



# Feasibility Approaching; Updating Valuation

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

PRICE  
**A\$0.14/sh**

TARGET PRICE  
**A\$0.45/sh**  
(FROM A\$0.85/sh)

RECOMMENDATION  
**SPECULATIVE BUY**  
(UNCHANGED)

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## Event

LIN has continued to progress the Kangankunde Rare Earths Project toward an investment decision, most recently releasing assay results from infill drilling and providing an update on the current metallurgical testwork program. Infill drilling continues to return thick (+100m), high grade (+3.00% TREO) mineralised intercepts from surface, and will inform an initial Indicated resource and detailed mine design and scheduling. Metallurgical testwork results continue to validate and de-risk the proposed Kangankunde flowsheet, demonstrating recoveries of ~70% TREO for concentrate grades of ~55-68% TREO. LIN has pivoted to a more conventional development approach, with a maiden feasibility study due for release in early JunQ'24; we have updated our valuation ahead of the FS release.

## Impact

**NdPr prices remain soft, initial colour on margins will be key:** Rare earth prices have continued to soften across CY24, with NdPr oxide currently trading at ~US\$43/kg excl. VAT, largely on weaker Chinese NdFeB magnet demand from the appliance sector (i.e. HVAC). NdPr oxide prices have declined to levels previously indicated by MP Materials (MP-NYS) as unprofitable for Chinese miners, with capital-intensive RoW greenfield projects now out of the money at current prices. For now, the verdict appears out on hard rock development stage rare earth projects in the currently depressed pricing environment, as suggested by the performance of equities; given Kangankunde's positioning as a low-cost concentrate producer, an initial look at operating and upfront capital costs via the maiden FS release will be a pivotal valuation catalyst, in our view.

**Stage 1 financing another focal point:** We continue to assume upfront CapEx of US\$30m for the proposed Stage 1 development at Kangankunde (440ktpa throughput / 1.8ktpa NdPr in concentrate). The final tranche acquisition payment of US\$10m is payable on the commencement of Stage 1 operations. Prepaid offtake financing with Gerald Group (LIN has previously flagged negotiations for a US\$10m prepaid facility) and other potential offtakers may supplement traditional debt and equity financing for Stage 1 CapEx, while the potential divestment of LIN's bauxite asset portfolio may also provide another non-dilutive funding solution.

**First batch of CY24 Chinese RE quotas released:** In early Feb'24, China's Ministry of Industry and Information Technology and Ministry of Natural Resources published rare earth mining and smelting quotas for H1 CY24 at 135kt and 115kt respectively. The H1 CY24 quotas are consistent with H2 CY23 quotas, representing a meaningful decline in the rate of increase on the pcp (Fig. 1). The uplift in mining quotas across H2 CY23 and H1 CY24 has been attributed by Lynas Rare Earths (LYC-ASX) to the shortfall in concentrate feedstock into China as MP transitions to separated REO production, under which production volumes are ramping up at a slower rate than originally expected.

**Valuation updates:** We have i) revised our equity dilution assumptions to reflect all modelled dilution at LIN's current share price recognising recent sector-aligned weakness, ii) deferred modelled project timelines by 6 months, iii) slightly adjusted OpEx assumptions and iv) lowered our FY24/25E NdPr oxide price forecasts to US\$60/kg and US\$75/kg respectively (which doesn't impact earnings on our revised project timelines). Our valuation has decreased to A\$0.45/sh.

## Action

**Speculative Buy rating maintained, PT reduced to A\$0.45/sh at 1.0x NAV (LT NdPr oxide: US\$95/kg).** Key catalysts include i) rare earth prices and sentiment and ii) maiden feasibility study release outcomes.

### LIN-ASX

Share Price	0.14	A\$/sh
Price Target	0.45	A\$/sh
Valuation (risky)	0.45	A\$/sh
Valuation (unrisky)	0.57	A\$/sh

### Capital Structure

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

Market Capitalisation	161	A\$m
Enterprise Value	142	A\$m
Cash (Dec'23)	20	A\$m
Debt (Dec'23)	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)

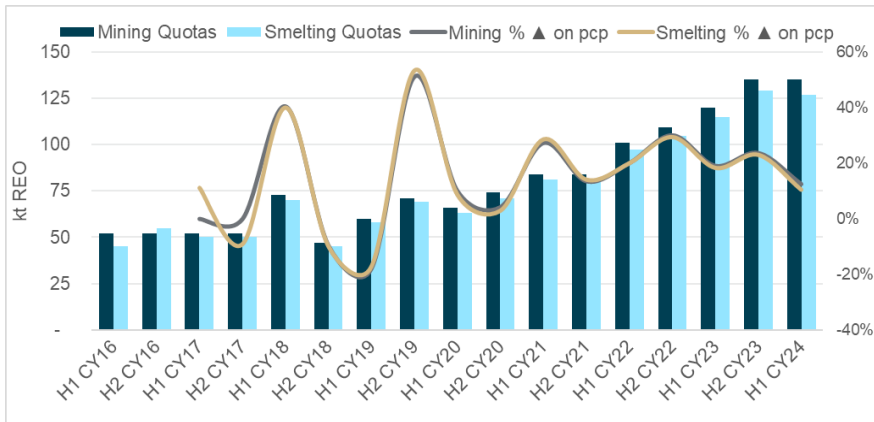
	FY24E	FY25E	FY26E
Revenue	-	-	126
EBITDA	(7)	(10)	90
Operating CF	(7)	(10)	53
NPAT	(7)	(10)	45

## Performance



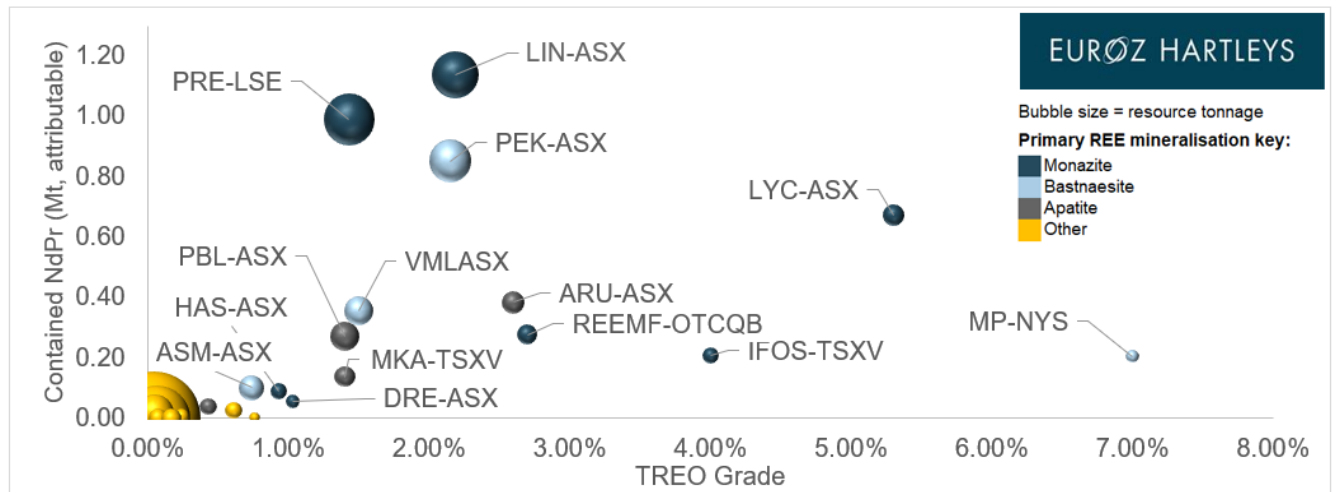
Source: IRESS

Figure 1: Chinese rare earth mining and smelting quotas



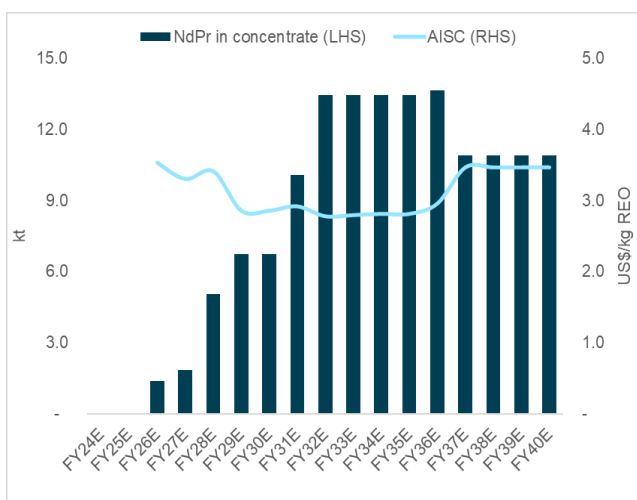
Source: China MIIT, Ministry of Natural Resources, Euroz Hartleys edits

Figure 2: Largest hard rock rare earth resource ex-China on a contained NdPr basis



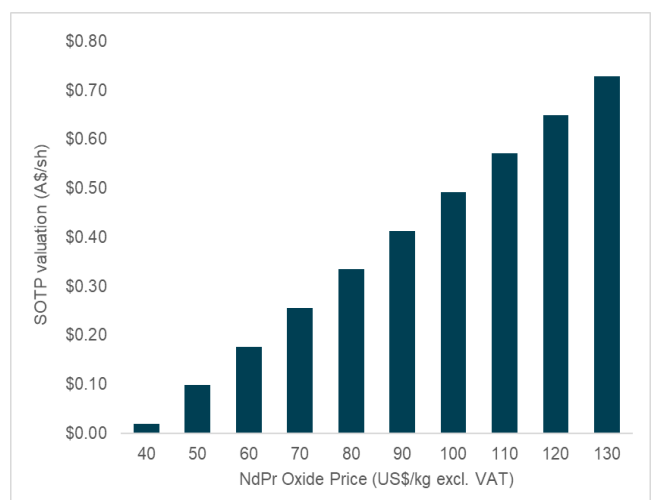
Source: Company reports, Euroz Hartleys estimates

Figure 3: Modelled production and AISC profile



Source: Euroz Hartleys estimates

Figure 4: Sensitivity to NdPr oxide price (flat forward)



Source: Euroz Hartleys estimates

Figure 5: Financial Summary

MARKET STATISTICS				
Share Price	0.14 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	161 A\$m			
Enterprise Value	142 A\$m			
Cash (Dec'23)	20 A\$m			
Debt (Dec'23)	Nil A\$m			

VALUATION (A\$m)				
	Risking	Equity	Unrisked	Risked
Kangankunde RE Project (NPV <sub>12%</sub> )	80%	90%	1,452	1,162
Guinea Bauxite Projects	100%	100%	35	35
Corporate Overheads	100%	100%	(51)	(51)
Tranche 4 Acquisition Payment			(14)	(14)
Cash (Dec'23)			20	20
Debt (Dec'23)			-	-
ITM options			3	3
<b>Total</b>			<b>1,445</b>	<b>1,155</b>
<b>A\$/sh valuation</b>			<b>0.57</b>	<b>0.45</b>
<b>Price Target (A\$/sh, 1.0x risked NAV, rounded)</b>				<b>0.45</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	0.71	0.73	0.74
<b>Production</b>				
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
<b>Costs</b>				
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)	-23x	-47x	-44.8x	7.9x
Enterprise Value (A\$m)	154	154	154	154
EV/EBITDA (x)	-23.4x	-21.8x	-15x	1.7x
EV/EBIT (x)	-19.7x	-21.2x	9.0x	2x
Net Debt/(Net Debt + Equity) (%)	-30%	-143%	-70%	9%
EBIT Margin (%)	na	na	na	65%
ROE (%)	-24%	-7%	-6%	20%
ROA (%)	-12%	-6%	-6%	14%

PROFIT & LOSS				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
(+) Revenue	-	-	-	126
(+) Interest income	0	-	-	-
(+) Other Income	0	-	-	-
<b>Total Revenue</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>126</b>
(-) Costs of production	-	-	-	(29)
(-) Corporate overheads	(7)	(7)	(10)	(7)
(-) D&A	(0)	(0)	-	(8)
(-) Other	(1)	-	-	-
<b>EBITDA</b>	<b>(7)</b>	<b>(7)</b>	<b>(10)</b>	<b>90</b>
<b>EBIT</b>	<b>(8)</b>	<b>(7)</b>	<b>(10)</b>	<b>82</b>
(-) Interest Expense	-	-	-	(10)
<b>NPBT</b>	<b>(8)</b>	<b>(7)</b>	<b>(10)</b>	<b>72</b>
(-) Minority Interest	-	-	-	-
<b>NPBT (ex-min.)</b>	<b>(8)</b>	<b>(7)</b>	<b>(10)</b>	<b>72</b>
(-) Tax	-	-	-	(27)
<b>NPAT</b>	<b>(8)</b>	<b>(7)</b>	<b>(10)</b>	<b>45</b>

CASH FLOW				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
<b>Net Profit</b>	<b>(8)</b>	<b>(7)</b>	<b>(10)</b>	<b>45</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>(10)</b>	<b>53</b>
(-) Capex & Development	(0)	-	(59)	(142)
(-) Exploration	(22)	(8)	(5)	(5)
(+/-) Other	-	(15)	(14)	-
<b>Investing Cashflow</b>	<b>(22)</b>	<b>(23)</b>	<b>(78)</b>	<b>(147)</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>12</b>	<b>7</b>
(+/-) FX Adj.	-	-	-	-
<b>BoP Cash Balance</b>	<b>2</b>	<b>8</b>	<b>58</b>	<b>70</b>
(+/-) Net Cashflows	5	50	12	7
(+/-) FX Adj.	-	-	-	-
<b>EOP Cash Balance</b>	<b>8</b>	<b>58</b>	<b>70</b>	<b>77</b>

BALANCE SHEET				
Yr End 30 June (A\$m)	FY23A	FY24E	FY25E	FY26E
<b>Assets</b>				
Cash	8	58	70	77
Current Receivables	0	0	0	0
Other Current Assets	0	0	0	0
Non-Current Assets	57	57	115	249
<b>Total Assets</b>	<b>64</b>	<b>114</b>	<b>185</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>169</b>	<b>224</b>

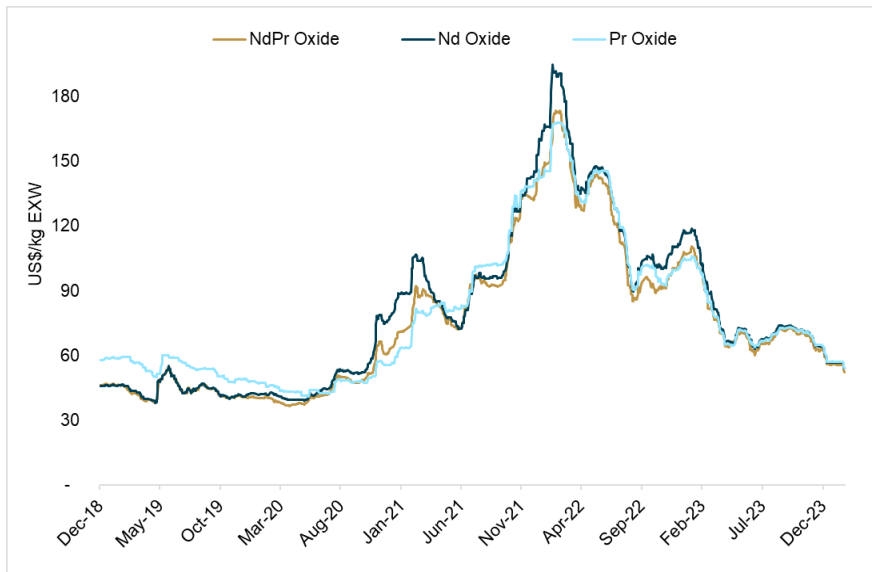
Source: Euroz Hartleys Research

**Figure 6: Model assumptions (NPV<sub>12%</sub>)**

		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
Net concentrate payability factor	%	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 7: 5-year Nd, Pr and NdPr oxide prices**



Source: Bloomberg

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Lindian Resources Limited (LIN-ASX) | Price A\$0.14 | Target price A\$0.45 | Recommendation Speculative Buy;

*Price, target price and rating as at 07 March 2024 (\* not covered)*

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