



## Meteoric Resources Ltd (MEI.ASX)

*Rare earths, rare project, rare value*

### Event:

- We initiate research coverage on Meteoric Resources (MEI).

### Investment Highlights:

- Caldeira ionic clay REE with superior grades.** MEI owns 100% of the Caldeira REE project in Minas Gerais, Brazil. It contains JORC Resources of 409Mt at 2,626ppm TREO, with attractive MREO/TREO of 24.0%. Both TREO and NdPr grades are higher than peers' Resources. The Resource is open at depth and recent greenfield drilling also adds allure with best drill intercept so far of 149.5m @ 8,912ppm outside of the Resource.
- Nature of mineralisation engenders low cost mining.** The Caldeira resource is shallow from surface and flat-lying, which should facilitate low strip, together without need for drill and blast given its ionic clay setting.
- Metallurgy tops that of peers.** Historic metallurgical tests yielded average recoveries of 58% for Nd and Pr, and 47% for Dy and Tb without need for acid (pH 4, ammonium sulfate), use of ambient temperature, and short residence time. We note the recoveries are higher than other ionic clay REE peers, some of which even use acid and longer residence times.
- Low capital costs, low operating costs.** We have compared ionic clay peers' capital intensity and operating costs versus that of hard rocks from published economic studies. Hard rock average capital intensity is US\$274/t vs US\$37/t ore for ionics, while mining and process costs average US\$4/t and US\$7/t ore for ionics, vs US\$15/t and US\$127/t for hard rocks. The significant difference in processing costs shows the benefits of not using acid or high temperatures, boding well for Caldeira having a low-cost profile.
- We value Caldeira at US\$1.37b.** We assume 50% of current Resources mined, with initial ten years focusing on high-grade tonnage, processing 5Mtpa initially to produce 3.6ktpa NdPr, then expanding to 10Mtpa producing 7.2ktpa NdPr.
- Supportive local partner and government.** Vendor Togni has an agreement with MEI to work together in advancing Caldeira, Togni incentivised via performance shares. MEI has an MoU with the Minas Gerais government's Invest Minas to facilitate approvals, providing an acceleration of project timeline.

### Earnings and Valuation:

- We forecast first production and earnings in 2027,** with real 2023 Caldeira EBITDA of US\$266M at 3.6ktpa NdPr, increasing to US\$532M upon expansion in year six to 7.2ktpa NdPr.
- We value MEI at \$0.42/share based on 0.4x NPV<sub>10</sub> nominal.** Our valuation is based on our Caldeira valuation, discounted by 50%, and assumes equity:debt funding of 50:50 totalling A\$320M for capex and working capital, with equity issued near the current share price. Our unrisks NPV<sub>10</sub> is \$0.98/share, assuming no equity dilution.

### Recommendation:

- We initiate on MEI with a Buy recommendation and 12-month price target of \$0.42/share.** We expect major short-term catalysts to be: 1) Drill results; 2) Metallurgical results; 3) Resource upgrade; and 4) Scoping study.

### Disclosures

The analyst owns 73,100 MEI shares.

Foster Stockbroking and other staff own 1,200,000 MEI shares. Cranport owns 15,331,875 MEI shares.

Foster Stockbroking received fees for its assistance in the \$25M placement of MEI shares at \$0.125 in April 2023. Refer details end of report.

Recommendation	Buy
Previous	n/a
Risk	High
Price Target	\$0.42
Previous	n/a
Share price (A\$)	\$ 0.230
ASX code	MEI
52 week low-high	0.011-0.275
Valuation (A\$/share)	\$ 0.42
Methodology	risks NPV

### Capital structure

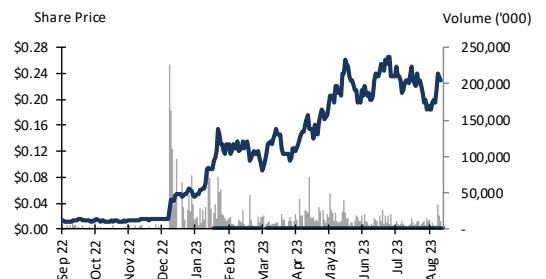
Ordinary shares (M)	1,940
Performance shares (M)	75
Performance rights (M)	36
Options (M)	49
Market cap (A\$M)	446
Net cash (debt) (A\$M)	17
EV (A\$M)	429
Ave daily volume ('000)	14,115

Y/e Jun A\$M	FY22a	FY23e	FY24e	FY25e
Sales adj	0	0	0	0
EBITDA adj.	-6	-15	-16	-13
NPAT reported	-6	-15	-15	-12
<b>NPAT adj</b>	<b>-6</b>	<b>-15</b>	<b>-15</b>	<b>-12</b>
<b>EPS adj. c</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-0.8</b>	<b>-0.5</b>
<b>P/E x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>
<b>EV/EBITDA x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>

### Board

Andrew Tunks	Executive Chair
Marcel de Carvalho	Executive Director
Paul Kitto	Non-Executive Director

### Share price graph



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