

FLASH NOTE

VALUE RANGE

0.0921 – 0.1018



IXR (lighter line) vs. ASX market price relative

Thursday, 16 May 2024

Intrinsic Price (AUD)	0.097
Value Range Low (AUD)	0.092
Value Range High (AUD)	0.102
Implied MCAP (m)	418.29
Implied EV (m)	418.29
XASX	IXR
Financial YE	30-Jun
Currency	AUD

Business Activity

Mining E&P

Key Metrics

Close Price (AUD)	0.019
MCAP (m)	81.86
Net Debt (Cash) (m)	-11.13
EV (m)	70.73
52 Wk Hi	0.034
52 Wk Lo	0.012

Key Ratios

(Net Cash) / Shareholder Equity %	-13.59%
FX Rate AUD/USD	0.67

Mining Sector Research

ASX Market Index

Analyst Team

+44 20 7419 7928

mining@acfequityresearch.com

Ionic Rare Earths

A\$5.5m Placement + JV – Supporting Growth

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. **IXR is currently ahead of its most recently published schedule.** Catalysts since ACF's [IXR Update note published on 06 Feb 2024](#) include IXR's A\$5.5m placement (funds will be used to support Makuutu and advance Ionic Technologies' Belfast magnet recycling plant) and a 50:50 JV with Viridis Mining and Minerals Ltd. (ASX:VMM) for a refinery and magnet recycling facility in Brazil (potential high-grade IAC deposit). IXR's flagship Makuutu REE project contains 71% magnet and HREs and contributes to de-risking of global supply chains. IXR's Belfast demo plant contributes to a circular economy and a vertically integrated model.

- A\$5.5m placement completed;
- P5 MRE potential of +532 Mt @ 640 ppm TREO (included in NPV);
- IonicTech Belfast magnet recycling plant produces its first Tb₄O₇;
- IonicTech Belfast – continuous magnet REO production;
- 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/ EPS (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. Ap

Share Price History	No. of Shares in issue	Fully diluted
NoSh (m)	4,308.29	4,314.99
Implied Intrinsic Price	0.0971	0.0969
Value Range Low	0.0922	0.0921
Value Range High	0.1019	0.1018
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)	81.9	81.9
Net Debt (Cash) (m)	(11.1)	(11.1)
EV (m)	70.7	70.7
52 Wk Hi	0.03	0.03
52 Wk Lo	0.01	0.01
Free Float	26%	26%

*Key Metrics FCF adj.	2026E	2030E
CPS (AUD)	0.01	0.01
CPS (Exp D) (AUD)	0.01	0.01
CPS (FD) (AUD)	0.01	0.01
P/CPS	1.52x	2.76x
P/CPS (Exp D)	1.52x	2.76x
P/CPS (FD)	1.52x	2.76x

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.**

Advancing Makuutu: We have valued Makuutu based on the latest upgrade potential of I+I resource 532 Mt @640 ppm including the Probable reserve of 172.9 Mt @ 848 ppm. Since our [initiation note 05 Dec 2023](#), IXR has increased ownership of Makuutu to 94% from 60%.

First production remains on track for 2026E. As of 15 May 2024, existing mineral resource estimate (MRE) at Makuutu has increased to I+I 617 Mt @ 638 ppm TREO. The exploration target has been revised to 277-750m Mt @ 400-700 ppm TREO.

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.

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.

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; Evidence of growth in permanent magnet recycling and a global circular economy for REEs.

Major Milestones

We currently expect Makuutu to reach full production in 2026E.

Ionic Rare Earths' strategy is to advance its Makuutu project to commercial production in 2026E and for its Belfast recycling plant to begin operating 24/7. Despite the industry challenges created by China's demand dominance and inevitable REE price manipulation, we assess that IXR has the potential to help change the industry vertical status quo and become a key player in Western markets.

A\$5.5m use of funds: Belfast recycling investments and Makuutu offtake negotiations.

A\$5.5m Placement

On 24th April 2024 IXR announced a raise via a placement of A\$5.5m. The placement includes A\$0.5m from Brett Lynch (Executive Chairman); this is in addition to the A\$1.5m investment made in January 2024 when Brett joined IXR. The company issued 423,076,923 fully paid ordinary shares at A\$0.013/share (a 25.3% discount to the volume weighted average price (VWAP) which we infer is in part because due to Belfast recycling plant value generation is yet to be understood by markets).

Use of funds: 1) developing the Belfast recycling plant by advancing recycling technology and completing the Feasibility Study (expected 1H24E) and 2) completing offtake and financing negotiations for the Makuutu project.

JV for Brazil refinery and recycling plant to support IXR's magnet recycling vertical integration strategy for derisking revenues..

Joint Venture (JV)

On 3rd of April 2024 IXR announced a JV with Viridis Mining and Minerals Ltd. (ASX:VMM). The JV company plans to build a refinery and magnet recycling facility in Brazil employing Ionic Technologies' separation technology that is currently being used at the Belfast facility, which has successfully produced magnet Rare Earth Oxide (REO). Viridis will supply mixed rare earth carbonate (MREC) from its Colossus Rare Earth Project in Poços de Caldas, Brazil.

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).

The Scoping Study for the JV refinery and recycling project is estimated to be completed at the end of 2024.

We currently expect Makuutu to reach full production in 2026E. Note that to be conservative, the Belfast recycling plant has been excluded from our valuation. We will review our cost estimates before the end of June 2024; the outcome of which will be dependent on IXR activity.

These milestones will reinforce Ionic Rare Earths' thought and strategic leader position in REE production and REE magnet recycling – vertically integrating the firm and derisking future revenues and supply chain reliance on China.

To maintain a conservative approach, we have excluded the Belfast recycling plant from our valuation prior to due diligence. **We will review our cost estimates before the end of June 2024; contingent on IXR's ongoing activities.**

Financial Projections

We have not modelled the magnet recycling demo plant in Belfast. It is excluded from our valuation and has significant upside potential. At the moment the Belfast recycling project is not Rev/CF generating – it is a de-risking process aimed at producing material for 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.

Revenue 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, current revenues 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.

P&L A\$ (m)	2026E	2027E	2028E	2029E	2030E
Revs	102	92	90	81	79
gr%		-9%	-2%	-10%	-2%
Total Expenses	-48	-48	-47	-47	-47
EBITDA	54	44	43	33	32
% Revs	53%	47%	48%	41%	41%
FV adj.	0	1	2	3	4
% Revs	N/M	0	0	0	0
EBIT	54.2	43.9	43.4	33.5	32.2
EBT	54	44	43	34	32
% Revs	NM	NM	NM	NM	NM
ETR	0	0	0	0	0
NI	56	46	46	36	34
% 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
Total Fixed Assets	80	97	113	129	146
Current assets	71	64	63	57	55
Cash	-40	8	51	89	121
Total Current Assets	31	73	114	146	176
Total Assets	111	169	227	275	322
Creditors	27	25	24	22	21
Other liabilities	0	0	0	0	0
Loans	0	0	0	0	0
Total Liabilities	27	25	24	22	21
Net Assets	84	144	203	253	300
Share Capital	78	78	78	78	78
Accum. Profit/(loss)	0	0	0	0	0
Total Equity	84	144	203	253	300
Total Equity & Liabilities	111	169	227	275	322
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
FV adj. + Other adj.	0	1	2	3	4
Cash Taxes	0	0	0	0	0
WCap change	-71	7	1	7	1
Net CFO	-15	52	47	42	36

Sources: ACF Equity Research Estimates; Companies reports.

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Christopher Nicholson
 Managing Director
 Head of Research
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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