confirmed that high-purity (>99%) titanium dioxide can be precipitated selectively from a leach solution at recoveries greater than 90%, meaning that advancing the project past feasibility should be all that is required to attract the attention of a worthy partnership. These days, only those explorers with a tech-edge stand the highest chances of crossing the finish line into the marketplace, and Neometals' has two proprietary processes that reduce costs sufficiently enough to meet this requirement.

With producer status already in the bag, Neometals is in that most enviable of junior positions in which cash flow is not only available, but decent enough to fund further activities. While management gets busy with the myriad of engineering studies to be completed, investors should consider a long position on Neometals, as I expect that, with continuing price escalation, a worthy suitor will come knocking with the necessary cash to launch the project sooner rather than later