

Lindian Resources Limited

EV Materials

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Rating
SPECULATIVE BUY

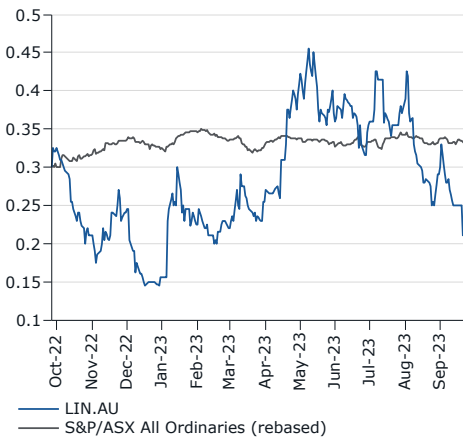
Price Target
A\$0.70

LIN-ASX

Price
A\$0.25

Market Data

52-Week Range (A\$) :	0.14 - 0.47
Avg Daily Vol (000s) :	4,115.74
Shares Out. (M) :	1,139.7
Market Cap (A\$M) :	282.1
Dividend /Shr (A\$) :	0.00
Dividend Yield (%) :	0.0



Source: FactSet

Priced as of close of business 25 September 2023

Lindian Resources is a mineral development company with its main asset the Kangankunde Rare Earth Project in Malawi. It also has three bauxite assets which are considered non-core.

Offtake signed with global trading house

Offtake signed with global trading house for supply of rare earth concentrate

LIN has signed a sale and purchase contract with Gerald Group for the supply of 9ktpa monazite concentrate over a five-year period (45kt in total), which represents ~40% production from Stage 1. Gerald Group is a large private global commodity trading house with assets of ~US\$3b. Gerald is headquartered in London (founded in the US) and has trading hubs in China, Switzerland and the US. This is Gerald's first foray into rare earths, but it has experience in moving other commodities such as copper, aluminium/alumina, cobalt, gold and iron ore.

Other offtake discussions ongoing in parallel with funding

We expect additional offtake(s) to be signed for Stage 1 in the near term as LIN seeks to place the remaining ~60% uncommitted volumes. The Gerald offtake will underwrite Stage 1 upfront capex (CGe US\$35m), which leaves it with flexibility for the remaining volumes (spot vs strategic buyer). On funding, Gerald may provide LIN with a US\$10m working capital facility to assist with Stage 1 funding and is also in early discussions with US government for funding support of its larger Stages 2/3 (see our assumed development scenario below).

Staged development plan to increase speed to market and lower risk

In our recent initiation (see [here](#)) we set out our assumed development scenario which sees a three-stage development (first concentrate in 2025). Rare earth projects are complex, so we see the smaller, lower risk (US\$35m capex) first stage as prudent, while also delivering ~A\$100m EBITDA per year over FY26E-28E. We model mining inventory of ~80Mt (~30% conversion) to provide plant feedstock (0.4/1.5/3Mtpa over Stages 1-3) over an initial 30-year LOM, with NdPr production (in concentrate) of 2/6/9ktpa over the three stages generating ~70% EBITDA margins.

Upcoming potential catalysts

We see potential near-term catalysts as an Exploration Target (outside the existing Resource), Resource upgrade, additional offtake and funding, and early works construction for Stage 1 in 2H23, ahead of construction in 2024.

Model revisions

We make no model revisions or earnings changes.

Valuation and recommendation

Our price target of \$0.70 remains unchanged and is based on a partially funded, heavily risked NPV10% for Kangankunde using a long-term NdPr price of US\$135/kg China EXW. Maintain SPEC BUY.

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: September 25, 2023, 21:04 ET

Date and time of production: September 25, 2023, 21:04 ET

Target Price / Valuation Methodology:

Lindian Resources Limited - LIN

Our price target is based on a partially funded, heavily risked NPV10% for Kangankunde using a long-term NdPr price of US\$135/kg China EXW.

Risks to achieving Target Price / Valuation:

Lindian Resources Limited - LIN

Country or sovereign risks

Kangankunde is situated in Malawi (SE Africa) and as such is subject to country or sovereign risk. Country or sovereign risk is diverse in nature, incorporating aspects of the investment environment including, but not limited to, the economic outlook, government monetary and fiscal responsibility, political stability, and legal and regulatory frameworks.

Commodity price and currency fluctuation risks

As a potential rare earth producer, LIN is exposed to commodity price and currency fluctuations, often driven by macro-economic forces including inflationary pressures, interest rates and supply and demand factors. More specifically to LIN, China produces approximately >90% of global REO refined supply, and changes to Chinese policies (i.e., export quotas, production quotas, production taxes, environmental regulation) has historically seen instances of major interruptions to global supply, and extreme volatility in pricing. These factors are external and could reduce the profitability, costing and prospective outlook for the business.

Financing risks

Our analysis suggests that LIN may require additional capital to fund the development costs for Kangankunde. LIN may be reliant on equity/debt/external capital to fund any additional capital commitments and there is no guarantee that accessing these markets will be achieved without dilution to shareholders.

Operational risks

When in full production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs may reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations, which can also materially impact forecast production from original expectations.

Exploration risks

Exploration is subject to several risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred Resources (which LIN is undertaking in 2H23) and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. It is uncertain if exploration will delineate further mineral Resources and extend LOM, nor that the company will be able to convert the current mineral resource into minable reserves.

Distribution of Ratings:

Global Stock Ratings (as of 09/25/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	616	66.96%	22.73%
Hold	119	12.93%	10.08%
Sell	16	1.74%	6.25%
Speculative Buy	159	17.28%	46.54%
	920*	100.0%	

*Total includes stocks that are Under Review

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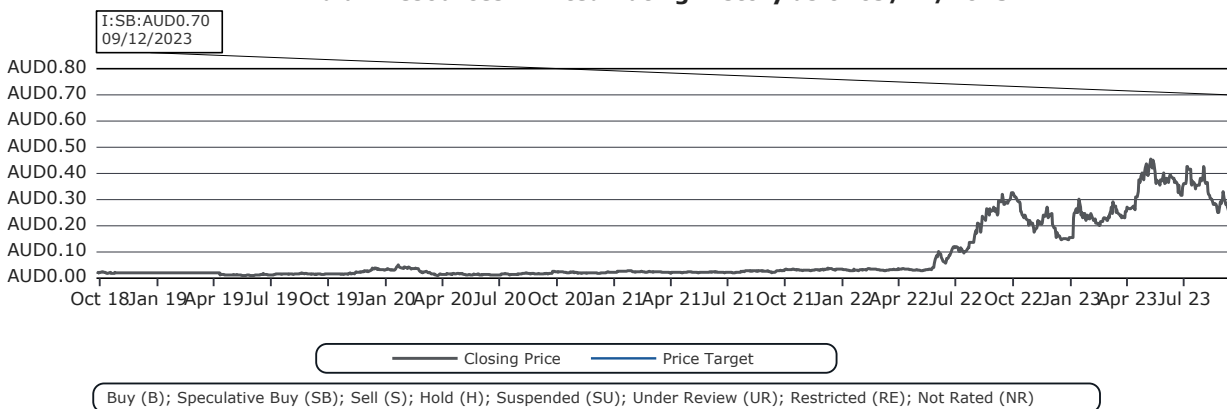
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Lindian Resources Limited Rating History as of 09/22/2023



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