

# Maiden Indicated MRE

LIN-ASX | LINDIAN RESOURCES LIMITED | MATERIALS | RARE EARTHS

PRICE  
A\$0.13/sh

TARGET PRICE  
A\$0.46/sh  
(FROM A\$0.45/sh)

RECOMMENDATION  
SPECULATIVE BUY  
(UNCHANGED)

ANALYST  
STEVEN CLARK  
SCLARK@EUROZHARTLEYS.COM

## Event

LIN has released a maiden Indicated MRE for the Kangankunde Rare Earths Project of **61mt grading at 2.43% TREO (20% NdPr:TREO, 0.50% TREO cut-off)**, including a high-grade component of **25mt grading at 3.26% TREO (2.50% TREO cut-off)**.

## Impact

**Indicated MRE ahead of expectations on tonnage and grade:** The high grade Indicated component of 25mt at 3.26% TREO will comfortably support both Stage 1 and 2 operations on our model assumptions (Fig. 1). The Indicated MRE (40m by 40m drill spacing) is informed by the Phase 3 infill program (45 holes for 4,886m) completed in SepQ'23, and will underpin the initial Scoping Study due for release in JunQ'24. An interim update on the scope of Stage 1 operations (including mining and throughput rates) is expected ahead of the study release in the current quarter. We anticipate that the forthcoming SS will outline both a very low capital intensity and strong margins relative to other greenfield hard rock RE projects. While not our base case, the Stage 1 operation in isolation (~440ktpa throughput for NdPr in concentrate of ~1.8ktpa) comfortably justifies LIN's current market capitalisation.

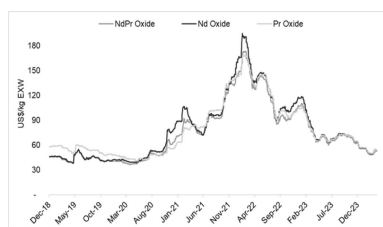
**NdPr oxide up +14% across April:** NdPr oxide prices have improved since the beginning of Apr'24, trading at ~US\$56/kg including VAT currently having rebounded from a recent low of ~US\$48/kg (levels last seen in Oct'20). Lynas Rare Earths (LYC-ASX) recently highlighted the consensus view that the slight improvement in prices seen across Apr'24 is expected to continue given the tightening of the market following recent surpluses prompted by the first-ever third Chinese RE quota issued in Dec'23 (relating to CY23, historically issued on a bi-annual basis, see Fig. 3).

Figure 1: Stage 1 model assumptions

	Stage 1	Stage 2	Stage 3	
Throughput	ktpa	440	1,500	3,000
Strip ratio	w.o	2.0:1	1.5:1	1.5:1
Head grade	% TREO	3.23%	3.23%	2.40%
NdPr assemblage	NdPr:TREO	18.5%	18.5%	20.2%
Recoveries	%	70%	75%	75%
Concentrate grade	% TREO	60%	60%	60%
Monazite concentrate	ktpa	16.6	60.6	90.0
Concentrate TREO grade	% TREO	60%	60%	60%
TREO in concentrate	ktpa	9.9	36.3	54.0
NdPr in concentrate	ktpa	1.8	6.7	10.9
Concentrate payability	%	65%	65%	65%
Average basket price	US\$/kg REO	11.6	12.5	12.5
AISC	US\$/kg REO	3.4	3.0	3.3
Upfront CapEx	US\$m	30	200	200

Source: Euroz Hartleys estimates

Figure 2: Nd, Pr and NdPr oxide prices



Source: Bloomberg

## Action

**Speculative Buy rating maintained, PT adjusted to A\$0.46/sh at 1.0x NAV (NPV<sub>12%</sub>, LT NdPr oxide: US\$95/kg).** Subsequent to our last published note, we have made minor revisions to our FX deck (LT AUD:USD: 0.73). Key catalysts include i) rare earth prices and sentiment and ii) maiden feasibility study release outcomes.

## LIN-ASX

Share Price	0.13	A\$/sh
Price Target	0.46	A\$/sh
Valuation (risked)	0.46	A\$/sh
Valuation (unrisked)	0.58	A\$/sh

## Capital Structure

Shares on Issue	1,152	m
Options	84	m
Performance Rights	29	m
Diluted FPO	1,265	m

Market Capitalisation	150	A\$m
Enterprise Value	133	A\$m
Cash	17	A\$m
Debt	Nil	A\$m
ITM options	3	A\$m

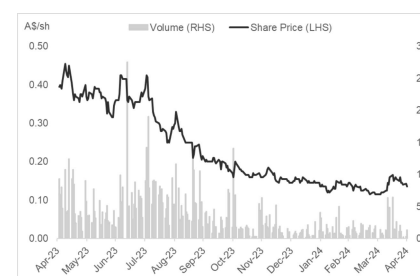
## Substantial Holders

Asimwe Kabunga	10.9%
Ven Capital	8.8%
Rohan Patnaik	6.8%

Forecasts	FY24E	FY25E	FY26E
TREO in conc. (kt)	0.0	0.0	7.5
NdPr in conc. (kt)	0.0	0.0	1.4
C1 cost (US\$/kg)	0.0	0.0	2.2
AISC (US\$/kg REO)	0.0	0.0	3.5

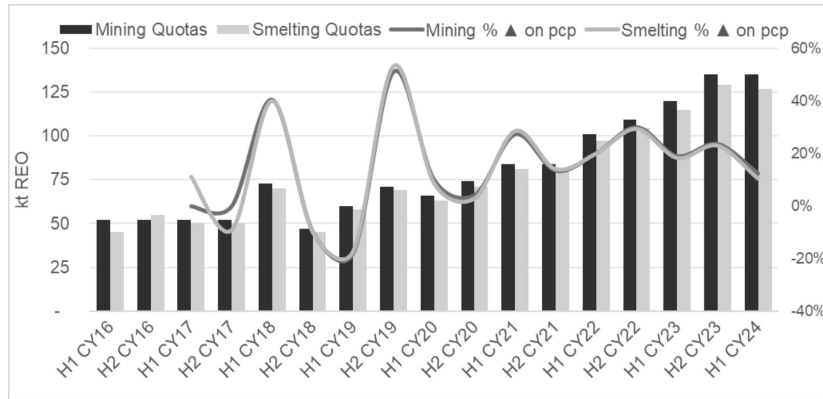
Financials (A\$m)	FY24E	FY25E	FY26E
Revenue	-	-	129
EBITDA	(7)	(11)	92
Operating CF	(7)	(11)	55
NPAT	(8)	(11)	47

## Performance



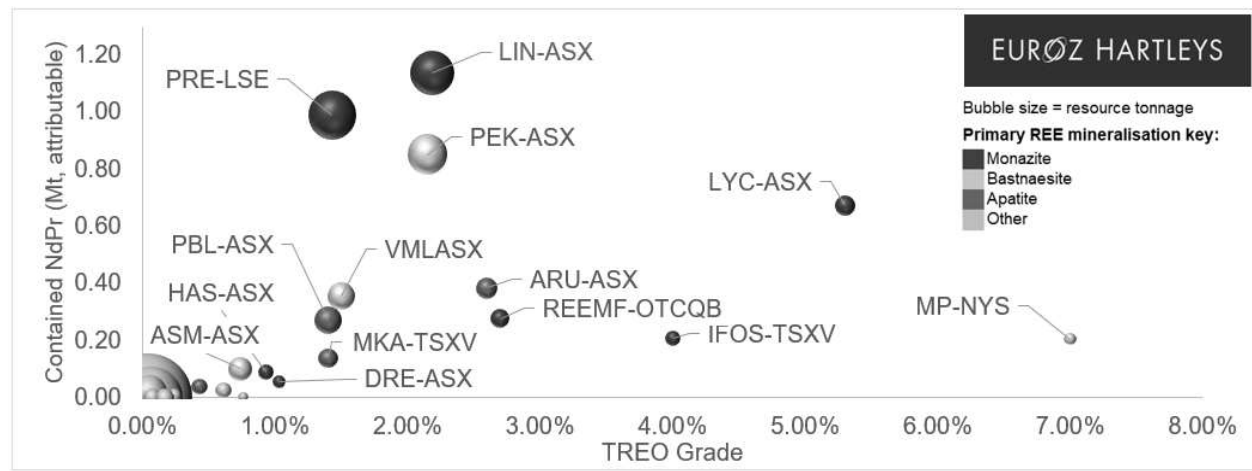
Source: IRESS

Figure 3: Chinese rare earth mining and smelting quotas



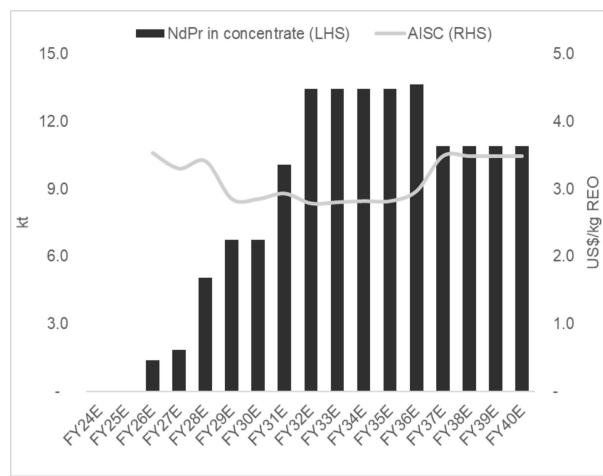
Source: China MIIT, Ministry of Natural Resources, Euroz Hartleys edits

Figure 4: Largest hard rock rare earth resource ex-China on a contained NdPr basis



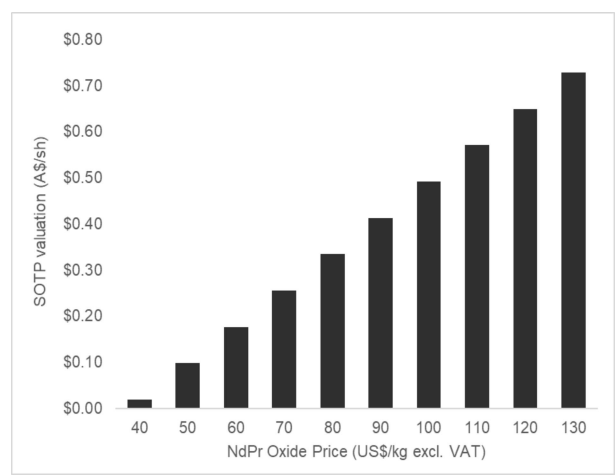
Source: Company reports, Euroz Hartleys estimates

Figure 5: Modelled production and AISC profile



Source: Euroz Hartleys estimates

Figure 6: Sensitivity to NdPr oxide price (flat forward)



Source: Euroz Hartleys estimates

Figure 7: Financial Summary

MARKET STATISTICS				
Share Price	0.13 A\$/sh			
Issued Capital				
Fully Paid Ordinary	1,152 m			
Options	84 m			
Performance Rights	29 m			
<b>Total Dil. FP Ordinary</b>	<b>1,265 m</b>			
Market Capitalisation	150 A\$m			
Enterprise Value	133 A\$m			
Cash	17 A\$m			
Debt	Nil A\$m			

VALUATION (A\$m)				
	Risking	Equity	Unrisked	Risked
Kangankunde RE Project (NPV <sub>12%</sub> )	80%	90%	1,544	1,235
Guinea Bauxite Projects	100%	100%	35	35
Corporate Overheads	100%	100%	(51)	(51)
Tranche 4 Acquisition Payment			(14)	(14)
Cash			17	17
Debt			-	-
ITM options			3	3
<b>Total</b>			<b>1,534</b>	<b>1,226</b>
<b>A\$/sh valuation</b>			<b>0.58</b>	<b>0.46</b>
<b>Price Target (A\$/sh, 1.0x risked NAV, rounded)</b>				<b>0.46</b>

MODEL ASSUMPTIONS				
Commodity Price & FX	FY23A	FY24E	FY25E	FY26E
NdPr Oxide (excl. VAT)	73.8	60.0	75.0	95.0
Concentrate Price (US\$/kg REO)	0.0	7.9	9.8	12.5
AUD/USD (x)	0.66	0.67	0.71	0.72

Production				
	FY23A	FY24E	FY25E	FY26E
Throughput (kt)	0	0	0	330
Head grade (% TREO)	na	na	na	3.23%
NdPr:TREO ratio (%)	na	na	na	19%
Recovery (%)	na	na	na	75%
Monazite concentrate (kt)	0.0	0.0	0.0	12.4
Concentrate grade (% TREO)	na	na	na	60%
TREO in concentrate (kt)	0.0	0.0	0.0	7.5
NdPr in concentrate (kt)	0.0	0.0	0.0	1.4

Costs				
	FY23A	FY24E	FY25E	FY26E
C1 costs (US\$/kg REO)	0.0	0.0	0.0	2.2
AISC (US\$/kg REO)	0.0	0.0	0.0	3.5

RATIO ANALYSIS				
	FY23A	FY24E	FY25E	FY26E
OpCF per share (A\$/sh)	(0.00)	(0.00)	(0.00)	0.02
EPS (A\$/sh)	(0.01)	(0.00)	(0.00)	0.02
P/E Ratio (x)	-21.3x	-42.8x	-42.2x	7.4x
Enterprise Value (A\$m)	142	142	142	142
EV/EBITDA (x)	-21.7x	-19.1x	-13.4x	1.5x
EV/EBIT (x)	-18.2x	-18.6x	9.0x	1.8x
Net Debt/(Net Debt + Equity) (%)	-30%	-142%	-66%	11%
EBIT Margin (%)	na	na	na	65%
ROE (%)	-24%	-8%	-6%	21%
ROA (%)	-12%	-7%	-6%	14%

PROFIT & LOSS				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
(+) Revenue	-	-	-	129
(+) Interest income	0	-	-	-
(+) Other Income	0	-	-	-
<b>Total Revenue</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>129</b>
(-) Costs of production	-	-	-	(30)
(-) Corporate overheads	(7)	(7)	(11)	(7)
(-) D&A	(0)	(0)	-	(8)
(-) Other	(1)	-	-	-
<b>EBITDA</b>	<b>(7)</b>	<b>(7)</b>	<b>(11)</b>	<b>92</b>
<b>EBIT</b>	<b>(8)</b>	<b>(8)</b>	<b>(11)</b>	<b>84</b>
(-) Interest Expense	-	-	-	(10)
<b>NPBT</b>	<b>(8)</b>	<b>(8)</b>	<b>(11)</b>	<b>74</b>
(-) Minority Interest	-	-	-	-
<b>NPBT (ex-min.)</b>	<b>(8)</b>	<b>(8)</b>	<b>(11)</b>	<b>74</b>
(-) Tax	-	-	-	(27)
<b>NPAT</b>	<b>(8)</b>	<b>(8)</b>	<b>(11)</b>	<b>47</b>

CASH FLOW				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
<b>Net Profit</b>	<b>(8)</b>	<b>(8)</b>	<b>(11)</b>	<b>47</b>
(+) Working Capital Adj.	(0)	-	-	-
(+) D&A	0	0	-	8
(+) Tax Expense	-	-	-	27
(-) Tax Paid	-	-	-	(27)
(+/-) Other	5	-	-	-
<b>Operating Cashflow</b>	<b>(3)</b>	<b>(7)</b>	<b>(11)</b>	<b>55</b>
(-) Capex & Development	(0)	-	(61)	(145)
(-) Exploration	(22)	(8)	(5)	(5)
(+/-) Other	-	(15)	(14)	-
<b>Investing Cashflow</b>	<b>(22)</b>	<b>(23)</b>	<b>(80)</b>	<b>(150)</b>
(+) Equity Issues	30	80	100	-
(+) Loan Drawdown	-	-	-	100
(-) Loan Repayment	-	-	-	-
(+) Other	-	-	-	-
<b>Financing Cashflow</b>	<b>30</b>	<b>80</b>	<b>100</b>	<b>100</b>
<b>Net Cashflows</b>	<b>5</b>	<b>50</b>	<b>9</b>	<b>5</b>
(+/-) FX Adj.	-	-	-	-
<b>BoP Cash Balance</b>	<b>2</b>	<b>8</b>	<b>57</b>	<b>67</b>
(+/-) Net Cashflows	5	50	9	5
(+/-) FX Adj.	-	-	-	-
<b>EOp Cash Balance</b>	<b>8</b>	<b>57</b>	<b>67</b>	<b>72</b>

BALANCE SHEET				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
<b>Assets</b>				
Cash	8	57	67	72
Current Receivables	0	0	0	0
Other Current Assets	0	0	0	0
Non-Current Assets	57	57	117	253
<b>Total Assets</b>	<b>64</b>	<b>114</b>	<b>184</b>	<b>325</b>
<b>Liabilities</b>				
Borrowings	-	-	-	100
Current Accounts payable	1	1	1	1
Other Liabilities	30	15	15	-
<b>Total Liabilities</b>	<b>31</b>	<b>16</b>	<b>16</b>	<b>101</b>
<b>Net Assets</b>	<b>33</b>	<b>98</b>	<b>168</b>	<b>224</b>

Source: Euroz Hartleys Research

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Lindian Resources Limited (LIN-ASX) | Price A\$0.13 | Target price A\$0.46 | Recommendation Speculative Buy;

*Price, target price and rating as at 02 May 2024 (\* not covered)*

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