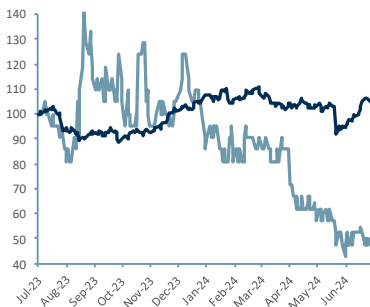


FLASH NOTE

VALUE RANGE

0.090 – 0.099



IXR (lighter line) vs. ASX market price relative

Wednesday, 24 July 2024

Intrinsic Price (AUD)	0.094
Value Range Low (AUD)	0.090
Value Range High (AUD)	0.099
Implied MCAP (m)	407.27
Implied EV (m)	407.27
XASX	IXR
Financial YE	30-Jun
Currency	AUD

Business Activity

Mining E&P

Key Metrics

Close Price (AUD)	0.010
MCAP (m)	43.08
Net Debt (Cash) (m)	-5.68
EV (m)	37.40
52 Wk Hi	0.034
52 Wk Lo	0.009

Key Ratios

(Net Cash) / Shareholder Ec	-13.19%
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FX Rate AUD/USD	0.66
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Mining Sector Research

ASX Market Index

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Ionic Rare Earths

REE Magnet Recycling – the Bigger Picture

Ionic Rare Earths Ltd (ASX:IXR) is a rare earths mining explorer (Uganda) and REO magnet recycling company (Belfast, UK). ACF visited IonicTech's magnet recycling demo plant in Belfast yesterday, July 2024. IXR has a unique position in the REE recycling ecosystem. IonicTech's government-backed support (UK govt. £3.7m over 2 yrs) and support from its Northern Ireland constituents (Titanic Quarter and Belfast Harbour) indicate a solid growth strategy and high margin potential. The demo plant is strategically located with access to well-developed surrounding infrastructure. In our next note we will update our valuation range in our [IXR Update note published on 06 Feb 2024](#), examine the milestones IXR has reached and begin to capture the Belfast contribution.

- IonicTech Belfast – 24/7 magnet REO production;
- IonicTech – 30 tonnes magnet feedstock p.a.;
- IonicTech – 10 tonnes separated magnet REO capacity p.a.;
- P5 MRE potential of +532 Mt @ 640 ppm TREO (included in NPV);
- Cash & CE 3Q24A (31 Mar 2024) A\$1.8m + PBSE A\$5.5m.

ACF est. A\$ (m)	Revenue	EBITDA	EPS (diluted)	CPS	CPS (diluted)
2026E	101.8	54.1	0.01	0.01	0.01
2030E	79.0	32.0	0.01	0.01	0.01
Multiples	EV/ Revenue	EV/ EBITDA	P/EP (diluted)	P/ CPS	P/ CPS (diluted)
2026E	0.7x	1.31x	2.43x	1.52x	1.52x
2030E	0.9x	2.2x	3.0x	2.8x	2.8x

Investment Case

We have raised our IXR valuation range 26% after several milestones/catalysts have been reached. IXR value range raised to A\$ 0.0897 to A\$ 0.0991 p/s suggesting 348% - 396% (~2.5x-3x) upside. IXR is currently ahead of its most recently published schedule.

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-capital 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 HREO originates from clay-hosted mines. Although China dominates the REE market and REE prices, IXR has a **competitive de-risking advantage given its plan to create a de-risked and revenue enhancing vertically integrated business that will also form part of the circular economy from REE mining to magnet recycling.**

Vertical Integration and the Circular Economy: Ionic Technologies Magnet Recycling Demonstration Plant in Belfast, UK has begun 24/7 operations and has processed 2.7 tonnes of end of life (EOL) permanent magnets (excluded from our valuation). IXR has partnered with **alloy and magnet manufacturers** as well as **OEMs**, which signals potential trend shift in REE supply chain dominance away from China.

Ionic Technology is the key: IXR is in a strong position to become a long-term sustainable magnet recycler and heavy REO producer whilst overcoming the supply chain and technical complexities in the market. The demo plant and site for the commercial plant is supported by a community of Greentech innovators, feeding into IonicTech’s business and contributing to climate change mitigation.

Advancing REE Production: IXR has a JV with Viridis Mining (ASX:VMM) and the scoping study is expected to be completed by 4Q24E. VMM’s Colossus Rare Earth Project has the potential to be a high-grade IAC (ionic adsorption clay) – 46m @ 3,285ppm TREO (27 % MREO), 24m @ 4,573 TREO (38% MREO) and ~80% NdPr and ~66% DyTb (Makutuu’s MRE is 617 Mt @ 638 ppm TREO and ~68% NdPr and ~6% DyTb).

Catalysts

Final Investment Decision (FID) 2H24E; Increased MRE; Long run rising critical metals prices; PFS for Belfast demo plant 2Q24E; FS for Belfast commercial plant 3Q24E; Commercial plant scale-up 2026E; New partnerships; Evidence of growth in permanent magnet recycling and a global circular economy for REEs.

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	4,308.29	4,314.99
Implied Intrinsic Price	0.0945	0.0944
Value Range Low	0.0898	0.0897
Value Range High	0.0993	0.0991
XASX	IXR	
Financial YE	30-Jun	
Reporting Currency	AUD	
NoSh (m)		4,308.29
NoSh (m) expected dilution (Exp D)		4,308.29
NoSh (m) full dilution (FD)		0.00
Key Metrics	A\$	adj.
MCAP (m)	43.1	43.1
Net Debt (Cash) (m)	(5.7)	(5.7)
EV (m)	37.4	37.4
52 Wk Hi	0.03	0.03
52 Wk Lo	0.01	0.01
Free Float	26%	26%
CPS (AUD)	0.01	0.01
CPS (Exp D) (AUD)	0.01	0.01
CPS (FD) (AUD)	0.01	0.01
P/CPS	0.81x	1.48x
P/CPS (Exp D)	0.81x	1.48x
P/CPS (FD)	0.81x	1.48x

Valuation

Exhibit 1: IXR WACC, DCF and Value Range

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

We see current fair value for IXR at A\$0.094 per share (fully diluted) for phase 5 Makuutu and excluding Belfast.

Makuutu Rare Earths WACC Calc	
Pre-tax cost of debt	0.9%
ETR	40.5%
After-tax cost of debt	0.5%
Current Leverage	0.0%
Debt/(Cash)	0.0
Equity	86.2
Target Leverage	21.5%
D / (D+E)	17.7%
ACF β adj levered	1.2
rf	4.1%
ERP	5.0%
Cost of equity	10.1%
Risk adj.	1.0%
WACC	9.4%

Note: Successful issue of draft EIS and permitting will significantly reduce our WACC.

We have imputed a conservative contribution to the NPV in our valuation from the MRE upgrade of 17 Oct 2023 to provide an idea of potential.

ACF's valuation includes the latest upgrade potential of I+I 532 Mt @640 ppm adding it to the Probable 172.9 Mt @ 848 ppm and then weighting the NPVs probabilities appropriately.

Valuation Range	IXR's Share (A\$ m)	% of Valuation
Makuutu DFS MRE 19 Mar 2023	171.84	34%
Makuutu P5 drill results update 17 Oct 2023	331.73	66%
Belfast recycling demo plant	0.00	0%
Total NPV (A\$m)	503.57	100%
Reserve Category WAVG probability	79%	
Total NPV (A\$m) FX	396.15	
Cash	11.12	
Debt	0.01	
Total NPV (A\$m) FX	396.15	
Net Debt/(Cash)	11.12	
Fair Value (\$m)	407.27	
NoSh (m)	4,308.29	
NoSh (diluted) (m)	4,314.99	
Intrinsic Value Per Share USD	0.094	
Close Price USD	0.020	
VR (low - high)	0.090	0.099
VR Spread	5.00%	
Implied VR Return (low - high)	348.3%	395.5%

Note: implied value range in this ACF research note is based upon diluted shares in issue at the date of this note.

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Is the research provided by a broker and paid for after it has been produced.	NO	<input checked="" type="checkbox"/>
Is the research potentially cross subsidized by other investment banking services.	NO	<input checked="" type="checkbox"/>
Is the research potentially or actually paid for in shares or other financial instruments.	NO	<input checked="" type="checkbox"/>
Has the research been paid for in advance of production via cleared funds.	YES	<input checked="" type="checkbox"/>

I, Christopher Nicholson, hereby confirm that ACF Equity Research Ltd.'s investment research products conform to the above five [5] checks.

Christopher Nicholson
 Managing Director
 Head of Research
 ACF Equity Research Ltd

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