

# Hastings Technology Metals Ltd

## EV Materials

22 February 2022

**Rating**  
**SPECULATIVE BUY**  
unchanged

**Price Target**  
**A\$0.40**↑  
from A\$0.37

**HAS-ASX**

**Price**  
**A\$0.28**

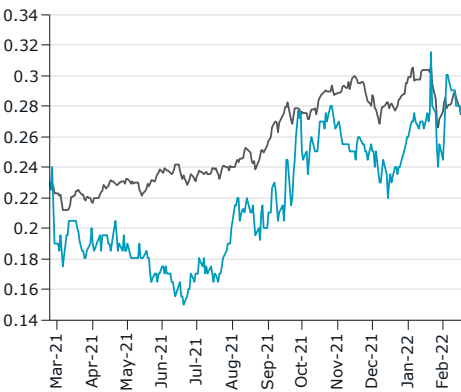
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## Updated project economics - capex up, but so are prices

### Market Data

52-Week Range (A\$) :	0.15 - 0.32
Avg Daily Vol (000s) :	2
Market Cap (A\$M) :	486.8
Shares Out. (M) :	1,738.5
Enterprise Value (A\$M) :	391
NAV /Shr (A\$) :	0.40
P/NAV (x) (A\$) :	0.70

FYE Jun	2022E	2023E	2024E	2025E
EBITDA (A\$M)	(4.8)↓	(2.0)↑	(1.1)↑	131.9↓
Previous	(3.2)	(2.2)	(2.3)	179.2
EV/EBITDA (x)	(172.7)	(260.9)	(147.5)	1.8
Net Income (A\$M)	(4.8)↓	(3.7)↑	(7.9)↑	53.1↓
Previous	(3.2)	(6.8)	(11.6)	97.1



— HAS  
— S&P/ASX Emerging Companies (rebased)  
Source: FactSet

Priced as of close of business 21 February 2022

Hastings Tech. Metals (HAS:ASX) is a mineral development company focused on the development of the Yangibana Rare Earths Project in Western Australia.

**Capex/opex up...** HAS has reported the outcomes of updated capex/opex estimates for its pre-FID, 3.4ktpa NdPr Yangibana RE project in WA. Project capex of A\$582m (excl. contingency) compares to our prior model assumption of A\$590m ("all in"), and HAS' Jul'20 estimate of A\$449m (excl. contingency). HAS attributed the increase to the inflationary pressures, including skills shortages, COVID impacts on global supply chains and higher material costs (i.e., steel, copper etc). Updated opex sees LOM costs at A\$24/kg TREO, against our prior estimates of A\$21/kg. While we had considered the likely impact of capex inflation, the final estimate (when including contingency) is somewhat higher than we had expected.

**... but so are NdPr prices, offsetting capex:** Spot prices (China EXW) for NdPr are currently trading at ~US\$170/kg, and compare to the LT assumptions used by HAS at ~US\$112/kg and our prior price deck at US\$95/kg. As we noted in [NdPr hits 10-year highs](#), stronger demand for RE magnets from accelerating EV adoption and renewables (wind) deployment, and little additional ex-China supply are expected to lead to continued market deficits. On this basis, these prices may ultimately be seen as conservative.

Similarly, HAS' estimated "spot" basket price of US\$74/kg is ~100% higher than our prior LT estimate of US\$38/kg (excluding separation charge, China VAT), with current and expected pricing likely to provide for significant operating margins, in our view (HAS estimates avg EBITDA of A\$281m over the ~15 year LOM based on avg US\$45/kg basket price). HAS has reported a post-tax project NPV9% of A\$1bn, IRR of 26% and payback of 32 months. HAS is expected to commit to FID for Yangibana in JunQ'22, with other key milestones including finance (over CY22, see below), commencement of construction (SepQ'22) and commissioning in SepQ'23 (in line with our current modelling).

**Higher capex drives increased equity gap:** Following the A\$140m NAIF loan, HAS has indicated total debt funding of A\$300-400m (NAIF inclusive). Assuming total financing requirements include contingencies on top of capex, we estimate an equity gap (less A\$95m in cash and ITM options) of ~A\$130m if total debt is towards the higher end of the range. We note that HAS has also suggested it is targeting an overall D:E split of 50:50, which would imply an equity gap up to A\$211m.

**Model revisions:** We have updated our model to account for higher capex/opex, and have revised our RE price deck (Figure 3) to reflect market prices in the near term, and stronger demand forecasts over the long term (revised EV forecasts, see [Lithium | 1H'22 - higher for longer](#)), partially offset by increased supply (mainly China). NdPr price forecasts increase by average 23% over 2022-25, and LT 16% to US\$110/kg. Longer-run estimate revisions are detailed in Figure 6.

### Valuation & Recommendation

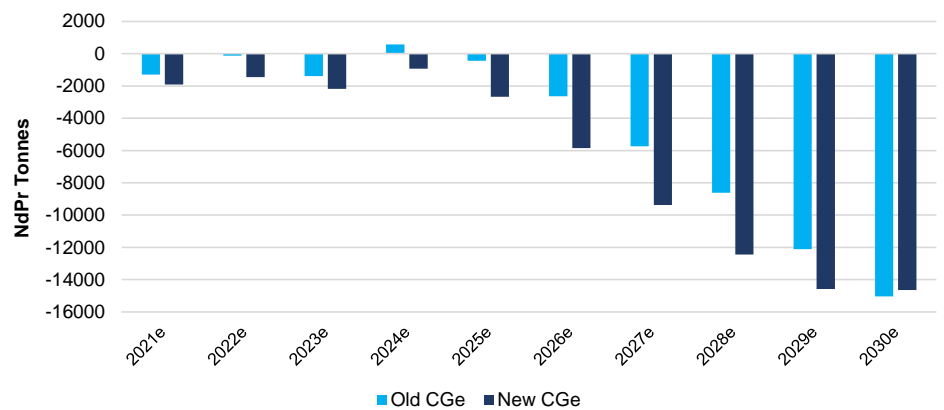
Our Yangibana NPV9% increases to A\$1bn, and our target price (fully diluted for financing) increases to \$0.40 (from \$0.37). Updated economics point to a strong case for the project; however, we suspect finalising project financing could be an overhang in the near term. Longer term, we see HAS as offering one of the few, advanced rare earth development projects (in a Tier 1 jurisdiction) in the market, and reiterate our SPEC BUY rating.

Figure 1: HAS Feb'22 updated project economics vs CGe Dec'21/HAS Jul'20

	HAS Feb'22	CGe Dec'21	HAS Jul'20
<b>Capex</b>	<b>A\$m</b>	<b>A\$m</b>	<b>A\$m</b>
<b>Direct costs</b>			
Plant	234		181
Supporting infrastructure	16		87
Services	76		50
Other	8		10
<b>Indirect costs</b>			
Construction facilities	123		
Owners Costs	105		112
Other	20		9
<b>Sub TOTAL</b>	<b>582</b>	<b>590</b>	<b>449</b>
Contingency 15%	87		67
<b>TOTAL</b>	<b>669</b>	<b>590</b>	<b>516</b>
<b>Cash costs (A\$/kg TREO)</b>	<b>24.00</b>	<b>20.00</b>	
LT NdPr (US\$/kg China EXW)	112	95	
Avg basket price (US\$/kg TREO)	45.00	38.00	
NPV9% (A\$m)	1,000	917	

Source: Company Reports, Canaccord Genuity estimates

Figure 2: Updated NdPr market balance forecasts



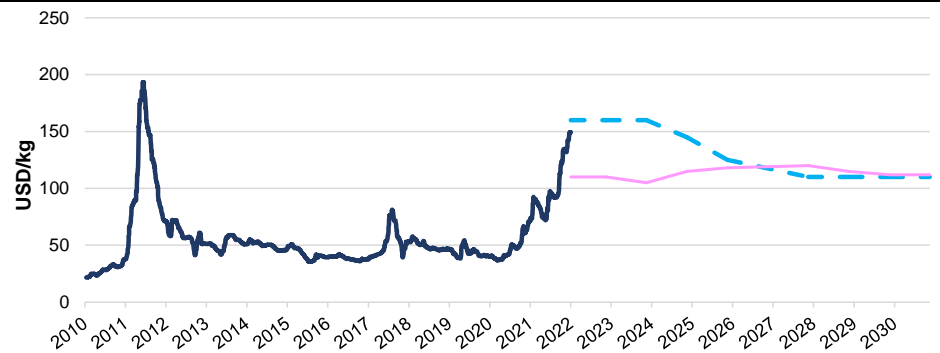
Source: Company Reports, Canaccord Genuity estimates

Figure 3: Key RE price revisions – OLD vs NEW

	2020a	2021a	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
<b>NdPr (China EXW US\$/kg)</b>											
OLD	45	90	130	135	100	120	95	95	95	95	95
NEW	45	90	160	160	145	125	110	110	110	110	110
	1%	0%	23%	19%	45%	4%	16%	16%	16%	16%	16%
"Spot" China EXW US\$/kg (inc VAT)	172.00										
<b>Dy (China EXW US\$/kg)</b>											
OLD	339	395	400	400	380	425	425	425	425	425	425
NEW	339	410	470	470	470	460	460	460	460	460	460
	0%	4%	18%	18%	24%	8%	8%	8%	8%	8%	8%
"Spot" China EXW US\$/kg (inc VAT)	484.00										
<b>Tb (China EXW US\$/kg)</b>											
OLD	844	1263	1300	1300	1200	1400	1450	1450	1450	1450	1450
NEW	844	1019	1700	1700	1700	1600	1600	1600	1600	1600	1600
	0%	-19%	31%	31%	42%	14%	10%	10%	10%	10%	10%
"Spot" China EXW US\$/kg (inc VAT)	1729.00										

Source: Company Reports, Canaccord Genuity estimates

Figure 4: Historical (navy) NdPr prices vs CGe (hatched) and HAS (pink)



Source: Company Reports, Canaccord Genuity estimates

**Figure 5: HAS estimate revisions**

	FY20A	FY21E	FY22E	FY23E	FY24E	FY25E	FY26E
<b>Sales Revenue (A\$m)</b>							
OLD	0	0	0	0	0	282	468
<b>NEW</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>251</b>	<b>531</b>
	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	-11%	13%
<b>EBITDA (A\$m)</b>							
OLD	-4	-4	-5	-2	-1	156	267
<b>NEW</b>	<b>-4</b>	<b>-4</b>	<b>-5</b>	<b>-2</b>	<b>-1</b>	<b>132</b>	<b>337</b>
	0%	0%	0%	<i>nm</i>	-28%	-15%	27%
<b>NPAT (A\$m)</b>							
OLD	-4	-4	-5	-4	-7	85	149
<b>NEW</b>	<b>-4</b>	<b>-4</b>	<b>-5</b>	<b>-4</b>	<b>-8</b>	<b>53</b>	<b>198</b>
	0%	0%	0%	-15%	8%	-38%	33%
<b>OPCF (A\$m)</b>							
OLD	-5	-4	-6	-4	-7	114	199
<b>NEW</b>	<b>-5</b>	<b>-4</b>	<b>-6</b>	<b>-4</b>	<b>-8</b>	<b>82</b>	<b>248</b>
	0%	0%	0%	-15%	8%	-28%	25%
<b>FCF</b>							
OLD	-23	-15	-28	-304	-367	110	195
<b>NEW</b>	<b>-23</b>	<b>-15</b>	<b>-28</b>	<b>-304</b>	<b>-368</b>	<b>78</b>	<b>244</b>
	0%	0%	0%	0%	0%	-29%	25%
<b>Net cash/(debt)</b>							
OLD	9	110	113	40	-328	-218	-23
<b>NEW</b>	<b>9</b>	<b>110</b>	<b>344</b>	<b>41</b>	<b>-328</b>	<b>-250</b>	<b>-6</b>
	0%	0%	205%	2%	0%	15%	-72%

Source: Company Reports, Canaccord Genuity estimates

Figure 6: HAS financial summary

FINANCIAL SUMMARY

Hastings Technology Metals Ltd ASX:HAS  
Analyst: Reg Spencer  
Date: 21/02/2022  
Year End: June

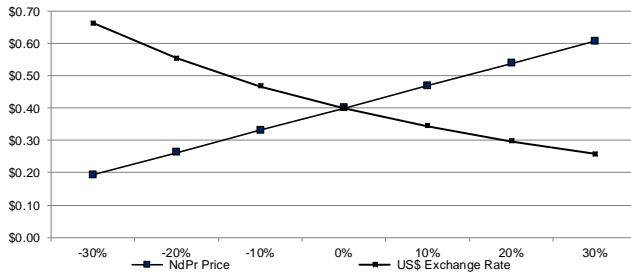
Rating: **SPEC BUY**  
Target Price: **A\$0.40**

Market Information		
Share Price	A\$	0.28
Market Capitalisation	A\$m	487
12 Month Hi	A\$	0.32
12 Month Lo	A\$	0.15
Issued Capital	m	1738
Options	m	160
Fully Diluted	m	1899

Valuation		A\$m	A\$/share
Yangibana	NPV @ 9%	1,014	0.34
Exploration & Projects		130	0.04
Corporate		(24)	(0.01)
Investments		-	-
Cash		96	0.03
Debt (assumed)		(414)	(0.14)
New equity (CGe)		230	0.13
<b>TOTAL</b>		<b>802</b>	<b>0.40</b>
Target			0.40

Assumptions	2021a	2022e	2023e	2024e	2025e
NdPr (US\$/kg)	57.10	109.84	139.20	132.68	117.45
W/Avg Basket Price (US\$/kg TREO)	n/a	n/a	n/a	n/a	55.36
AUD:USD	0.75	0.73	0.73	0.73	0.73

Sensitivity



Production Metrics	2021a	2022e	2023e	2024e	2025e
<b>Yangibanga</b>					
Prod'n (tonnes REO)	0	0	0	0	4,703
NdPr (tonnes)	0	0	0	0	2,138
Cash costs (A\$/kg)	0	0	0	0	42

Resources/Reserves

Resources	Mt	% TREO	REO (kt)
Measured	4.90	1.01%	0.05
Indicated	16.24	0.95%	0.15
Inferred	6.27	0.99%	0.06
<b>Total</b>	<b>27.41</b>	<b>0.97%</b>	<b>0.27</b>
<b>Reserves</b>			
Proved	0.00	0.00%	0.00
Probable	16.70	0.95%	0.16
<b>Total</b>	<b>16.70</b>	<b>0.95%</b>	<b>0.16</b>

Company Description

Hastings Technology Metals (HAS:ASX) is a mineral development company whose main asset is the Yangibana Rare Earth project, located in Western Australia. The project is targeting an annual production rate of 8.5ktpa TREO/3.4ktpa NdPr in an intermediate MREC product. The project is in pre-development phase with first production expected in 2024.

Profit & Loss (A\$m)	2021a	2022e	2023e	2024e	2025e
Revenue	0.0	0.0	0.0	0.0	251.0
Operating Costs	0.0	0.0	0.0	0.0	107.7
Corporate, O'heads & Royalties	4.2	5.2	4.0	4.0	12.0
Exploration (Expensed)	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>-4.1</b>	<b>-4.8</b>	<b>-2.0</b>	<b>-1.1</b>	<b>131.9</b>
Dep'n	0.0	0.0	0.0	0.0	28.7
Net Interest	0.1	0.4	0.3	-3.9	-5.8
Other	0.0	0.0	0.0	0.0	0.0
Tax	0.0	0.0	0.0	0.0	43.7
<b>NPAT (statutory)</b>	<b>-4.1</b>	<b>-4.8</b>	<b>-3.7</b>	<b>-7.9</b>	<b>53.1</b>
Abnormals	0.0	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>-4.1</b>	<b>-4.8</b>	<b>-3.7</b>	<b>-7.9</b>	<b>53.1</b>
<i>EBITDA Margin</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>53%</i>
<i>EV/EBITDA</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>8.0x</i>
<i>EPS</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.02</i>
<i>EPS Growth</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-772%</i>
<i>PER</i>	<i>-83.7</i>	<i>-101.1</i>	<i>-215.5</i>	<i>-101.9</i>	<i>15.2</i>
<i>Dividend Per Share</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>
<i>Dividend Yield</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>

Cash Flow (A\$m)	2021a	2022e	2023e	2024e	2025e
Cash Receipts	0.0	0.0	0.0	0.0	251.0
Cash expenses	-4.2	-5.2	-4.0	-4.0	-119.7
Tax Paid	0.0	0.0	0.0	0.0	-43.7
Net Interest	0.1	0.4	0.3	-3.9	-5.8
Other	0.3	-0.8	0.0	0.0	0.0
<b>Operating Cash Flow</b>	<b>-3.8</b>	<b>-5.6</b>	<b>-3.7</b>	<b>-7.9</b>	<b>81.8</b>
Exploration and Evaluation	-6.6	-3.1	0.0	0.0	0.0
Capex	-4.2	-19.8	-300.0	-360.0	-4.0
Other	0.0	0.0	0.0	0.0	0.0
<b>Investing Cash Flow</b>	<b>-10.8</b>	<b>-22.9</b>	<b>-300.0</b>	<b>-360.0</b>	<b>-4.0</b>
Debt Drawdown (repayment)	0.0	0.0	414.0	-6.9	-36.6
Share capital	121.5	271.7	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Financing Expenses	-6.3	-8.9	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>115.2</b>	<b>262.8</b>	<b>414.0</b>	<b>-6.9</b>	<b>-36.6</b>
Opening Cash	9.5	110.1	344.4	454.7	80.0
Increase / (Decrease) in cash	100.63	234.32	110.29	-374.75	41.15
FX Impact	0.0	0.0	0.0	0.0	0.0
<b>Closing Cash</b>	<b>110.1</b>	<b>344.4</b>	<b>454.7</b>	<b>80.0</b>	<b>121.1</b>

<i>Op. Cashflow/Share</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.00</i>	<i>\$0.03</i>
<i>P/CF</i>	<i>-116.0</i>	<i>-87.2</i>	<i>-215.5</i>	<i>-101.9</i>	<i>9.8</i>
<i>EV/FCF</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>13.6x</i>
<i>FCF Yield</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>-76%</i>	<i>16%</i>

Balance Sheet (A\$m)	2021a	2022e	2023e	2024e	2025e
Cash + S/Term Deposits	110.1	344.4	454.7	80.0	121.1
Other current assets	-6.0	-5.0	-3.8	-2.7	25.7
<b>Current Assets</b>	<b>104.1</b>	<b>339.5</b>	<b>450.9</b>	<b>77.3</b>	<b>146.8</b>
Property, Plant & Equip.	47.3	67.1	367.1	727.1	702.4
Exploration & Develop.	63.8	66.9	66.9	66.9	66.9
Other Non-current Assets	41.0	95.0	75.0	75.0	40.0
Payables	18.0	65.0	45.0	45.0	25.5
Short Term Debt	0.0	0.0	6.9	36.6	73.0
Long Term Debt	0.0	0.0	407.2	370.6	297.6
Other Liabilities	10.8	9.2	10.4	11.5	24.4
<b>Net Assets</b>	<b>227.4</b>	<b>494.2</b>	<b>490.5</b>	<b>482.6</b>	<b>535.7</b>
Shareholders Funds	247.2	518.9	518.9	518.9	518.9
Reserves	6.5	6.5	6.5	6.5	6.5
Retained Earnings	-26.4	-31.2	-34.9	-42.8	10.3
<b>Total Equity</b>	<b>227.4</b>	<b>494.2</b>	<b>490.5</b>	<b>482.6</b>	<b>535.7</b>

<i>Debt/Equity</i>	<i>0%</i>	<i>0%</i>	<i>83%</i>	<i>77%</i>	<i>56%</i>
<i>Net Debt/EBITDA</i>	<i>29.1x</i>	<i>61.7x</i>	<i>10.9x</i>	<i>-41.5x</i>	<i>3.1x</i>
<i>Net Interest Cover</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>	<i>nm</i>
<i>ROE</i>	<i>-1.8%</i>	<i>-1.0%</i>	<i>-0.8%</i>	<i>-1.6%</i>	<i>9.9%</i>
<i>ROIC</i>	<i>-2.5%</i>	<i>-1.7%</i>	<i>-0.7%</i>	<i>-0.9%</i>	<i>6.2%</i>
<i>Book Value/share</i>	<i>\$0.08</i>	<i>\$0.17</i>	<i>\$0.17</i>	<i>\$0.17</i>	<i>\$0.19</i>

Source: Company Reports, Canaccord Genuity estimates;

## Appendix: Important Disclosures

### Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research, and (iii) to the best of the authoring analyst's knowledge, she/he is not in receipt of material non-public information about the issuer.

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### Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

### Investment Recommendation

Date and time of first dissemination: February 21, 2022, 14:31 ET

Date and time of production: February 21, 2022, 08:37 ET

### Target Price / Valuation Methodology:

Hastings Technology Metals Ltd - HAS

We value HAS on a fully financed NAV basis, comprising our estimated project NPV (9% WACC), a nominal value ascribed to mine life extension potential/exploration properties, and diluted for our project financing assumptions including project debt and new equity.

### Risks to achieving Target Price / Valuation:

Hastings Technology Metals Ltd - HAS

### Financing risks

As a pre-production company with no material income, HAS is reliant on equity and debt markets to fund development of its assets and progressing its regional exploration pipeline. Total development and working capital requirements are subject to completion of final studies. There are no guarantees that studies will result in a positive investment decision for the Yangibana project. Further, we can make no assurances that accessing these markets will be done without further dilution to shareholders.

### Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further mineral resources nor that the company will be able to convert the current mineral resource into minable reserves.

### Operating risks

If and when in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

### Commodity price and currency fluctuations

As with any mining company, HAS is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

**Distribution of Ratings:**

**Global Stock Ratings (as of 02/21/22)**

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	650	69.22%	41.85%
Hold	126	13.42%	26.19%
Sell	10	1.06%	20.00%
Speculative Buy	149	15.87%	59.73%
	939*	100.0%	

\*Total includes stocks that are Under Review

**Canaccord Genuity Ratings System**

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

**Risk Qualifier**

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

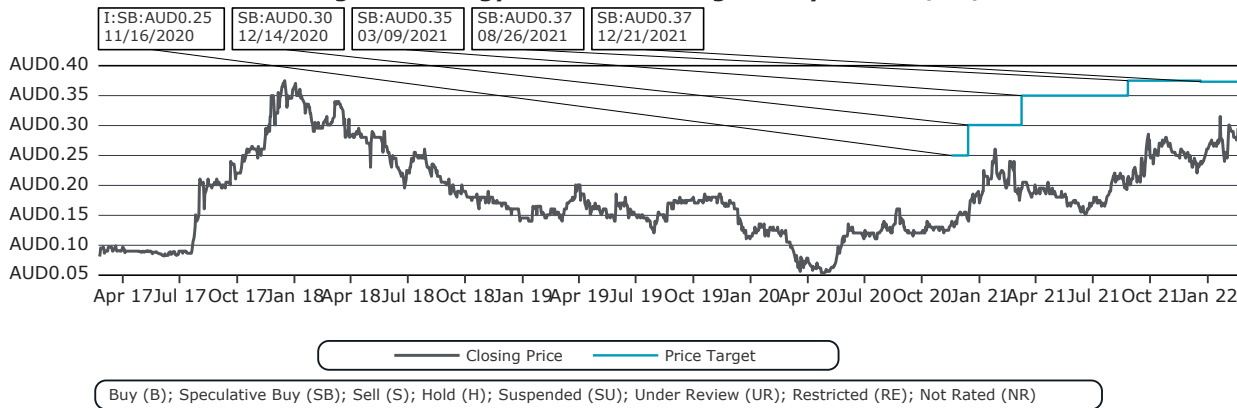
**12-Month Recommendation History (as of date same as the Global Stock Ratings table)**

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