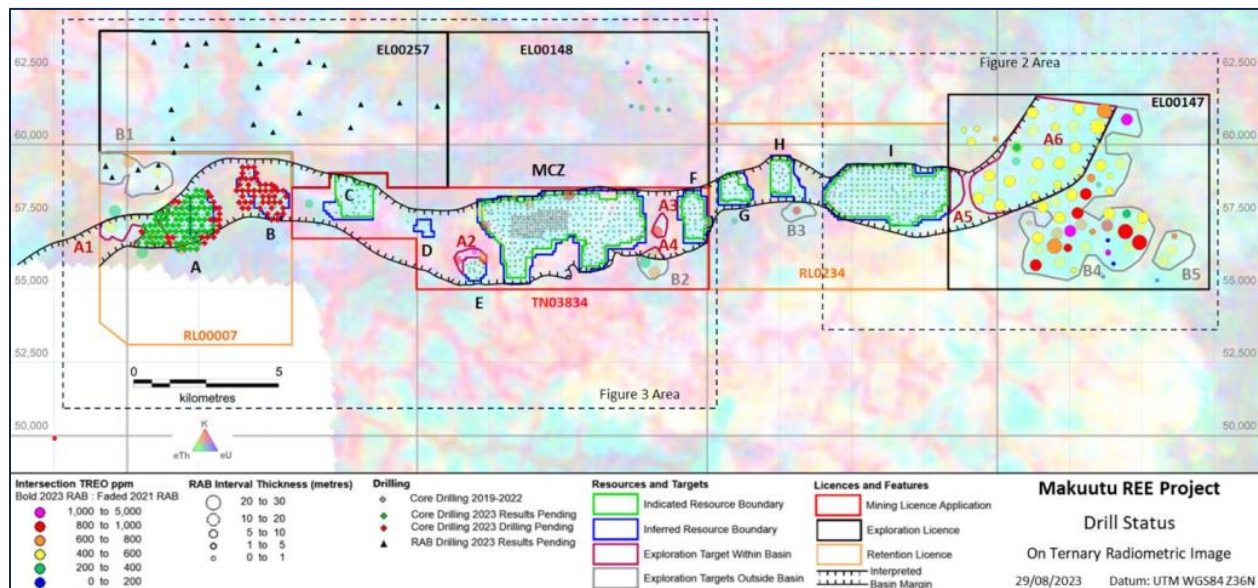


Ticker: IXR AU **Cash:** A\$11m **Project:** Makuutu
Market cap: A\$87m **Price:** A\$0.02/sh **Country:** Uganda
REC. (unc): BUY **TARGET (unc):** A\$0.05/sh **RISK RATING (unc):** HIGH

Yesterday's drilling to the east of existing mineralization shows good continuity with average hit 11m at 627ppm including 112 ppm NdPr, 2 ppm Tb and 11 ppm Dy. At current spot we calculate ~US\$15/t NSR (before recovery and payability) of which ~50% is HREEs, so this is optionality for now, but supports the thesis that Ionic is a large project with good HREE content that can become an important non-Chinese supply source. We think the drivers are i) OEM sustainable sourcing measures which begin to take effect in 2025; ii) potential for Chinese supply disruption or a pre-emptive pricing premium for non-Chinese or more sustainable supply; and iii) market recovery with China bottoming and EV volumes continuing to grow. Separately, today's Ugandan Mining Regulation gazetting is another positive step, as the mine licence application (MLA) could not be approved until the new law was finalized. In our view, the goal is to have a permitted project, ready to go for when prices recover, as prices run fast and hard when the market is undersupplied. Today we maintain our estimates and reiterate our Buy rating and **A\$0.05/sh fully funded/fully diluted price target based on 1% of in-situ value at our LT price estimates of US\$120-400-1500/kg NdPr-Dy-Tb**. Catalysts include Phase I of the demonstration plant (potential to reduce capex/opex), the Makuutu mining licence (imminent with the new law gazetted), ramp up of the Belfast recycling plant, and potential downstream/offtake, all of which further Ionic's plans to become an integrated rare earths supplier to the EV supply chain.

Figure 1. Plan view of Makuutu licences and drilling results



Source: Ionic Rare Earths

Makuutu drilling extends mineralization, new mining law paves way for mining licence

Drilling: Yesterday Ionic reported drill results from the EL00147 licence, located east of and along trend from the existing mineralized areas. 45 holes were reported today with 43 intervals >200ppm TREO averaging 11m at 627ppm TREO from 6m. The average individual REE grades were 27-85-2-11ppm Pr-Nd-Tb-Dy (~US\$15/t NSR at spot before payable-recoverable).

Mine Licence Application (MLA) update: Today Ionic noted the Ugandan Government approved and gazette updated the 2023 Mining and Minerals (Licencing) Regulations. Approving the laws were a precursor to the grant of the Mining Licence Application (MLA). Ionic expects to finalize the MLA fee payment (~US\$5,400) ahead of anticipated MLA receipt.

Why we like Ionic

1. The largest ionic clay deposit available to directly supply HREEs to Western end users
2. Able to get into production by SCPe 2025
3. Excellent infrastructure including highway, hydropower and reagents
4. Opportunity to become an integrated upstream and midstream supplier

Catalysts

- 2023: SCPe pilot plant, trial mining
- 2024: SCPe first production and ramp up
- 2025: SCPe steady state production

Research

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Ticker:	IXR AU	Price / mkt cap:	A\$0.02/sh, A\$87m	Market P/NAV:	0.24x	Assets:	Makuutu
Author:	J Chan / E Magdzinski / K KorRec / PT:	BUY / A\$0.05		1xNAV FD:	A\$0.07/sh	Country:	Uganda
Group-level SOTP valuation				Resource / Reserve			
	2Q23	3Q23		Mt	µpm	TREC000t	REO \$m insitu
		US\$m	O/ship	NAVx	A\$/sh		EV/insitu
Makuutu (60%) NPV 3Q23		-	60%	0.75x	-		21,656
Makuutu (1.0% insitu value at SCPe LT prices)		196	60%	0.75x	0.05		0.23%
Makuutu valuation (1% insitu value)		196	60%	0.75x	0.05		0.84%
Downstream		68	100%	0.75x	0.02		
Central SG&A & fin costs 3Q23		(89)	-	0.75x	(0.02)		
Cash and restr. cash 2Q23		8	-	0.75x	0.00		
Cash from options		6	-	0.75x	0.00		
Debt 2Q23		-	-	0.75x	-		
1xNAV8% spot fully diluted, pre-funded		190			0.05		
Assumed equity raised		60		0.75x	0.01		
1xNAV8% spot fully funded		250			0.05		
1x fully funded NAVPS sensitivity to Dy price and discount / NAV multiple							
Valuation (A\$/sh)	Dy: \$300/kg	\$400/kg	\$500/kg	\$600/kg	\$700/kg		
0.50xNAV	0.03	0.03	0.03	0.04	0.04		
0.60xNAV	0.03	0.04	0.04	0.05	0.05		
0.75xNAV	0.04	0.05	0.05	0.06	0.06		
1.00xNAV	0.06	0.06	0.07	0.08	0.08		
Makuutu NPV8% (US\$m)	Dy: \$300/kg	\$400/kg	\$500/kg	\$600/kg	\$700/kg		
12% discount	-	-	-	-	10		
10% discount	-	-	-	7	19		
8% discount	-	-	2	17	32		
5% discount	-	-	17	38	59		
Makuutu 1xNAV sensitivity to recovery and payability							
Makuutu NPV8% (US\$m)	Recov: 20%	25%	27%	30%	35%		
Payability: 60%	-	-	-	-	-		
Payability: 70%	-	-	-	-	-		
Payability: 80%	49	36	33	32	33		
Payability: 90%	98	83	80	78	79		
Payability: 100%	148	130	126	123	124		
Valuation over time							
	44,742	45,107	45,473	45,838	46,203		
Makuutu NPV (US\$m)	(20.7)	(21.7)	16.4	58.2	58.1		
Downstream	57.5	62.1	67.1	72.4	78.2		
Exploration and in-situ tonnes	196.3	196.3	196.3	196.3	196.3		
Cntrl G&A & fin costs (US\$m)	(84.3)	(87.3)	(94.4)	(77.8)	(77.1)		
Net cash at 1Q (A\$m)	7.9	105.2	90.7	5.7	3.3		
1xNAV (US\$m)	157	255	276	255	259		
P/NAV (x):	0.32x	0.26x	0.28x	0.31x	0.30x		
1xNAV share px FD (A\$/sh)	0.07	0.08	0.08	0.07	0.07		
ROI to equity holder (% pa)	209%	95%	52%	34%	27%		
Sources and uses of cash							
SCPe evaluation costs	A\$10m		SCPe current cash + options	A\$20m			
SCPe capex (US\$121m @ 60%)	A\$103m		Debt package	A\$102m			
SCPe contingency	A\$63m		Equity Raised	A\$74m			
SCPe G&A + fin. cost to prodn	A\$16m						
SCPe working capital	A\$4m						
	Total uses	A\$196m		Total proceeds	A\$196m		
Production (100%)							
	Jun '24	Jun '25	Jun '26	Jun '27	Jun '28		
Makuutu (t REE)	--	281	1,244	1,635	1,547		
Makuutu (t Nd+Pr)	--	50	196	437	414		
Makuutu (t Dy)	--	5	31	65	64		
Makuutu (t Tb)	--	1	5	10	10		
Makuutu revenue (US\$/kg REE)	--	55	55	59	60		
Makuutu cash cost (US\$/kg REE)	--	59	45	38	40		
Makuutu AISC (US\$/REE)	--	79	68	52	54		
Refinery (TREC produced)	--	--	--	--	--		
Refinery (t Nd+Pr)	--	--	--	--	--		
Refinery (t Dy)	--	--	--	--	--		
Refinery (t Tb)	--	--	--	--	--		
Refinery share of Makuutu feed (%)	--	--	--	--	--		
Refinery EBITDA margin (%)	--	--	--	--	--		
Refinery revenue (US\$/kg REO)	--	--	--	--	--		
Balance sheet							
	Jun '22	Jun '23	Jun '24	Jun '25	Jun '26		
Cash (US\$m)	27	105	163	78	75		
Accounts receivable (US\$m)	1	1	1	5	7		
Inventories (US\$m)	--	--	--	5	6		
PPE & exploration (US\$m)	13	14	66	117	114		
Other (US\$m)	9	9	9	9	9		
Total assets (US\$m)	49	129	239	214	212		
Debt (US\$m)	--	--	102	102	102		
Other liabilities (US\$m)	1	1	13	4	6		
Shareholders equity (US\$m)	77	162	170	170	170		
Retained earnings (US\$m)	(29)	(34)	(46)	(61)	(66)		
Minority int. & other (US\$m)	--	--	--	--	--		
Liabilities+equity (US\$m)	49	129	239	214	212		
Net cash (US\$m)	27	105	61	(24)	(27)		
Net debt to NTM EBITDA (x)	5.4x	21.0x	9.2x	8.2x	1.3x		

Source: SCP estimates

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NOT RATED ((N/R): The stock is not currently rated

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Summary of Recommendations as of September 2023	
BUY:	53
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	53

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