



Technology Metals Australia (TMT AU, 36¢, market cap A\$76m) MOU Confirmed with Indian steelmaking giant Tata Steel Limited

- TMT has announced the execution of a Memorandum of Understanding (MOU) with Tata Steel Limited (Tata) to conduct discussions regarding potential offtake for MTMP vanadium pentoxide production, downstream vanadium processing infrastructure development options, and possible financing solutions for MTMP's development.
- Tata Steel Limited is one of the top 10 crude steel producers globally with operations in India, Europe and South-East Asia. The company has annual crude steel capacity of 34mtpa, 20mtpa of which is located in the fast-growing Indian market. India's Government has recently announced a targeted expansion of steel production to 300mtpa by 2030 (more than double current capacity of 144mt¹).
- With regards to the high-strength steel market (which requires vanadium), India is overly reliant on Chinese imports. As such, given the anticipated growth profile of the Indian steel industry, a significant uplift in new vanadium demand is likely over the medium-term. Tata's engagement in an MOU with TMT would therefore reflect likely concerns about securing reliable long-term supplies of vanadium.
- TMT highlight that the MOU with Tata appears to be the first agreement of its kind globally, such that a large end-user of vanadium feedstock has sought to engage directly with a potential supplier of primary product. While these agreements have been increasingly evident in other critical/battery minerals projects, we believe the critical role vanadium has to play in decarbonisation and renewable energy infrastructure development has thus far been overlooked by equity markets. **The Tata MOU is further evidence of the quality and appeal of MTMP as one of the world's largest undeveloped vanadium projects backed by robust economic fundamentals and potential to move towards financing and then to construction in the near-term.**
- Tata now joins other key stakeholders aligned with TMT's development strategy at MTMP including 17.2% shareholder Resource Capital Funds (RCF), Japanese vanadium electrolyte company LE System Co (MOU in place to explore potential vanadium electrolyte production in Australia) and a binding 3-year offtake agreement with CNMNC (a Chinese producer of vanadium nitrogen alloys and ferrovanadium for the Chinese steel industry) for 2000tpa V₂O₅. We highlight TMT's significant traction with large credible counterparties which is indicative of the emerging market demand for reliable supply of high-quality vanadium feedstock, for use in high-strength, lighter weight steel (with a lower carbon footprint) as well as rapidly growing vanadium redox flow battery solutions (targeted for usage in renewable energy infrastructure).
- At our assumed long term V₂O₅ price of US\$12/lb, US\$260/t for ilmenite by-product and AUDUSD of 70c, we derive an unfunded post tax NPV₈ of A\$974m and an IRR of 23% for MTMP.

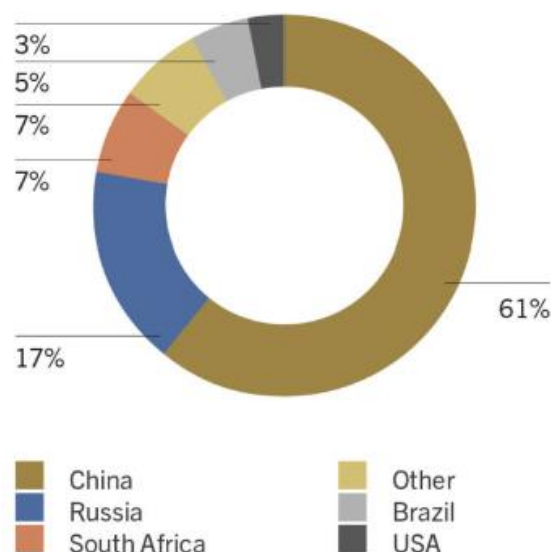
Key Elements of the Tata MoU / Potential Partnerships

- The MoU signed by TMT with Tata Steel encompasses a range of potential major project development de-risking milestones. These include the following as summarised in the ASX announcement:
 - **Technical collaboration** between the parties assessing:
 - FeV/VN products, vanadium content and impurities and resulting impact on steel characteristics/quality and value in use
 - Optimal production processing routes, relevant environmental regulations, availability, and cost of required inputs for production within India versus Australia,
 - **Potential supply** of vanadium pentoxide from MTMP for production of FeV/VN,
 - Opportunity for **investment into TMT/MTMP by Tata Steel** to assist in accelerating production of a new primary source of vanadium, and
 - Investigation of joint investment by the parties in **downstream processing**

Source: TMT Company Reports

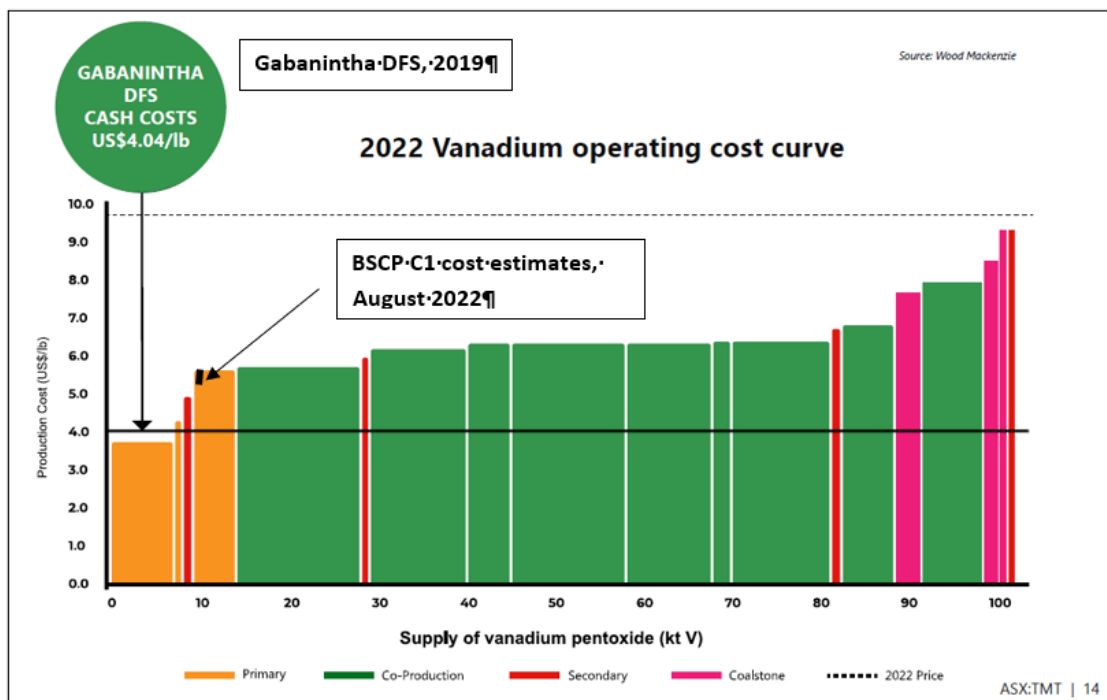
- While technical collaboration and potential downstream processing solutions within JV arrangements (e.g. ferrovanadium production capacity) form part of the MoU's areas of discussion, over the near-term as MTMP proceeds towards FID and closure of project funding we expect Tata could play a key role in de-risking the remaining pathway via a possible binding offtake and financing support (via either direct investment at the project level and/or an equity stake in TMT).
- The majority of MTMP's expected V₂O₅ production (12.5ktpa) remains uncommitted given the binding offtake with CNMNC accounts for 2000ktpa / 16% of anticipated annual production capacity.
- In light of recent dislocation in global commodities supply chains related to the Russia/Ukraine war (Russia is the 2nd largest vanadium producer after China) and concentration of global vanadium supply in high-risk countries, MTMP's long mine-life (25 years) and location in Western Australia provide strong tailwinds for strategic engagement with concerned downstream industrial customers where vanadium is a critical input.

Vanadium Production by Country (2021)
2021 Production by country



Source: Bushveld Minerals

- Overall, BSCP views the Tata MoU as highly favourable for the development pathway for MTMP for the remainder of FY23, where numerous major catalysts are likely to emerge to underpin commencement of construction during CY 2023 targeting first production in CY 2025. Vanadium prices are currently subdued, given the linkage to steel production and general economic activity (China’s pandemic/housing-driven slowdown and expectations of a recession). However long-term forecasts of vanadium market fundamentals (scant as they are) are likely to increasingly contemplate VRFB’s and wonder where (reliable) incremental vanadium supply will come from.
- We highlight MTMP’s position on the global vanadium production cost curve, as a first quartile producer of significance, operating within a tier 1 jurisdiction. See our August 2022 report which provides a detailed analysis of our interpretation of MTMP’s C1 costs following the release of the project’s reserve statement.
- Concurrent with these characteristics are correspondingly high ESG standards sought by industrial customers, who are delving ever-deeper into their supply chains to de-risk concentrated exposure to increasingly belligerent non-friendly nation states.



Source: TMT presentation and BSCP August 2022 report

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Dr Chris Baker, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has 33 years investment experience in wholesale capital markets. He worked as a mining analyst for brokers BZW and UBS for 11 years and has a further 16 years' experience as a mining analyst and portfolio manager with Colonial First State and Caledonia Investments. He now provides independent financial advice on a part time basis. He may own securities in companies he recommends but will declare this when providing advice. He currently owns shares in TMT. He is remunerated by BSCP but is not paid a specific fee for providing this report. BSCP, its directors and consultants may own shares and options in TMT and may, from time to time, buy and sell the securities of TMT.

Daniel Seeney, an authorised representative of BSCP, certifies that the advice in this report reflects his honest view of the company. He has 15 years investment experience in wholesale capital markets. He worked as a mining analyst for Citigroup for 5 years and has covered mining companies for a further 8 years including on the buy-side with Investors Mutual Limited for 3 years. He is remunerated by BSCP but is not paid a specific fee for providing this report. BSCP, its directors and consultants may own shares and options in TMT and may, from time to time, buy and sell the securities of TMT. He currently does not own shares in TMT.

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Appendix 1

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