

**New Age Metals Inc.**  
(TSXV: NAM / OTCQB: NMTLF / FSE: P7J)

**\$6M from Sprott / Trading at Just 30% of the Sector  
Average EV/R Multiple**

**BUY**

**Current Price: C\$0.165**  
**Fair Value: C\$0.39**  
**Risk: 5**

**Sector / Industry: Junior Mining**

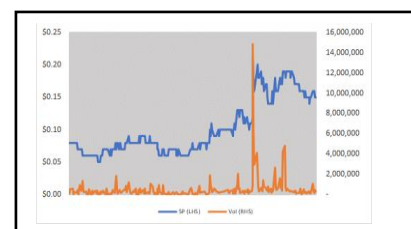
[Click here for more research on the company and to share your views](#)

**Highlights**

- NAM is planning to complete an updated resource estimate, and a Pre-Feasibility Study (“PFS”) on its 100% owned River Valley PGM project in H1-2022. Recently commenced metallurgical studies.
- A PEA completed in June 2019 had returned an **AT-NPV5% of \$300M, based on US\$1,440/oz Pd.** Palladium is currently at US\$2,863/oz.
- Concurrent with the PFS, NAM will complete an exploration program, including geophysics, trenching, studies to evaluate the potential of economically extracting rhodium, and up to 5,000 m of drilling in 2021/2022.
- **NAM is trading at \$8/oz vs the sector average of \$28/oz.**
- In 2021, the company raised \$10.3M, including \$6M from Eric Sprott. The final \$2M of Sprott’s investment is subject to shareholder approval, to increase his ownership in NAM from 19.9% to 24.7%.
- NAM is seeking joint venture/financing partners for its lithium assets (seven projects) in Manitoba, and the Genesis PGM-Cu-Ni project in Alaska. Preliminary work is planned on the lithium assets and Genesis.

**Sid Rajeev, B.Tech, MBA, CFA**  
Head of Research

**Price Performance (1-year)**



	YTD	12M
Ret.	65%	175%
TSXV	9%	74%

**Company Data**

52 Week Range	C\$0.05–C\$0.24
Shares O/S	197M
Market Cap.	C\$33M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	3.4x

Key Financial Data (FYE - April 30)	2020	2021 (9M)
Cash (C\$)	\$1,821,706	\$1,129,907
Working Capital	\$1,955,233	\$1,385,972
Mineral Assets	\$2,621,241	\$2,980,239
Total Assets	\$4,721,608	\$4,451,977
Net Income (Loss)	-\$631,475	-\$386,806
EPS	-\$0.01	-\$0.00

**\*Raised \$10M in 2021.**

**\*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.**

Commenced a PFS in April 2021

## River Valley PGM Project, Ontario

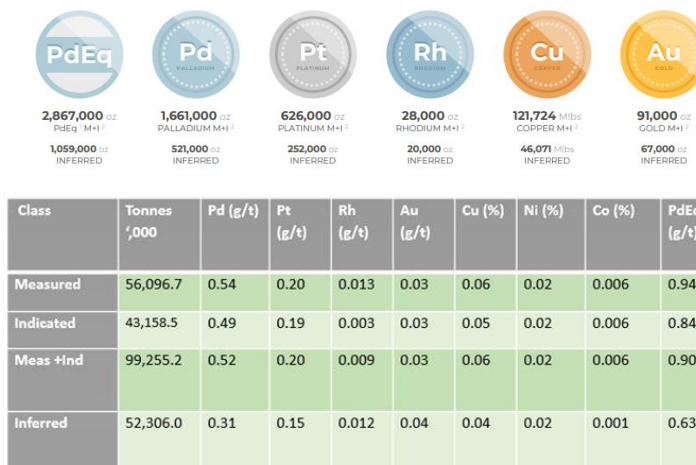
NAM expects to complete an updated resource estimate, and a PFS in H1-2022. Key objectives of the PFS include:

- Evaluate the potential to add rhodium as a payable metal. Rhodium is primarily used as an alloying agent in materials made of platinum and palladium.

28 Koz M&I + 20 Koz inferred of contained Rhodium

Total M&I resource of 2.9 Moz, and inferred resource of 1.1 Moz PdEq

### 2019 Resource Estimate



Commodity prices used: \$950/oz Pd, \$950/oz Pt, \$1,275/oz Au, \$1500/oz Rh, \$2.75/lb Cu, \$5.25/lb Ni, \$30/lb Co.

Source: Company

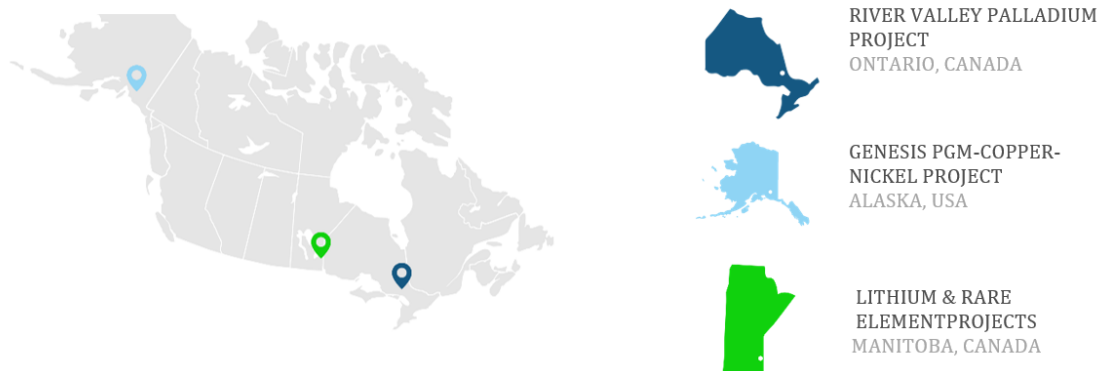
- Optimize production process and improve recovery rates. In May 2021, the company commenced metallurgical studies.

River Valley is 100 km east of Sudbury

Water can be sourced from local freshwater bodies, and power from one of the two power lines passing approximately 15 km and 22 km from the project

The project is estimated to be 16 km long, 0.2 km wide, and open at depth

### NAM's Portfolio



Source: Company

**2019 PEA**

<b>Assumptions</b>	
Palladium Price (Base case) US\$/oz	1,200
Exchange Rate US\$:CDN\$	1.37
<b>Production Profile</b>	
Total Tonnes Processed	78,100,000
Process Plant Head Grade PdEq g/t	0.88
Mine Life (years)	14
Daily process plant throughput (tpd)	16,440
Palladium Process Plant Recovery	80%
Total Payable Palladium Equivalent Ounces	1,600,000
Average annual Palladium Production Ounces	119,000
<b>Operating Costs</b>	
Unit Operating Costs (per tonne processed)	19.5
Mining Costs	10.2
Processing Costs	8.44
G&A	0.9
LOM Average Cash Cost US\$/oz	709
<b>Capital Requirements</b>	
Pre-Production Capital Cost	\$495.1 M
Sustaining Capital Cost (Life of Mine) Including Salvage	\$1.0 M
<b>Project Economics</b>	
Royalties	3% (Buy down to 1.5% with
Royalty Payable After \$1.5M Payment	\$39.7 M
Taxes	\$202.3 M
<b>Pre-Tax</b>	
NPV (5% Discount Rate)	\$262 M
IRR	13%
Payback (years)	6.6
Cumulative Undiscounted Cash Flows	\$586 M
<b>After-Tax</b>	
NPV (5% Discount Rate)	\$139 M
IRR	10%
Payback (years)	7
Cumulative Undiscounted Cash Flows	\$384 M

To date, the deepest drill hole is less than 600 m, and the average drill depth is only 220 m

June 2019 PEA was based on open-pit operations for 14 years, with annual production of 119 Koz PdEq

AT-NPV5% of \$139M based on US\$1,200/oz Pd, US\$1,050/oz Pt, and US\$1,350/oz Au

AT-NPV5% of \$300M, and AT-IRR of 15% using US\$1,440/oz Pd; Pd is currently at US\$2,863

**AT-NPV and AT-IRR's Sensitivity to Pd Prices**

%	-20%	-15%	-10%	-5%	Base Case	5%	10%	15%	20%
US\$/oz	960	1,020	1,080	1,140	1,200	1,260	1,320	1,380	1,440
NPV (CDN\$ M)	-23	16	59	98	139	179	220	260	300
IRR (%)	4	6	7	8	10	11	12	13	15

Source: Company

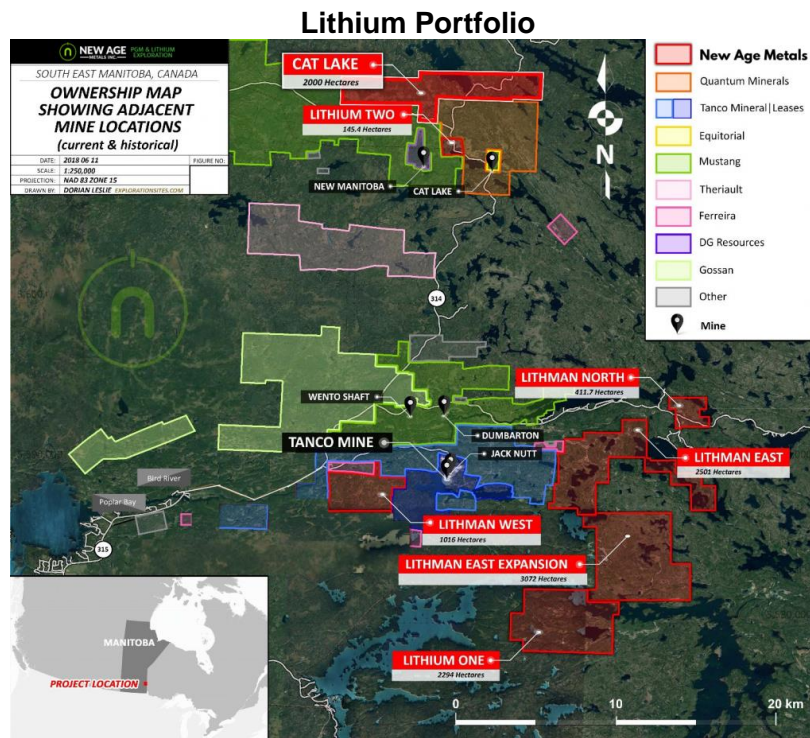
**Other Projects**

**NAM is seeking joint venture / financing partners for all of its other assets.**

- 100% owned **Genesis PGM-Cu-Ni project in Alaska** - This property has never been drilled. Grab sampling has returned values of 2.4 gpt Pd, 2.4 gpt Pt, 0.96% Ni, and 0.58% Cu. Mineralized reef has been identified in outcrop for 850 m strike, and 40 m thickness. **This year, management is planning to conduct additional ground proofing on previously identified targets.**
- NAM's lithium portfolio, covering 11,620 ha, consists of seven pegmatite-hosted hard rock lithium projects in the Winnipeg River Pegmatite Field, in SE Manitoba. 2021 plans include drone geophysics on at least five projects (commenced in April; targets include Lithium Two, Lithman West, Cat Lake, Lithman East, and

Lithman North), and a maiden drill program on the Lithium Two project. This project includes two identified pegmatites on surface; one has a small historic resource of 544,460 tonnes at 1.4% Li<sub>2</sub>O.

Planning a drill program on Lithium Two



Source: Company

## Financials

(in C\$)	2020	2021 (9M)
Cash	\$1,821,706	\$1,129,907
Working Capital	\$1,955,233	\$1,385,972
Current Ratio	20.27	21.79
LT Debt / Assets	-	-
Monthly Burn Rate (G&A)	-\$42,238	-\$44,344
Property Related Activities	-\$548,893	-\$372,914
Cash from Financing Activities	\$2,240,990	\$91,000

Source: Company Data

Subsequent to the quarter-end, the company raised \$10.3M by issuing units at \$0.16. Each unit consisted of a share and half warrant (\$0.20 per share for two years). Eric Sprott subscribed for \$6M. As the first \$3.93M brought his interest to 19.9% of NAM's total shares, the company has to obtain shareholder approval to

close the remaining \$2.08M investment from Sprott. Upon closing, Sprott will hold 24.67% of NAM's shares.

*In-the-money options and warrants can bring in another \$5.3M*

**Stock Options and Warrants:** We estimate the company currently has 6.79M options (weighted average exercise price of \$0.12 per share), and 102.4M warrants (weighted average exercise price of \$0.13 per share) outstanding. 6.13M options, and 48.15M warrants are in-the-money, implying a potential to raise up to \$5.28M.

### Palladium Market Update

Palladium prices are at record highs (US\$2,863/oz), up 50% YoY, and almost 6x from a low of US\$500/oz in early 2016.

*Strong near-term demand and supply deficit*

**Palladium Price (US\$ / oz)**



Source: Macrotrends

Prices have been rising as the market has been in a deficit since 2012. Recent production disruptions in Russia also contributed to higher prices. A key driver of the supply deficit is the demand for the metal within autocatalysts (a pollution control device), due to stricter emission standards, which account for approximately 85% of total demand. The long-term risk is the emergence of electric vehicles. Although fully electric vehicles do not need them, hybrid vehicles use catalytic converters. Tightening environmental rules are pushing auto manufacturers (both gasoline and hybrid) to use more palladium (for autocatalysts), which will drive near-term demand. Palladium is being explored for use in batteries, which, if successful, will drive long-term demand.

## Valuation and Rating

NAM is trading at \$8/oz vs the comparables' average of \$28/oz (previously \$9/oz)

Company	Stage	Location	Net Resource (PGM Moz)	EV (\$, M)	EV / Resource (\$ / oz)
Canadian Palladium	Resource	Ontario, Canada	0.17	\$15.00	\$90.82
Sibanye-Stillwater	Producer	U.S. / South Africa	391.87	\$17,872.00	\$45.61
Clean Air Metals	Resource	Ontario, Canada	1.71	\$52.00	\$30.40
Platinum Group Metals	PFS	South Africa	13.92	\$423.00	\$30.39
Generation Mining	FS	Ontario, Canada	6.52	\$153.00	\$23.46
New Age Metals	PEA	Ontario, Canada	2.80	\$23.45	\$8.38
Nickel Creek Platinum	Resource	Yukon, Canada	23.30	\$38.00	\$1.63
<b>Average (excl. outliers)</b>					<b>\$27.65</b>

Net Resource – 100% of Reserves and M&I Resources + 50% of Inferred Resources.

Source: FRC

As a result of the significant increase in sector multiples, we are raising our fair value estimate on NAM from \$0.27 to \$0.39 per share, while maintaining our BUY rating. **For conservatism, our valuation does not account for any value from Genesis or the lithium assets.** Key catalysts for the share price include the proposed exploration program at River Valley, and JV partners for its non-core assets.

## Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is highly dependent on PGM prices.
- Exploration and development risks.
- Access to capital and potential share dilution.
- There is no guarantee that the company will be able to identify partners to advance its non-core projects.

As with most junior exploration / development companies, we rate NAM's shares a risk of 5 (Highly Speculative).

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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