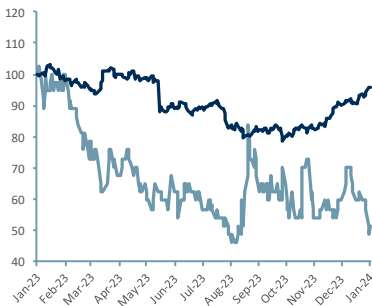


# FLASH NOTE

## VALUE RANGE

0.068 – 0.075



IXR (lighter line) ASX market vs price relative

Wednesday, 24 January 2024

Intrinsic Price (AUD)	0.072
Value Range Low (AUD)	0.068
Value Range High (AUD)	0.075
Implied MCAP (m)	302.85
Implied EV (m)	302.85
XASX	IXR
Financial YE	30-Jun
Currency	AUD

### Business Activity

Mining E&P

### Key Metrics

Close Price (AUD)	0.019
MCAP (m)	77.05
Net Debt (Cash) (m)	-11.13
EV (m)	65.92
52 Wk Hi	0.043
52 Wk Lo	0.016

### Key Ratios

(Net Cash) / Shareholder Equity %	-14.44%
FX Rate AUD/USD	0.66

### Mining Sector Research

#### ASX Market Index

#### Analyst Team

+44 20 7419 7928

mining@acfequityresearch.com

## Ionic Rare Earths Limited

### Uganda Ministry Signs Makuutu Project Licence

Ionic Rare Earths Ltd (ASX:IXR) is a rare earths mining explorer (Uganda) and REO magnet recycling company (Belfast, UK). We have excluded Belfast recycling from our valuation at this stage. Since ACF's [IXR Initiation note published on 05 Dec 2023](#) IXR's ownership in the Makuutu project has increased to 94% up 34pp from 60%. IXR has also been awarded the first ever large-scale mining licence by the government of Uganda on 18 Jan 2024. IXR has also appointed a new Executive Chairman this week. REEs are used in permanent magnets – key components of clean energy applications. IXR's flagship Makuutu Rare Earths project contributes to de-risking global supply chains and has ionic adsorption clay-hosted geology - similar to that found in Southern China, dominant global supplier of Heavy Rare Earths.

- Makuutu MREC production start on track for 1Q24E;
- P5 potential of +532 Mt @ 640 ppm TREO (excluded from NPV);
- IonicTech Belfast magnet recycling plant begins 24/7 operations;
- IXR to begin reporting on ESG in 2024;
- Cash & CE 4Q23A (30 Sep 2023) A\$ 5.7m.

ACF est. A\$ (m)	Revenue	EBITDA	EPS (diluted)	CPS	CPS (diluted)
2026E	101.5	53.9	0.01	0.01	0.01
2030E	78.8	31.9	0.01	0.01	0.01
Multiples	EV/ Revenue	EV/ EBITDA	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2026E	0.8x	1.44x	2.63x	1.64x	1.65x
2030E	1.0x	2.4x	3.3x	2.8x	2.8x

## Investment Case

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	4,218.01	4,224.71
Implied Intrinsic Price	0.0718	0.0717
Value Range Low	0.0682	0.0681
Value Range High	0.0754	0.0753
XASX	IXR	
Financial YE	30-Jun	
Reporting Currency	AUD	
NoSh (m)		4,218.01
NoSh (m) expected dilution (Exp D)		4,218.01
NoSh (m) full dilution (FD)		0.00
<b>Key Metrics</b>	<b>A\$</b>	<b>adj.</b>
MCAP (m)	77.0	77.0
Net Debt (Cash) (m)	(11.1)	(11.1)
EV (m)	65.9	65.9
52 Wk Hi	0.04	0.04
52 Wk Lo	0.02	0.02
Free Float	26%	26%
<b>*Key Metrics FCF adj.</b>	<b>2026E</b>	<b>2030E</b>
CPS (AUD)	0.01	0.01
CPS (Exp D) (AUD)	0.01	0.01
CPS (FD) (AUD)	0.01	0.01
P/CPS	1.53x	2.59x
P/CPS (Exp D)	1.53x	2.59x
P/CPS (FD)	1.53x	2.59x

**IXR is a rare earths explorer and permanent magnet recycling business for clean energy technologies, e.g. wind turbines, electric vehicles (EVs). IXR has a low-cost, high value rare earths mining project that is a global supply chain strategic asset** – The Makuutu project provides an advanced stage, low capital cost, high value heavy rare earths development opportunity. Makuutu’s geology is a key advantage – Ionic Adsorption Clay (IAC) mineralization.

Makuutu’s geology is similar to projects in Southern China and Myanmar where the lowest cost to extract/most readily available sources of Heavy Rare Earth Oxides (HREO) are mined. ~98% of the global supply of Heavy Rare Earths originates from clay-hosted mines there. Although China dominates the REE market and REE prices, IXR has a **competitive advantage given its plan to create a circular economy from REE mining to magnet recycling.**

**Scalable economic deposits:** Stage 1 Definitive Feasibility Study (DFS) of the Makuutu project base case indicates an initial life of mine (LOM) of 35 years, delivers EBITDA of US\$ 1.6bn, a post-tax-free cash flow of US\$ 1.02bn and an IRR of 32.7%. The base case assumes maiden ore reserve of 172.9 Mt @ 848 ppm of TREO, REO potential production of ~1,300 tpa over the first 10 years, with significant upside potential from the recent MRE upgrade.

**Makuutu long-term potential:** Makuutu presents one of the best-balanced Rare Earth Oxide (REO) baskets vs. other projects globally. **~71% of the basket is HREO and CREO dominant**, over the initial 35-year LOM. Total CAPEX is estimated at US\$121m for the LOM production of mixed rare earth carbonate (MREC). First MREC production is now expected in 1Q24, in conjunction with its Ionic Technology, this puts **IXR in a strong position to be a long-term sustainable magnet and heavy REO producer whilst overcoming the tech complexities in the market.**

**Significant valuation upside potential:** Makuutu P5 drilling completed in Oct 23 indicates potential for existing mineral resource estimate (MRE) of 532 MT @ 640 ppm TREO and additional exploration target of 216 – 535 million tonnes grading 400 – 600 ppm TREO. P5 rotary air blast (RAB) drilling advanced on EL00147, EL00247 and RL00007 – 128 holes completed for 2,501 metres. Belfast, UK 24/7 operations has already processed 2.7 tonnes of end of life (EOL) permanent magnets. The plant opens up opportunities for **additional collaborations with original equipment manufacturers (OEMs)**, contributing to shifting the REE supply chain dominance away from China.

## Catalysts

Final Investment Decision (FID) 2H24E; Makuutu production start 1Q24E; Increased MRE; Long run rising critical metals prices; PFS for Belfast demo plant 2Q24. FS for Belfast commercial plant 3Q24; Evidence of growth in permanent magnet recycling and a global circular economy for REEs.

## Financial Projections

The valuation in this note does not capture recent changes in shareholdings etc., announced by IXR. Various other value generating projects are also excluded from our [current valuation](#).

Revenue forecast decline is due to several factors: peak production is expected in 2028 and then declines thereafter, REO prices and grades fluctuate over the LOM.

Furthermore, our current revenue projections are based on the DFS MRE of 172.9 Mt and does not include the latest upgrade potential of 532 Mt.

Revenues may change in further notes as we include the MRE upgrade and other milestones in these projections/metrics tables.

We have nevertheless imputed a conservative contribution to the NPV in our valuation from the MRE upgrade to provide an idea of potential.

Currently IXR is non-revenue generating.

We have not modelled the magnet recycling demo plant in Belfast. It is excluded from our valuation. Belfast has significant upside potential. At the moment the Belfast recycling project is not Rev/FCF generating – it is a de-risking project aimed at producing material for the supply chain and appears to circumvent the China element of the supply chain. We plan to model the recycling project and establish valuation potential as milestones are met, which we currently expect to start in 2024.

P&L A\$ (m)	2026E	2027E	2028E	2029E	2030E
<b>Revs</b>	<b>102</b>	<b>92</b>	<b>90</b>	<b>81</b>	<b>79</b>
gr%		-9%	-2%	-10%	-2%
Total Expenses	-48	-48	-47	-47	-47
<b>EBITDA</b>	<b>54</b>	<b>44</b>	<b>43</b>	<b>33</b>	<b>32</b>
% Revs	53%	47%	48%	41%	41%
FV adj.	0	1	2	3	4
% Revs	N/M	0	0	0	0
<b>EBIT</b>	<b>54.2</b>	<b>43.9</b>	<b>43.4</b>	<b>33.5</b>	<b>32.2</b>
EBT	54	44	43	34	32
% Revs	NM	NM	NM	NM	NM
ETR	0	0	0	0	0
<b>NI</b>	<b>56</b>	<b>46</b>	<b>46</b>	<b>36</b>	<b>34</b>
% Revs	NM	NM	NM	NM	NM
Adj EPS (p)	0.8	0.6	0.6	0.5	0.5
Basic EPS (p)	0.013	0.011	0.011	0.008	0.008
Diluted EPS (p)	0.013	0.011	0.011	0.008	0.008
Balance Sheet A\$ (m)	2026E	2027E	2028E	2029E	2030E
PP&E	9	12	14	16	19
<b>Total Fixed Assets</b>	<b>80</b>	<b>97</b>	<b>113</b>	<b>129</b>	<b>146</b>
Current assets	71	64	63	57	55
Cash	-40	8	51	89	121
<b>Total Current Assets</b>	<b>31</b>	<b>73</b>	<b>114</b>	<b>146</b>	<b>176</b>
<b>Total Assets</b>	<b>111</b>	<b>169</b>	<b>227</b>	<b>275</b>	<b>322</b>
Creditors	27	25	24	22	21
Other liabilities	0	0	0	0	0
Loans	0	0	0	0	0
<b>Total Liabilities</b>	<b>27</b>	<b>25</b>	<b>24</b>	<b>22</b>	<b>21</b>
<b>Net Assets</b>	<b>84</b>	<b>144</b>	<b>203</b>	<b>253</b>	<b>300</b>
Share Capital	78	78	78	78	78
Accum. Profit/(loss)	0	0	0	0	0
<b>Total Equity</b>	<b>84</b>	<b>144</b>	<b>203</b>	<b>253</b>	<b>300</b>
<b>Total Equity &amp; Liabilities</b>	<b>111</b>	<b>169</b>	<b>227</b>	<b>275</b>	<b>322</b>
Basic NAV (p)	2	3	5	6	7
Diluted NAV (p)	28	48	67	84	99
Cash Flow A\$ (m)	2026E	2027E	2028E	2029E	2030E
EBT Profit/(loss)	54	44	43	34	32
Finance costs	0	0	0	0	0
<b>FV adj. + Other adj.</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
Cash Taxes	0	0	0	0	0
WCap change	-71	7	1	7	1
<b>Net CFO</b>	<b>-15</b>	<b>52</b>	<b>47</b>	<b>42</b>	<b>36</b>

Source: ACF Equity Research Estimates; Companies reports.

## Notes [Intentionally Blank]

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 Managing Director  
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 ACF Equity Research Ltd

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**ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.**

**Tel: +44 (020) 7558 8974**

**Website: [www.acfequityresearch.com](http://www.acfequityresearch.com)**