Speculative

See key risks on page 8 and early stage company risk warning on page 10.
Speculative securities may not be suitable for retail clients

8 July 2024

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Meteoric Resources Ltd (MEI)

Caldeira Scoping Study

Recommendation
Buy (unchanged)
Price
$0.155
Valuation
$0.40 (previously $0.50)
Risk
Speculative

Sector

Materials

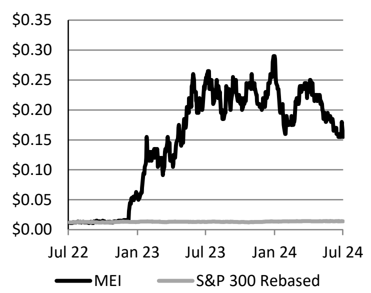
Expected Return	
Capital growth	**135%**
Dividend yield	**0%**
Total expected return	**135%**

Company Data & Ratios	
Enterprise value	**$281m**
Market cap	**$308m**
Issued capital	**1,990m**
Free float	**83%**
Avg. daily val. (52wk)	**$1.7m**
12 month price range	**$0.15-$0.31**

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.19	0.24	0.24
Absolute (%)	-18.4	-34.0	-35.4
Rel market (%)	-18.7	-32.3	-41.9

Absolute Price



SOURCE: IRESS

Caldeira Project Scoping study – First pass

MEI have released the results of its scoping study (SS) on the Caldeira ion-adsorption clay rare earth project in Minas Gerais. The SS outlined a post-tax $NPV_{8\%}$ of US$699m with Capex of US$297m (excluding $104m contingency) and operating costs of US$7/kg TREO on a basket price of US$45/kg (US$20/kg at spot) less payability discounts of ~30% provides an achieved price of US$31 (spot US$14/kg). On this basis, The Caldeira project makes a ~50% operating margin at spot before accounting for royalties (4.75% Togni Family & 2% Government) and transport costs. We have updated our model to incorporate the new information and provided some first-pass commentary.

Price support for NdPr clear, turnaround tricky to time

China Northern (60011.CN, not rated) accounts for ~70% of Chinese rare earth mining capacity (60% of global capacity) and we suspect, operates in the bottom quartile of the cost curve. Quarterly earnings indicate that the business is operating close to break-even at current NdPr price levels, providing support for the argument that we have hit a floor in pricing. Whilst it may take some time to work through, we see a strong case for higher NdPr prices in the future. When exactly, is the difficult part to answer.

Investment thesis – Buy (Spec.), Val $0.40/sh

The results confirm The Caldeira project is of superior quality, with the ability to operate through all stages of the pricing cycle. Critical path items for the business now shift towards the permitting phase, with three distinct licences needed and an EIA prior to production commencement. Our valuation is reduced to $0.40/sh (previously $0.50/sh) in this note on the inclusion of higher capital costs and associated equity financing, and adjustments to our pricing formulas. At current levels MEI remains an attractive business and we retain our Spec Buy recommendation

Earnings Forecast

Year end 30 June	2023a	2024e	2025e	2026e
Sales (A$m)	0	0	0	0
EBITDA (A$m)	-37	-4	-22	-22
NPAT (reported) (A$m)	-37	-4	-20	-20
NPAT (adjusted) (A$m)	-37	-4	-20	-20
EPS (adjusted) (¢ps)	(1.5)	(0.1)	(0.6)	(3.2)
EPS growth (%)	329%	-96%	923%	409%
PER (x)	-280.0 x	-27.4 x	-5.4 x	-25.0 x
FCF Yield (%)	-3%	4%	-3%	0%
EV/EBITDA (x)	-7.9 x	-63.0 x	-2.0 x	-6.8 x
Dividend (¢ps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	0%	0%	0%	0%
ROE (%)	-166%	-19%	-7%	-8%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Scoping Study highlights

Scoping study highlights

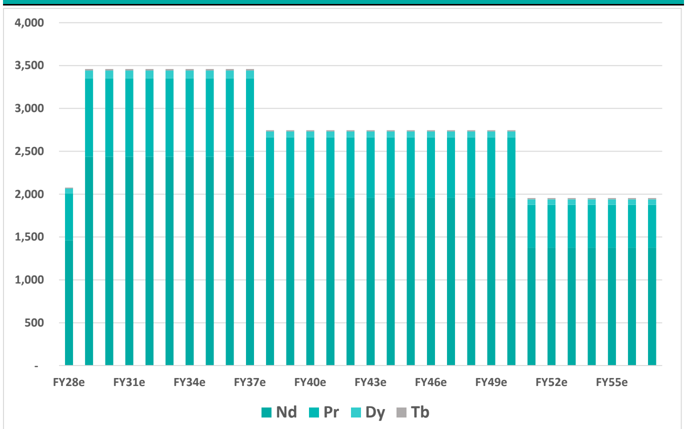
MEI released the results of a Scoping Study on its Calderia Ion-adsorption clay project in Minas Gerais Brazil. The highlights of the result are outlined below:

- Post-tax $NPV_{8\%}$ of US$699m using Adamas' price deck less a 40% discount (Avg US$111/kg NdPr over LOM) and US$16m at spot prices of US$51/kg.
- Capital Expenditure of US$297m + 35% contingency (US$403m total), sustaining capex US$6m pa.
- Opex US$13.06/t ore dry, or US$7/kg of TREO recovered vs Basket price of US$21/kg at Spot or US$45/kg on Adamas' price deck. On a payability basis this works out to be US$14/kg to US$31/kg.
- Construction commencement 1H26 with a ~21 month completion timeframe, seeing commissioning in 2H27 and production soon after.

Adjustments to our model

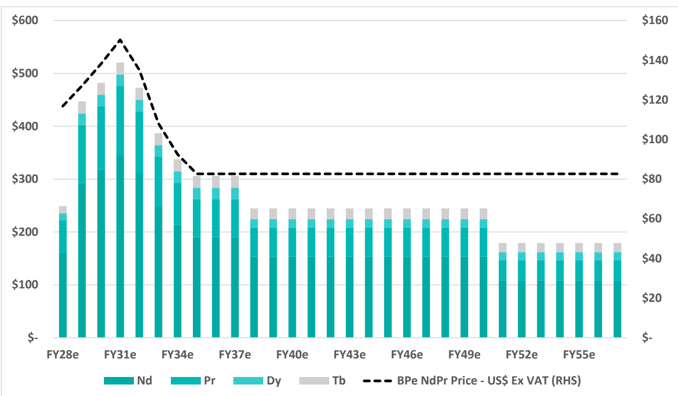
- We have maintained our operating costs at US$15/t ore processed, which was largely in-line with MEI's guidance.
- Increased Capital costs to US$403m (A$576m) for the standalone 5mtpa operation
- Increased sustaining Capex from A$1m/Qtr to A$2.14m/Qtr (US$6m pa)
- Adjusted our feed grade from 4,000ppm over first 10 years to 4,500ppm over first five years and tapered to average 20Y at 3,500ppm
- Unwound risk discounts for the Southern and Northern Zones to 25% and 40% respectively and rolled forward our valuation models.

Figure 1 – Southern Zone production profile (MREO)



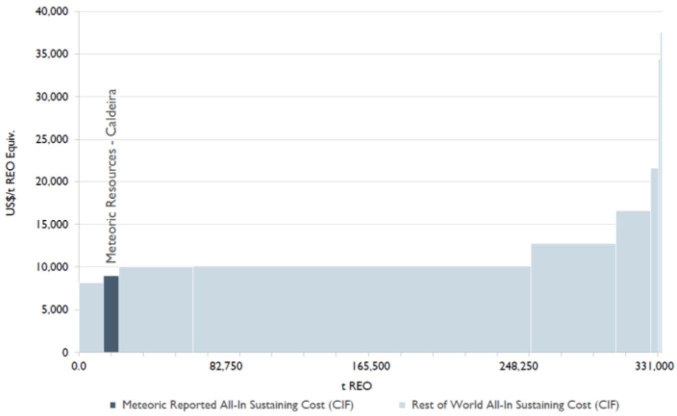
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 2 – Revenue & BPe NdPr Ex China (US$/kg less VAT)



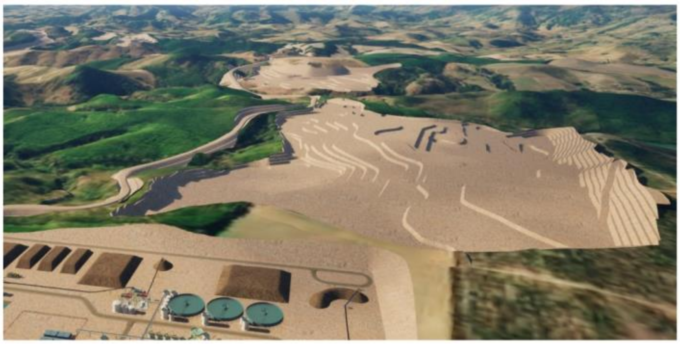
SOURCE: BELL POTTER SECURITIES ESTIMATES

Figure 3 - MEI's anticipated position on the cost curve



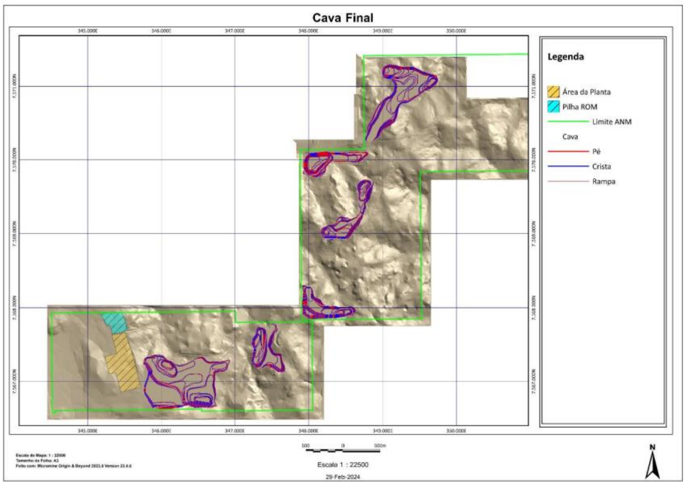
SOURCE: COMPANY DATA

Figure 4 - Starter pit & proposed plant location



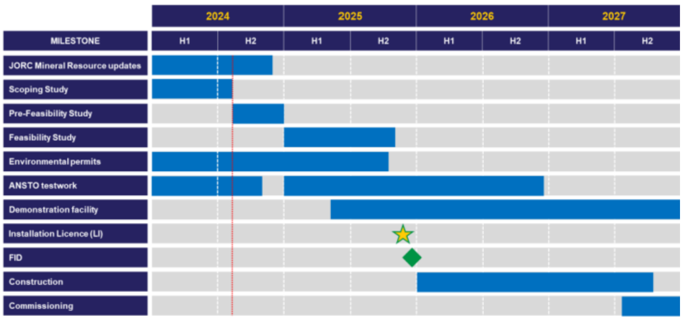
SOURCE: COMPANY DATA

Figure 5 - Pit design and plant overview



SOURCE: COMPANY DATA

Figure 6 - Timeline overview

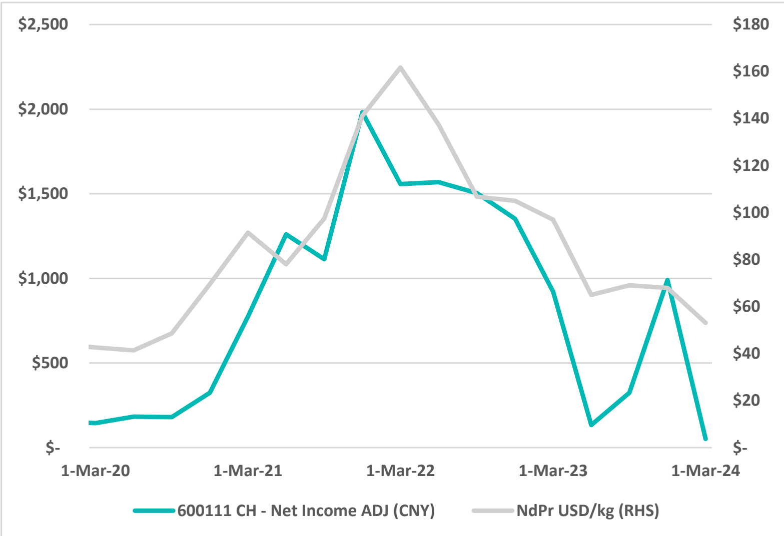


SOURCE: COMPANY DATA

Risks stacking to the upside for NdPr

China Northern 2Q a key focus –In our view, if China Northern has a tough 2Q its likely a price floor has been achieved. In Figure-1 we show Net Profit (Adj) has declined to the lowest level since 2Q17, despite a 157% increase in the Chinese official production numbers of which China Northern was a large beneficiary. Which leads the question, **When and how do rare earth prices begin to move higher?** In short, we continue to see prices painstakingly grind higher from current levels through to the end of the year**.** China domestic supply may continue to keep a lid on rapid price revisions, however not at current levels. Reports of activity over March highlighted a reduction in NdPr oxide imports into China and a reluctance of domestic miners to sell material to downstream magnet makers who's stockpiles were bottoming out. Combine this with a rapid rise in EV production globally and you have a more positive outlook for NdPr.

Figure 7 - China Northern Net profit (CNY Adj) Vs NdPr US$/kg



SOURCE: BLOOMBERG

China quotas a key focal point, maintaining stable dominance over the sector

The largest determinant of supply-side fundamentals is the, often semi-annual, increase in Chinese production and refining quotas. These quotas are set at a state level and dictate limits over production of rare earths. In 2022 the annual increase was 25%, NdPr in early 2022 was trading at US$173/kg. The annual increase dropped to ~14% in 2023, NdPr correspondingly was ~$US100/kg early on in the year and continued to slide through to the beginning of 2024. In our LYC note on 10th Jan 24 we highlighted dumping of material from China Northern heading into the Lunar New Year, forcing an out of cycle increase in the production quota which pushed NdPr to $48/kg. In Feb-24 the first instalment of quotas was confirmed at 135kt mining quota and 127kt separation quota for the first six months, which if annualised, implies a 12.5% increase.

Valuation & recommendation

Recommendation

We maintain our **Speculative Buy recommendation and a $0.40/sh Valuation** for MEI.

Valuation

We have utilised a sum-of-the-parts discounted cash flow approach to value MEI, combining a discounted present valuation to a notional development scenario for the Southern Zone and Northern Zone on a risked basis. We have included a present value for corporate overheads (-$129m) and nominal value for further exploration and expansion ($250m). To account for dilution, we have assumed a capital raise of A$260m at $0.22/sh, this we believe, will form part of the funding package for the Southern Zone. We have not factored in a capital raise for the Northern Zone. We round our valuation to the nearest 5c.

Table 1 – MEI sum-of-the-parts DCF valuation

Ordinary Shares (basic)	**m**	**1,990**
Options in the money	m	160
Diluted	**m**	1990

Sum-of-the-parts	A$m	A$/sh
Southern Zone (Stage 1) - NPV 10%, 25% risked	$536	$0.27
Northern Zone (Stage 2) - NPV 10%, 40% risked	$276	$0.14
Exploration/ Other	$250	$0.13
Corporate overheads	-$129	$(0.06)
Subtotal	$932	$0.47
Net cash (debt)	$27	$0.01
Total undiluted	**$960**	**$0.48**
Cash from options	$-	$-
Total diluted (unfunded)	**$960**	**$0.48**
Assumed raise - ($0.22 x 1,217m shares)	$260	3207 m
Total diluted + funded	**$1,220**	**$0.38**

SOURCE: BELL POTTER SECURITIES ESTIMATES

SOURCE: BELL POTTER SECURITIES ESTIMATES

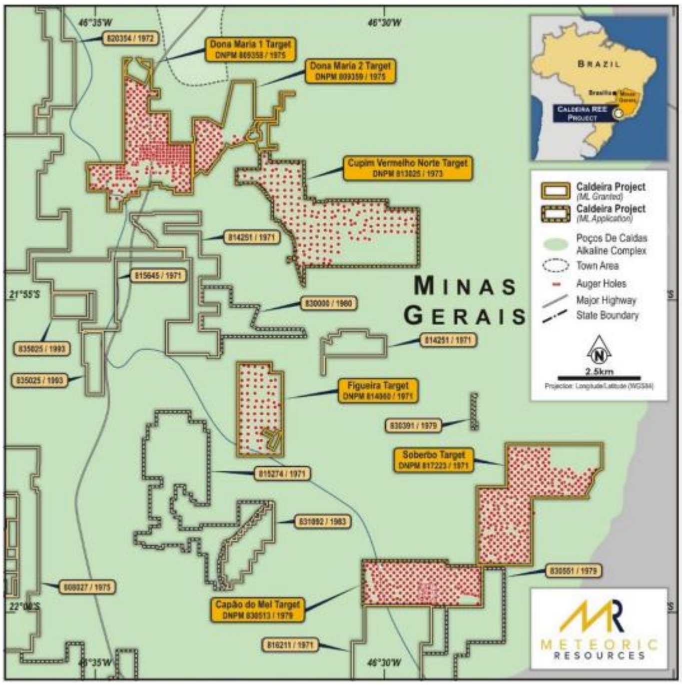
SOURCE: BELL POTTER SECURITIES ESTIMATES

Company overview

Meteoric Resources Ltd

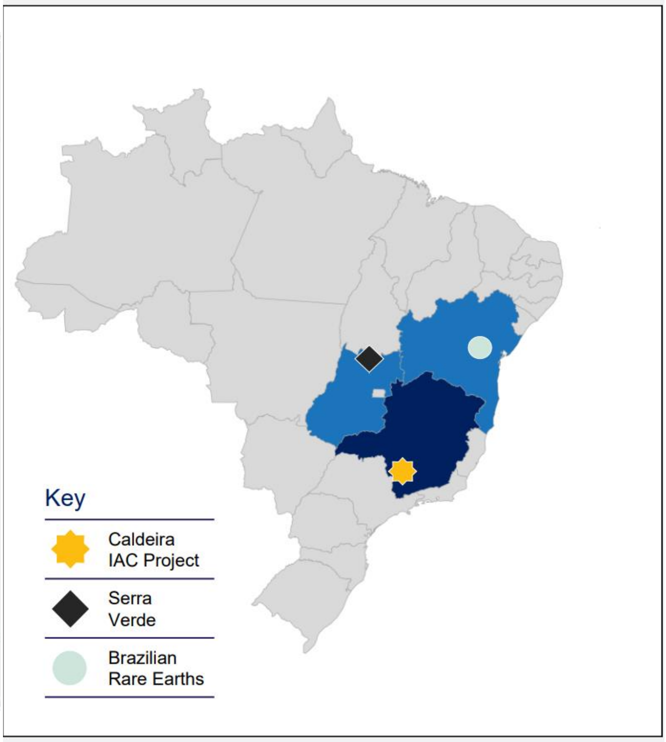
Meteoric Resources Ltd (MEI) is an ASX listed prospective rare earth developer. MEI owns the Caldeira ionic clay rare earth project in the state of Minas Gerais, Brazil. MEI also owns two non-core gold projects in Brazil and Western Australia. The Caldeira project is a uniquely high-grade ionic clay rare earth deposit, which offers lower capital intensity compared to hard-rock peers in the space, with a potentially faster path to market. Ionic clay deposits typically tend to be lower cost to process which allows for lower economic processing grades in comparison to hard-rock rare earth projects. In our analysis of MEI, we have assumed a two staged NDS, first beginning with the Southern Zone, processing 5Mtpa over 30 years producing on average ~9kt of MREC product. Under the second phase, we anticipate MEI will expand with a separate Northern zone 5Mtpa zone producing ~6.5kt of MREC.

Figure 8 - Caldeira project overview



SOURCE: COMPANY DATA

Figure 9 – Caldeira project location

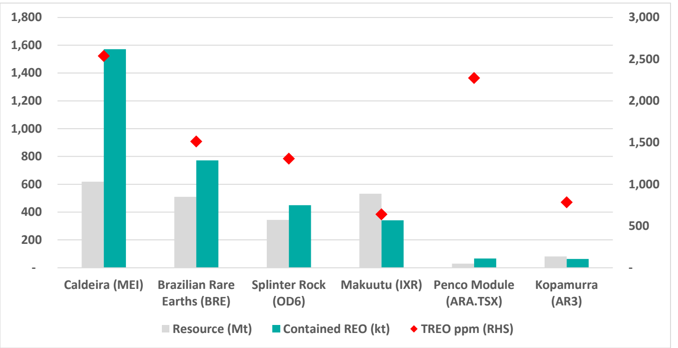


SOURCE: COMPANY DATA

The Caldeira project

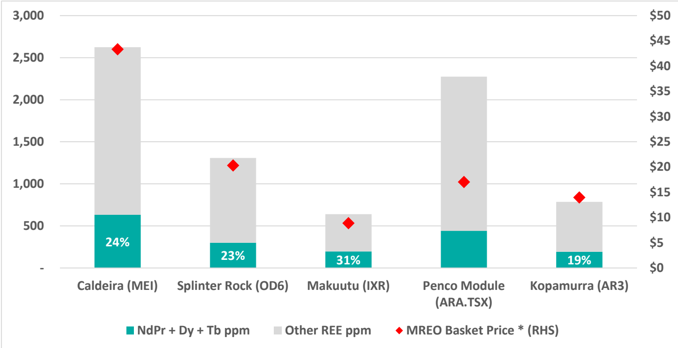
The Caldeira project is a large-scale (619Mt) high-grade (2,538ppm TREO) ionic clay rare earths project with a contained 1.571Mt TREO and a magnet rare earth oxide (MREO) to TREO enrichment of 24%. The combined higher-grade and MREO enrichment drives a higher basket price for MEI of ~US$43/t of ore at BPe long term price (US$32/t ore at spot). The Caldeira project is competitive against hard-rock peers in terms of scale, however the key differentiator is the lower capex per tonne of contained TREO in resource of A$0.2m/t.

Figure 10 - Caldeira Vs Clay rare earth deposits



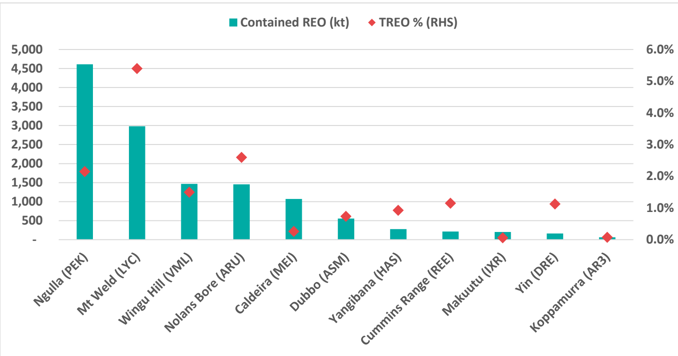
SOURCE: COMPANY DATA, BELL POTTER SECURITIES ESTIMATES

Figure 11 – Caldeira MREO & Gross Recovered MREC basket value



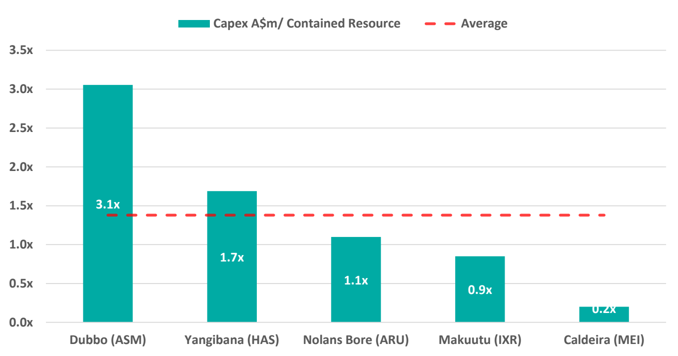
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 12 - Caldeira resource stacks up against peers



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 13 - On Capex intensity, Caldeira ahead of the pack



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Investment risks

Risks include, but are not limited to:

- **Commodity price and exchange rate fluctuations**. The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Bulk commodity producers are particularly reliant upon access to transport infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Mining companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

Meteoric Resources Ltd
as at 8 July 2024

Recommendation	Buy, Speculative
Price	$0.155
Valuation	$0.40

Table 2 - Financial summary

ASSUMPTIONS

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
COMMODITY PRICE							
Neodymium + Praesodymium Ex VAT	US$/kg	51	104	92	74	87	95
Dysprosium Ex VAT	US$/kg	199	325	290	251	251	251
Terbium Ex VAT	US$/kg	591	1,084	2,110	1,357	1,357	1,357
AUD/USD	A$/US$	0.78	0.71	0.69	0.74	0.73	0.73
PRODUCTION & COST							
TREO in MREC	tpa	-	-	-	-	-	-
NdPr in MREC	tpa	-	-	-	-	-	-
Dy + Tb in MREC	tpa	-	-	-	-	-	-
Operating cost	A$/t	-	-	-	-	-	-

PROFIT AND LOSS

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
Revenue	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Expense	A$m	(9.0)	(5.5)	(37.0)	(4.5)	(22.0)	(22.0)
EBITDA	**A$m**	(9.0)	(5.5)	(37.0)	(4.5)	(22.0)	(22.0)
Depreciation	A$m	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0
EBIT	A$m	(9.0)	(5.6)	(37.0)	(4.5)	(22.0)	(22.0)
Net interest expense	A$m	0.0	0.0	0.0	0.0	0.0	(3.3)
Unrealised gains (Impairments)	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	0.0	0.0	0.0	0.4	2.4	5.0
PBT	**A$m**	(9.0)	(5.6)	(37.0)	(4.2)	(19.6)	(20.3)
Tax expense	A$m	0.0	0.0	0.0	0.0	0.0	0.0
NPAT (reported)	**A$m**	(9.0)	(5.6)	(37.0)	(4.2)	(19.6)	(20.3)
NPAT (underlying)	A$m	(9.0)	(6.1)	(37.1)	(4.4)	(19.6)	(20.3)

CASH FLOW

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
OPERATING CASHFLOW							
Receipts	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Payments	A$m	(1.1)	(1.0)	(2.1)	(2.7)	(1.5)	(2.5)
Tax	A$m	0.0	0.0	0.0	0.0	0.0	0.0
R&D + Exploration	A$m	(6.2)	(4.1)	(14.4)	(20.8)	(20.0)	(20.0)
Other	A$m	0.0	0.0	0.0	0.1	0.0	0.0
Operating cash flow	**A$m**	(7.2)	(5.0)	(16.5)	(23.4)	(21.5)	(22.5)
INVESTING CASHFLOW							
Property, plant and equipment	A$m	(0.1)	(0.0)	(0.0)	(0.5)	0.0	(86.4)
Mine development	A$m	0.0	0.0	0.0	27.7	0.0	0.0
Other	A$m	0.5	0.0	3.9	0.0	0.0	0.0
Investing cash flow	**A$m**	0.4	(0.0)	3.9	27.2	0.0	(86.4)
Free Cash Flow	**A$m**	(6.8)	(5.0)	(12.6)	3.8	(21.5)	(108.9)
FINANCING CASHFLOW							
Share issues/(buy-backs)	A$m	4.2	2.8	25.0	4.9	267.7	0.0
Debt proceeds/ (repayments)	A$m	0.0	0.0	0.0	0.3	2.4	1.7
Dividends	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	0.0	(0.2)	3.3	0.3	(8.0)	100.0
Financing cash flow	**A$m**	4.2	2.6	28.3	5.5	262.1	101.7
Change in cash	A$m	(2.5)	(2.4)	15.7	9.3	240.6	(7.2)

BALANCE SHEET

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
ASSETS							
Cash & short term investments	A$m	4.0	1.6	17.3	24.9	265.6	258.4
Accounts receivable	A$m	0.2	0.1	0.5	0.3	0.3	0.3
Property, plant & equipment	A$m	0.1	0.1	0.1	0.8	0.8	87.2
Mine development expenditure	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Exploration & evaluation	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Other	A$m	0.9	0.3	0.2	0.5	0.5	0.5
Total assets	**A$m**	5.2	2.1	18.1	26.6	267.2	346.4
LIABILITIES							
Accounts payable	A$m	0.5	0.4	0.4	1.5	2.0	1.5
Income tax payable	A$m	0.0	0.0	0.0	0.0	0.0	0.0
Borrowings	A$m	0.0	0.0	1.8	0.0	0.0	100.0
Other	A$m	0.0	0.0	0.0	5.9	5.9	5.9
Total liabilities	**A$m**	0.5	0.4	2.2	7.4	7.9	107.4
Net Assets	A$m	5	2	16	19	259	239
SHAREHOLDER'S EQUITY							
Share capital	A$m	38.7	41.3	68.0	73.0	332.7	332.7
Reserves	A$m	6.1	6.1	30.6	33.1	33.1	33.1
Retained earnings	A$m	(40)	(46)	(83)	(87)	(107)	(127)
Total equity	**A$m**	5	2	16	19	259	239
Weighted average shares	m	1,305	1,552	1,940	3,157	3,157	3,157

FINANCIAL RATIOS

Year Ending June	Unit	FY21A	FY22A	FY23A	FY24E	FY25E	FY26E
VALUATION							
NPAT	A$m	(9)	(6)	(37)	(4)	(20)	(20)
Reported EPS	Ac/sh	(0.7)	(0.4)	(1.5)	(0.1)	(0.6)	(3.2)
Adjusted EPS	Ac/sh	(0.7)	(0.4)	(1.5)	(0.1)	(0.6)	(3.2)
EPS growth	%	10%	-48%	329%	-96%	923%	409%
Fwd PER	x	-47.5 x	-11.1 x	-280.0 x	-27.4 x	-5.4 x	-25.0 x
DPS	Ac/sh	-	-	-	-	-	-
Franking	%	0%	0%	0%	0%	0%	0%
Yield	%	0%	0%	0%	0%	0%	0%
FCF/share	Ac/sh	(0)	(0)	(0)	0	(0)	(0)
P/FCFPS	x	-17.6 x	-27.2 x	-38.1 x	22.9 x	-36.1 x	-31199.0 x
EV/EBITDA	x	-33.7 x	-55.5 x	-7.9 x	-63.0 x	-2.0 x	-6.8 x
EBITDA margin	%	0%	0%	0%	0%	0%	0%
EBIT margin	%	0%	0%	0%	0%	0%	0%
Return on assets	%	-141%	-171%	-157%	-14%	-7%	-6%
Return on equity	%	-150%	-208%	-166%	-19%	-7%	-8%
LIQUIDITY & LEVERAGE							
Net debt (cash)	$m	(4)	(2)	(16)	(25)	(266)	(158)
ND / E	%	-85%	-92%	-98%	-132%	-103%	-66%
ND / (ND + E)	%	-576%	-1108%	-4534%	410%	4015%	-197%
EBITDA / Interest	x	0.0 x	0.0 x	0.0 x	0.0 x	0.0 x	-6.8 x

ORE RESERVES AND MINERAL RESOURCES

Caldeira IAC project (100%)	Mt	TREO ppm	Mt
Mineral Resources			
Measured	11	3,888	0.04
Indicated	160	2,812	0.45
Inferred	448	2,408	1.08
Total	**619**	**2,538**	**1.57**
Ore Reserves			
Proven	-	-	-
Probable	-	-	-
Total	-	-	-

DCF VALUATION

Ordinary shares (m)						1,990
Options in the money (m)						-
Diluted m						**1,990**
		Current		**+ 12 months**		**+ 24 months**
Sum-of-the-parts valuation	**$m**	**$/sh**	**$m**	**$/sh**	**$m**	**$/sh**
Southern Zone (Stage 1) - NPV 10%, 25% risked	536	0.27	590	0.30	713	0.36
Northern Zone (Stage 2) - NPV 10%, 40% risked	276	0.14	303	0.15	334	0.17
Exploration/ Other	250	0.13	250	0.13	250	0.13
Corporate overheads	(129)	(0.06)	(129)	(0.06)	(129)	(0.06)
Subtotal	932	0.47	1,014	0.51	1,168	0.59
Net cash (debt)	27	0.01	25	0.01	266	0.13
Total (undiluted)	**960**	**0.48**	**1,039**	**0.52**	**1,433**	**0.72**
Add Options in the money (m)	-		-		-	
Add cash	-	-	-	-	-	-
Total (diluted)	**960**	**0.48**	**1,039**	**0.52**	**1,433**	**0.72**
Assumed raise - ($0.22 x 1217m shares)	260		260		260	
Total diluted + funded	**1,220**	**0.38**	**1,299**	**0.40**	**1,693**	**0.53**

CAPITAL STRUCTURE

Shares on issue	m	1,990
Escrow shares / other	m	-
Total shares on issue	**m**	**1,990**
Share price	**A$/sh**	**0.17**
Market capitalisation	A$m	308
Net cash	A$m	27
Enterprise value (undiluted)	**A$m**	**281**
Options outstanding (m)	m	-
Options in the money (m)	m	-
Issued shares (diluted for options)	m	1,990
Market capitalisation (diluted)	m	308
Net cash + options	A$m	-
Enterprise value (diluted)	**A$m**	**281**

MAJOR SHAREHOLDERS

Shareholder	%	m
Tolga Kumova	8%	160.3
Andrew Tunks	2%	41.2
Dc & Pc Holdings Pty Ltd	2%	38.5
Klare Pty Ltd	2%	33.2
	14%	**273.3**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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