



Meteoric Resources Ltd (MEI.ASX)

Long-life, high-margin counters capex

Event:

- Scoping study review; PT change.

Investment Highlights:

- Capex higher...** The big surprise of the Caldeira scoping study was significantly higher capex of US\$403M than the market had anticipated (FSBe: US\$204M). However, it included a 35% contingency - stripping this out left US\$297M.
- ...but costs lower.** On the positive side, key was markedly lower costs, with AISC of US\$9.0/kg TREO for LOM (FSBe: US\$14.1/kg). Others were better recoveries of NdPr, Dy, and Tb, and higher TREO head grade, over the LOM. A cost curve of REE projects places Caldeira in lowest quartile, confirming the project's Tier 1 status.
- Generates earnings even at spot.** Average LOM NdPr prices used in the study were based on a 40% discount to Adamus's forecasts and in-line with our own estimates. The study also showed Caldeira even generates positive metrics at current depressed spot prices – a challenge for other REE projects, especially hard rocks. Most metrics across the first five years of mine were superior to LOM, including NdPr production, operating costs and AISC, due to the selective higher-grade REO pits targeted.
- Extending years at higher head grade likely.** MEI identified a number of opportunities to improve Caldeira's economics. These include the potential for other licences deposits to be included in the LOM. The most advanced opportunity is the Figueira deposit, likely to be in the PFS. This can potentially extend high-grade TREO feed (ca. 4,500ppm) beyond the five years of the scoping study. Other options include lengthening mine life >20 years and/or expanding mining rate (e.g. 10Mtpa).
- Commissioning targeted for 2H 2027.** The next key milestones are Figueira Resource upgrade and PFS by end 2024, with DFS expected 2H 2025. The Preliminary Licence is targeted for March 2025 and Construction Licence end 2025. Operation Licence is expected late 2026 and commissioning in 2H 2027.
- Funding discussions can accelerate.** The scoping study metrics now strengthen Caldeira's - and MEI's – appeal to both corporates seeking to secure an attractive low-cost and long-life supply of high value REEs, as well as to Government entities – such the US DoD and DoE – desiring supply strategic supply of critical REE minerals that are currently heavily sourced from China.

Earnings and Valuation:

- Share valuation falls to \$0.34 (0.4x NPV₁₀ nominal) from \$0.38 on higher capex, mostly offset by lower operating costs.** Our assumptions are in-line with the scoping study, but account for potential upside from greater LOM, expansion, and further high-grade feed. Note if we assume capex without contingency – US\$297M instead of US\$403M – our valuation increases to only \$0.37 from our base case \$0.34 – showing that despite the markedly lower capex, its impact pales against the asset's high-margin and long-life.

Recommendation:

- We maintain our Buy, reducing our 12-month price target to \$0.34 from \$0.38 based on valuation.** Catalysts include: 1) Figueira Resource upgrade; 2) PFS; 3) Preliminary licence; 4) DFS; and 5) Offtakes and financing.

Disclosures

The analyst owns 73,100 MEI shares.

Foster Stockbroking, staff, and Cranport own 1.0% of MEI shares.

Recommendation	Buy
Previous	Buy
Risk	High
Price Target	\$0.34
Previous	\$0.38
Share price (A\$)	\$ 0.140
ASX code	MEI
52 week low-high	\$0.12-0.32
Valuation (A\$/share)	\$ 0.34
Methodology	risked NPV

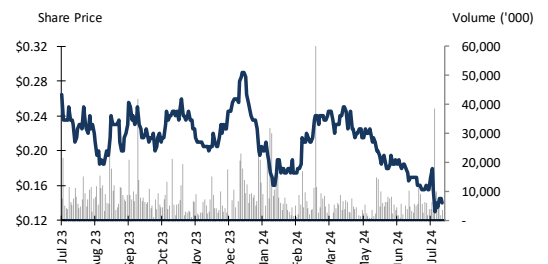
Capital structure

Ordinary shares (M)	1,990			
Performance shares (M)	75			
Performance rights (M)	92			
Options (M)	9			
Market cap (A\$M)	279			
Net cash (debt) (A\$M) est.	17			
EV (A\$M)	262			
Ave daily volume ('000)	7,541			
Y/e Jun A\$M	FY23a	FY24e	FY25e	FY26e
Sales adj	0	0	0	0
EBITDA adj.	-38	-28	-19	-13
NPAT reported	-37	0	-18	-12
NPAT adj	-38	-27	-18	-12
EPS adj. c	-0.3	-1.4	-0.9	-0.6
P/E x	nm	nm	nm	nm
EV/EBITDA x	nm	nm	nm	nm

Board

Andrew Tunks	Executive Chair
Marcel de Carvalho	Executive Director
Peter Gundy	Non-Executive Director
Paul Kitto	Non-Executive Director
Dr Nomi Prins	Non-Executive Director

Share price graph



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