

RareX Limited (ASX: REE, OTCQB: REEEF)

Equity | Australia

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VIRIATHUS[®]

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Company Description:

RareX Limited, formerly Sagon Resources Ltd, is a specialist mining and exploration company focused on developing Rare Earths deposits in Australia, including the Cummins Range Rare Earths Project in the East Kimberly region of Western Australia.

The Cummins Range deposit is a weathered carbonatite host to an Inferred Resource of 13Mt at 1.13% TREO for a contained 147 million kilograms of REO. The known Resource occupies a small portion of the Cummins Range Intrusive Complex that is approximately 2km by 2km and this offers significant potential to expand the known Resource.

Key Investment Points:

- Discovery of a significant quantity of high-grade rare earths element 'Niobium' at the company's Cummins Range project in WA.
- In the coming weeks, RareX expects to obtain another sample of assay results from its drilling. In Weld North, the company has another WA rare earths plant, also recently drilled.
- Shenge Resources is the leading manufacturer of zirconium, titanium, and rare earths. There is an opportunity for the multi-billion-dollar firm to invest in RareX's Cummins Range Rare Earths Project.
- RareX has a low CAPEX development plan focused on producing a monazite concentrate and selling it on FOB.CIF basis to downstream companies.
- The prices of Neodymium, Praseodymium, Dysprosium, and Terbium have seen a significant rise in recent months. China contributes to approximately 80% of the world's Rare Earths production.
- During the September 2020 quarter, Kincora Copper, RareX's JV partner and principal discoverer of Cadia deposit, completed a \$5.33 million capital raise to boost exploration activities at the Trundle Project. They also announced details of a major expansion of its drilling program to a further 17 diamond drill holes proposed to pursue the exploration of an economic copper-gold porphyry reserve and skarn deposit. It also seeks to discover new porphyry deposits.
- Last year, the company entered into an option agreement to purchase Talaxis Group's 24 million CREC shares. Shares in the Canada Rare Earths Business swelled to 18 cents per share since the agreement. The surge in share prices gives an unrealized benefit of \$3.47 million to RareX, raising its holding in CREC to C\$4.46 million (approximately A\$4.52 million).
- The primary activities, i.e. resource upgrade, metallurgical test, and drill planning, are scheduled to be performed in the first half of 2021.

Financial Data (AUD):

Share Price:	0.125
Market Capitalization (mln):	54.205
Shares Outstanding (mln):	433.64
Float (mln):	252.2
Average Volume (90 Day approx.):	5.04
52 Week Range:	0.013 – 0.205
Exchange:	ASX



Recent Milestones:

- RareX secured a strategic A\$2.75 million investment by prominent resource investor Mr. Simon Lee AO via a share placement comprising 25 million new fully paid ordinary shares at A\$0.11 per share.
- Given the significant interest in essential minerals globally, the company has caused its shares to be quoted on the OTCQB market in North America. This cross-listing allows RareX to adopt a strategy that may other ASX-listed companies have used to grow their investor base in North America for the Rare Earths industry at a highly favorable time.

Corporate Contact Information:



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Balance Sheet (AUS) (Mil)	June 2020
Cash	3.425
Assets	7.869
Shareholders' Equity	6.350
Non-Current Liabilities	Nil
NCL to Equity Ratio	0%

P&L Data AUS (Mil)	2019	2020
Revenues	0.10	Nil
R&D	Nil	Nil
Pre-tax Loss	2.209	6.688
Net Loss	2.209	6.688
EPS	(0.02)	(0.02)

Cash flow: (AUS) (Mil)	2019	2020
From Operations	1.177	1.349
Used in Investing	0.444	0.131
From Financing	0.690	4.216
Net Change in Cash	0.043	2.998

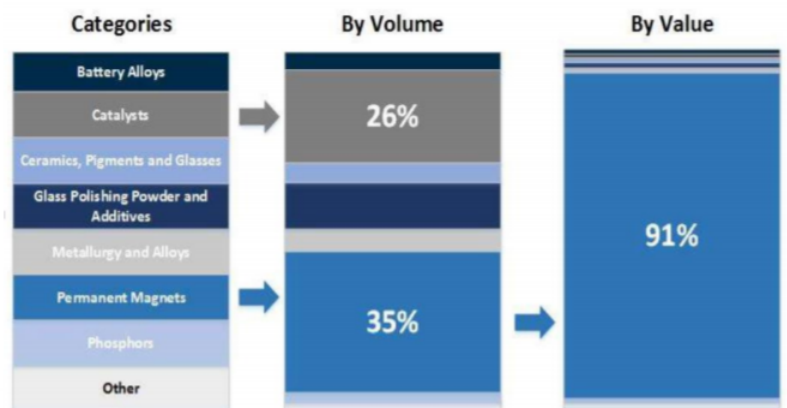
Financial Metrics



Industry Overview

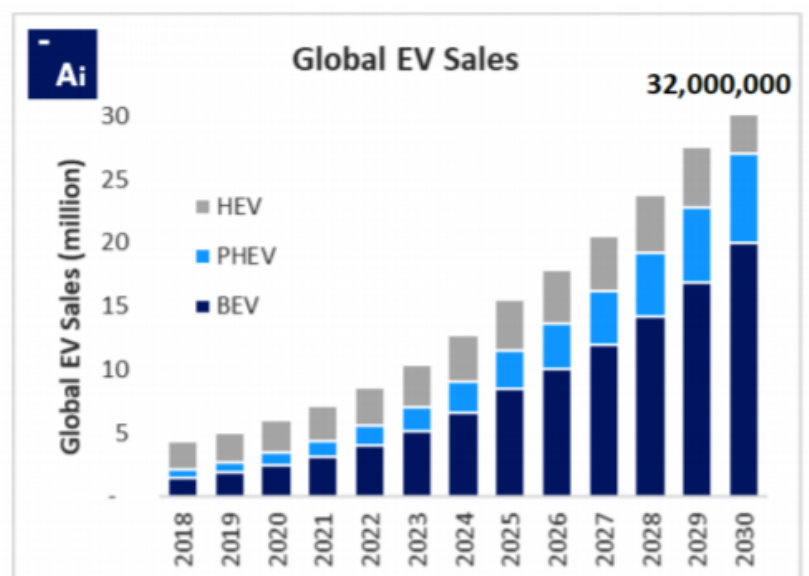
RARE EARTHS MARKET GROWTH

- Rare Earths, classified as Light Rare Earth Elements (LREE) and Heavy Rare Earths Elements (HREE), comprises 17 elements critical to the modern world economy.



Source: Adamas Intelligence

- China is the dominant producer of rare earths and rare earths magnets, accounting for 80% of the global output. It is now a gross rare earths exporter but become a net rare earths importer due to the demand and supply-side's systemic change.
- The end-user prefers the potential supply to come from “sustainable” deposits such as Cummins Range in the hard rock western world.
- The price of NdPr is on the rise for the last 3 months, in line with the other rare earths.
- As China transforms into a net importer of rare earths, significant structural changes are underway.



Source: Adamas Intelligence

RARE EARTHS – Prices on the Rise

- China dominates the production of rare earths and Rare Earths magnets, historically accounting for 80% of global production.
- Neodymium (Nd), Praseodymium (Pr), Dysprosium (Dy), and Terbium prices have been surging rapidly over the past 3 months.

Ndodymium – US\$88,548/t



Source: Company Presentation

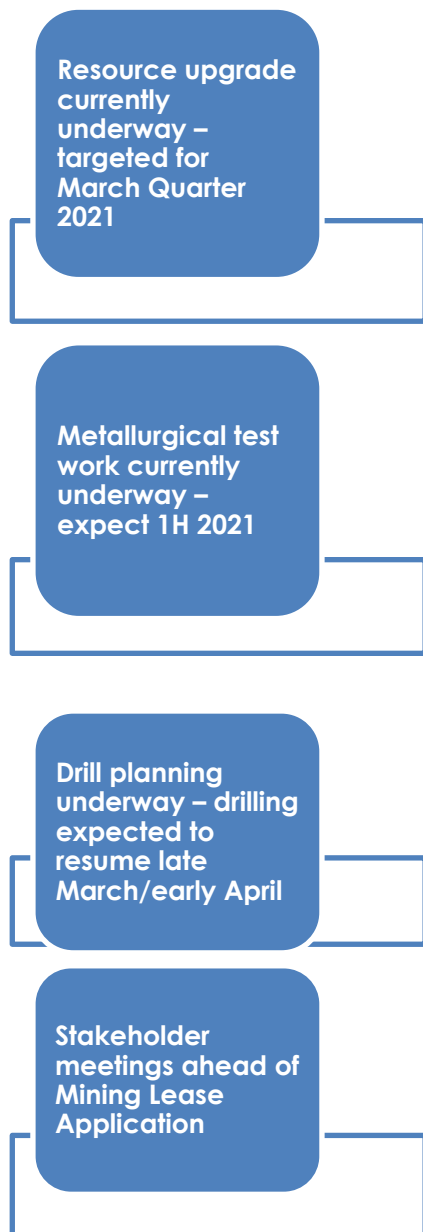
Dysprosium – US\$372,000/t



Source: Company Presentation

Company Overview

RareX Limited is a specialist company focused on developing Rare Earths deposits in Australia including Cummins Range Rare Earths Project in the east Kimberly region of Western Australia with significant exposure to copper-gold exploration in the world-class Lachlan Fold Belt of NSW.

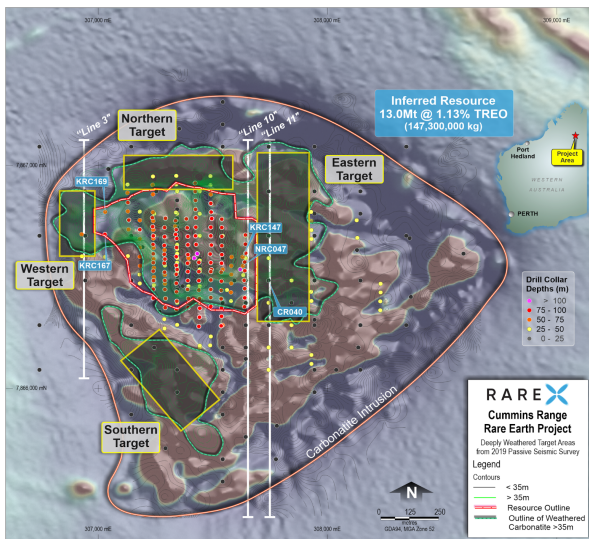


- Strategically located asset: 100%-owned Cummins Range Rare Earths Project in Western Australia – Tier 1 mining jurisdiction.
- Significant maiden JORC 2012 Rare Earths Mineral Resource: Inferred Resource of 13Mt at 1.13% TREO with 22.1% NdPr.
- Outstanding assays from recent resource drilling up to 70m at 5.4% TREO and 0.64% Nb₂O₅.
- Landmark oU executed with US\$4.6B global rare earths giant, Shenghe Resources.
- Rare Earths Prices up strongly in recent months.
- High-quality exposure to Lachlan Fold Belt exploration: via 35% stake in Trundle Project with Kinkora Copper (RareX owns 7.8% of Kinkora).

Cummins Range Rare Earths Project

- Advanced, high-quality Rare Earths Project located in a Tier-1 mining jurisdiction: Located in the Kimberley region of Western Australia.
- Airstrip and township nearby: Located 130km from Halls Creek Township and Airstrip.
- Accessibility: Reachable via Great Northern Highway, Tanami Track and pastoral tracks.
- Established mining district: Located near Northern Minerals' Browns Range Rare Earth Mine and Pantoro's Nicholson's Gold Mine.
- Port Facilities: Potential access to Wyndham and Darwin Ports.

Substantial Maiden JORC 2012 Resource

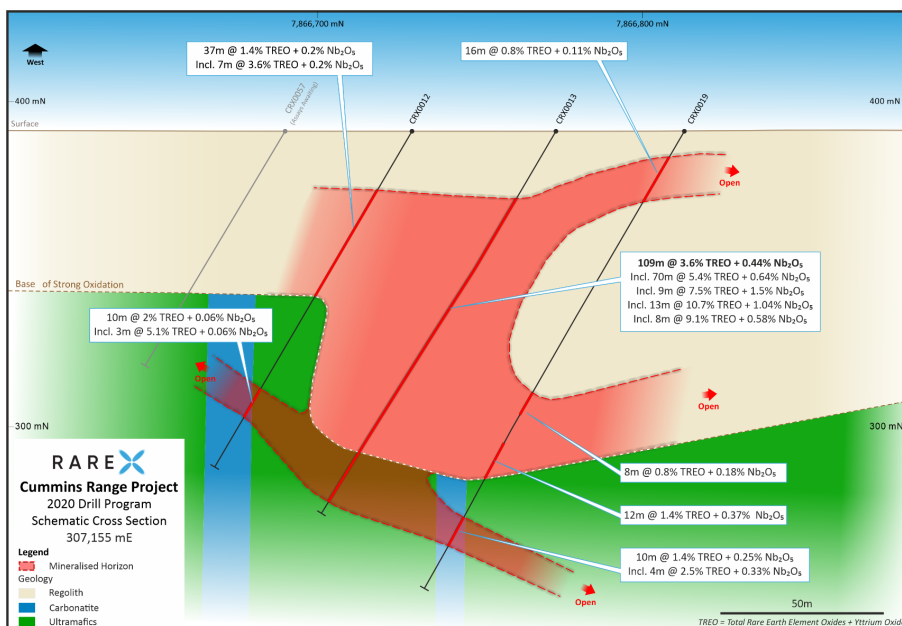


- In a study conducted in October 2019, the Maiden 2012 Inferred Mineral resource for Cummins range is estimated at a significant 13Mt at 1.13% TREO.
- Neodymium and Praseodymium “NdPr” content of the Cummins Range project stands at 22.1%. Ultra-low thorium of 50ppm ThO₂ was also found. On average, these are attractive characteristics when compared with other mineral sands projects.
- The Weathered carbonatite with REE mineralization is mostly hosted within the laterite horizon (same at Mt Weld). The deposit outcrops have dimension amenable to low strip ratio open-pit mining.
- In July 2020, RareX announced that its drilling campaign had commenced at Cummins Range for the first time after 2011, making a significant milestone for the company.

Tonnes (Mt)	Grade (TREO)	TREO (kg)
13.0	1.13%	147,300,000
(Source: RareX Limited Annual Report)		

Recent High-Grade Drill Results

- Spectacular recent results from 2020 drill program include:
 - 109m at 3.6% TREO and 0.44% Nb₂O₅
 - 90m at 3.8% TREO and 0.29% Nb₂O₅
 - 41m at 4.0% TREO an 0.21% Nb₂O₅
- Highlights high grade NW trending channel.
- Niobium represents potential highly valuable by-product – worth over 3 times rare earths basket price.



Management & Board of Directors

John Young
Chairman

Mr. Young is a highly experienced geologist and was co-founder and executive director of a successful ASX200 lithium producer – Pilbara Minerals Limited. Mr. Young played a critical role in growing Pilbara from a junior ASX-listed company to a globally significant \$2 billion lithium producer in the Pilbara region of Western Australia. Mr. Young currently serves as a non-executive director of ASX-listed Bardoc Gold Limited and Trek Metals Ltd.

Jeremy Robinson
Executive Director & Managing Director

Mr. Robinson is the founder of RareX that was acquired by Sagon. Mr. Robinson has worked in both the capital markets and in-house for junior and mid-cap mining companies for the past 15 years. Mr. Robinson is an experienced mining executive having held senior roles at Mungana Goldmines Limited and Apex Minerals Limited. Mr. Robinson holds a Bachelor of Commerce from the University of Western Australia majoring in Corporate Finance, Investment Finance and Marketing.

Shaun Hardcastle
Non-Executive Director

Mr. Hardcastle has over 10 years of experience as a corporate and finance lawyer and extensive experience in corporate governance, risk management and compliance. He has been involved in a broad range of cross-border and domestic transactions including joint ventures, corporate restructuring, project finance, resources and asset/equity sales and acquisitions. Mr. Hardcastle has practiced law both in Australia and overseas and is a partner at Bellanhouse Lawyers. He is currently a non-executive director of ASX listed companies Hawkstone Mining Limited and Schrole Group Limited.

Cameron Henry
Non-Executive Director

Mr. Henry is the founding Managing Director of ASX-listed engineering firm, Primero Group Limited, where he has led the Company's strategic and operational direction resulting in its successful listing on the ASX in 2018 and rapid growth globally. He has been instrumental in positioning the Group to grow within the resources sector as a leader in sub-\$150 million CAPEX EPC projects, ensuring it can differentiate its services offering across design, construction, and operation. Primero now operates in several regions globally with annual revenues of approximately AS\$200 million. Mr. Henry has over 20 years of industry experience in the development and delivery of minerals processing, energy and infrastructure projects across Australia, Indonesia, North and South America.

Oonagh Malone
Company Secretary

Ms. Malone is a principal of a corporate advisory firm which provides company secretarial and administrative services. She has over 9 years' experience in administrative support roles for listed exploration companies and is a member of the Governance Institute of Australia. Ms. Malone is a non-executive director of Hawkstone Mining Limited and Carbine Resources Limited. She is currently company secretary to ASX listed companies Boss Resources Limited, Bunji Corporation Limited, Caprice Resources Limited, Clancy Exploration Limited, Hawkstone Mining Limited, and New Century Resources Limited.

Gavin Beer
Lead Consultant Metallurgist

Mr. Gavin Beer has more than 30 years' experience in technical and operational roles in the mining industry with the last 12 being exclusively within the Rare Earth and Technology Metals sector. Mr. Beer is a Chartered Professional and a Member of the Australian Institute of Mining and Metallurgy and is qualified as a Competent Person for both JORC and NI 43-101 reporting with respect to his metallurgical expertise. Mr. Beer has been responsible for the development of flow sheets for 8 rare earth projects globally and is recognised as one of the world's preeminent metallurgical experts in the rare earth industry. Mr. Beer is the founder and principal of Met-Chem Consulting Pty Ltd, a specialist consultancy focused on rare earths and critical metals processing. Met-Chem has been engaged by more than 20 rare earth companies globally including Hastings Technology Metals Ltd, Pensana Metals Ltd, and Mkango Resources Ltd. Mr. Beer was previously the General Manager Metallurgy of Peak Resources Limited

and Manager Metallurgy of Arafura Resources Limited. Mr. Beer will be responsible for supervising the metallurgical testwork and flowsheet design and optimisation at the Cummins Range Rare Earths Project.

Guy Moulang
Head of Exploration

Mr. Guy Moulang has more than 15 years' experience in technology metals, base metals and gold exploration. Mr. Moulang has a Bachelor of Science from James Cook University and is a Member of the Australian Institute of Geoscientists (AIG). Mr. Moulang spent 10 years at Kagara Ltd where he played an integral role in taking Kagara from an ASX-listed junior to an ASX 200 company with a market capitalisation of A\$1.5 billion through the discovery and drill out of multiple base metal orebodies. Mr. Moulang will be responsible for overseeing the Sagon's exploration activities at Cummins Range Rare Earths Projec

Jason Meyers
Consultant Geophysicist

Mr. Meyers founded Resource Potentials in 2001 and is a Principal Geophysicist and Director of the company. Jayson has a BSc in geology from California State University (1987), MSc in geochemistry (University of Miami, 1989) and PhD in geophysics (University of Miami, 1995). His broad, global understanding of geology and exploration has contributed towards new discoveries, especially in the search for gold, manganese, iron, base metals, industrial metals, coal, diamonds and hydrocarbons. Experienced with project management, evaluation, due diligence, land access, native title cooperation, environmental issues, local legal and political frameworks, and contract negotiations. A long research and teaching association with Curtin University and CRCs in the area of geophysical exploration for blind mineral deposits under regolith cover or along deep structures. Mr. Meyers was awarded (joint) the Laric Hawkins Award in 2000 for the Most Innovative Use of a Geophysical Technique presented by the Australian Society of Exploration Geophysicists, and is an author of many peer reviewed articles. Mr. Meyers is a member of AIG (fellow), ASEG, AGU, Soc Econ Geol

Income Statement

For the Fiscal Period Ending	12 months Jun-30-2017	Reclassified 12 months Jun-30-2018	12 months Jun-30-2019	12 months Jun-30-2020
Currency	AUD	AUD	AUD	AUD
Revenue	-	-	-	-
Other Revenue	-	-	0.1	-
Total Revenue	-	-	0.1	-
Cost of Goods Sold	0.412	0.233	0.326	1.455
Gross Profit	(0.412)	(0.233)	(0.226)	(1.455)
Selling General & Admin Exp.	0.216	0.445	0.479	0.538
Exploration/Drilling Costs	0.075	0.303	0.452	0.678
Stock-Based Compensation	0.29	0.608	0.084	0.562
R & D Exp.	-	-	-	-
Depreciation & Amort.	0.005	0.004	0.004	-
Impair. of Oil, Gas & Mineral Prop.	-	-	0.05	-
Other Operating Expense/(Income)	0.02	-	-	-
Other Operating Exp., Total	0.607	1.361	1.069	1.778
Operating Income	(1.019)	(1.593)	(1.295)	(3.233)
Interest Expense	-	-	-	-
Interest and Invest. Income	0.024	0.014	0.004	0.015
Net Interest Exp.	0.024	0.014	0.004	0.015
Currency Exchange Gains (Loss)	-	-	(0.002)	(0.002)
Other Non-Operating Inc. (Exp.)	-	-	(0.02)	0.033
EBT Excl. Unusual Items	(0.995)	(1.58)	(1.313)	(3.187)
Merger & Related Restruct. Charges	-	-	-	(6.095)
Impairment of Goodwill	-	-	-	-
Gain (Loss) On Sale Of Invest.	-	(0.178)	(1.518)	1.293
Gain (Loss) On Sale Of Assets	(0.003)	0.482	0.621	1.301
Other Unusual Items	-	-	-	-
EBT Incl. Unusual Items	(0.999)	(1.276)	(2.209)	(6.688)
Income Tax Expense	-	-	-	-
Earnings from Cont. Ops.	(0.999)	(1.276)	(2.209)	(6.688)
Earnings of Discontinued Ops.	-	-	-	-
Extraord. Item & Account. Change	-	-	-	-
Net Income to Company	(0.999)	(1.276)	(2.209)	(6.688)
Minority Int. in Earnings	-	-	-	-
Net Income	(0.999)	(1.276)	(2.209)	(6.688)
NI to Common Incl Extra Items	(0.999)	(1.276)	(2.209)	(6.688)
NI to Common Excl. Extra Items	(0.999)	(1.276)	(2.209)	(6.688)
Per Share Items				
Diluted EPS	(0.01)	(0.01)	(0.02)	(0.02)
Weighted Avg. Diluted Shares Out.	104.173	116.41	137.167	270.07

Balance Sheet

Balance Sheet as of:	Jun-30-2017	Jun-30-2018	Jun-30-2019	Jun-30-2020
Currency	AUD	AUD	AUD	AUD
ASSETS				
Cash and Equivalents	1.463	0.47	0.427	3.425
Trading Asset Securities	-	-	0.308	-
Total Cash & ST Investments	1.463	0.47	0.735	3.425
Accounts Receivable	-	-	-	-
Other Receivables	0.011	0.037	0.184	0.048
Total Receivables	0.011	0.037	0.184	0.048
Prepaid Exp.	0.012	0.01	0.009	0.014
Restricted Cash	0.132	0.134	-	-
Other Current Assets	-	-	0.09	0.09
Total Current Assets	1.619	0.651	1.018	3.577
Gross Property, Plant & Equipment	0.06	1.744	0.522	1.739
Accumulated Depreciation	(0.052)	(0.056)	(0.017)	(0.017)
Net Property, Plant & Equipment	0.008	1.688	0.505	1.723
Long-term Investments	-	0.278	-	2.389
Other Intangibles	-	-	-	-
Other Long-Term Assets	-	-	-	-
Total Assets	1.627	2.616	1.523	7.689
LIABILITIES				
Accounts Payable	0.007	0.051	0.097	0.124
Accrued Exp.	0.043	0.047	0.069	0.194
Unearned Revenue, Current	-	-	-	-
Other Current Liabilities	-	-	-	1.021
Total Current Liabilities	0.05	0.097	0.166	1.339
Other Non-Current Liabilities	-	-	-	-
Total Liabilities	0.05	0.097	0.166	1.339
Common Stock	17.426	19.456	20.406	29.605
Additional Paid In Capital	-	-	-	-
Retained Earnings	(17.94)	(19.216)	(21.425)	(28.113)
Treasury Stock	-	-	-	-
Comprehensive Inc. and Other	2.091	2.279	2.376	4.858
Total Common Equity	1.577	2.519	1.357	6.35
Total Equity	1.577	2.519	1.357	6.35
Total Liabilities and Equity	1.627	2.616	1.523	7.689

Cash Flow

For the Fiscal Period Ending	12 months Jun-30-2017	12 months Jun-30-2018	12 months Jun-30-2019	12 months Jun-30-2020
Currency	AUD	AUD	AUD	AUD
Net Income	(0.999)	(1.276)	(2.209)	(6.688)
Depreciation & Amort.	0.005	0.004	0.004	-
Impair. of Oil, Gas & Mineral Prop.	-	-	0.05	-
Depreciation & Amort., Total	0.005	0.004	0.054	-
Other Amortization	-	-	-	-
(Gain) Loss From Sale Of Assets	0.003	(0.278)	(0.721)	(1.301)
(Gain) Loss On Sale Of Invest.	-	(0.026)	1.518	(1.293)
Asset Writedown & Restructuring Costs	-	-	0	-
Stock-Based Compensation	0.406	0.608	0.099	1.903
Other Operating Activities	0.02	-	0.006	6.095
Change in Acc. Receivable	0.009	(0.028)	0.009	(0.031)
Change in Acc. Payable	(0.178)	0.047	0.069	(0.048)
Change in Other Net Operating Assets	(0.008)	0.003	(0.001)	0.014
Cash from Ops.	(0.742)	(0.945)	(1.177)	(1.349)
Capital Expenditure	-	(0.063)	(0.297)	(0.558)
Sale of Property, Plant, and Equipment	0.005	-	0.238	0.198
Cash Acquisitions	-	-	-	0.0
Divestitures	-	-	-	-
Sale (Purchase) of Intangible assets	-	-	0.1	-
Invest. in Marketable & Equity Secur.	-	0.026	0.267	0.49
Net (Inc.) Dec. in Loans Originated/Sold	-	-	-	-
Other Investing Activities	-	-	0.135	-
Cash from Investing	0.005	(0.037)	0.444	0.131
Short Term Debt Issued	-	-	-	-
Long-Term Debt Issued	-	-	-	-
Total Debt Issued	-	-	-	-
Short Term Debt Repaid	-	-	-	-
Long-Term Debt Repaid	-	-	-	-
Total Debt Repaid	-	-	-	-
Issuance of Common Stock	0.35	0.001	0.75	4.52
Total Dividends Paid	-	-	-	-
Special Dividend Paid	-	-	-	-
Other Financing Activities	(0.019)	(0.011)	(0.06)	(0.304)
Cash from Financing	0.331	(0.01)	0.69	4.216
Foreign Exchange Rate Adj.	-	-	0.0	0.0
Net Change in Cash	(0.406)	(0.993)	(0.043)	2.998

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