China Northern Rare Earth

Strong cash generation, but growth constraints

Equities

China

Non-Ferrous Metals

12-month rating	**Neutral**
	Prior : Buy
12m price target	**Rmb36.18**
	Prior : Rmb26.00
Price (09 Oct 2026)	**Rmb35.01**

RIC: 600111.SS **BBG:** 600111 CH

Trading data and key metrics

52-wk range	Rmb62.40-34.50
Market cap.	Rmb127b/US$18.9b
Shares o/s	3,615m (ORDA)
Free float	54%
Avg. daily volume ('000)	53,420
Avg. daily value (m)	Rmb2,147.2
Common s/h equity (12/26E)	Rmb28.4b
P/BV (12/26E)	4.5x
Net debt to EBITDA (12/26E)	0.1x

EPS (UBS, diluted) (CNY)

	From	To	% ch	Cons.
12/26E	1.48	1.17	-21	1.19
12/27E	1.75	1.41	-19	1.50
12/28E	1.97	1.71	-13	1.88

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Cost leader in global light rare-earth industry

We assume coverage of China Northern Rare Earth (CNRE), the world's largest producer of light rare earths by 2025 volume. CNRE's main product is neodymium-praseodymium (NdPr) oxide, a key material for NdFeB, which has wide applications within EVs, wind power and other electric motor systems. We **raise our price target to Rmb36.18 but downgrade the stock to Neutral**. Although we expect CNRE to generate solid cash flow during its operating life under our revised assumption of NdPr oxide at US$110/kg, given its cost advantage, we see ex-China light rare earth projects accelerating after the introduction of the floor price, which will likely impact CNRE's growth rate in the medium to long term, in our view.

Solid cash flow generation at our NdPr oxide price forecast of US$110/kg

We forecast China's NdPr oxide prices to stabilise at US$110/kg in the long run, 33% higher than our previous forecast, mainly because China: 1) has no incentive to push prices below US$110/kg, which is the ex-China floor price set for NdPr oxide in July 2025; 2) can exert significant control over NdPr oxide prices via its rare earth quota system (promoting more disciplined effective supply) and excess capacity (to satisfy demand growth). Our analysis of NdPr cash costs reveals CNRE-Baotou Steel Group **has the lowest cash cost** among global producers. Under our US$110/kg forecast, we think CNRE may generate an average 18% GPM after sharing profits with Baotou Steel Group. As a result, CNRE could report free cash flow of over Rmb2bn a year.

Development of ex-China rare earth projects may constrain CNRE's growth

Based on our analysis of global cash costs and incentivised prices for NdPr oxide, we estimate the weighted average incentivised price to be **US$108/kg for NdPr oxide** for pure ex-China rare earth mining, separation and refining projects. Hence, with a floor price of US$110/kg for NdPr (subsidised by the US Department of Defense), many ex-China light rare earth projects become economically viable for development. After a detailed review, we find that the development of ex-China rare earth projects has accelerated after the US introduced the floor price in July 2025. Although we estimate limited impact before 2030 (CNRE's market share down from 36% to 32%), we expect the ex-China floor price to affect CNRE's growth after 2030 due to a lower reinvestment rate, as the company will likely need to be more disciplined in its expansion. We thus cut the medium-term growth rate from 5% to 4.2%.

Valuation: Raise our PT to Rmb36.18 but downgrade from Buy to Neutral

Based on a DCF methodology (WACC of 8.2% and a medium-term growth rate of 4.2%), we derive a price target of Rmb36.18 (Rmb26.00 prior). Our new PT implies a 27x 12-month forward PE, lower than the 10-year average of 42x. Our lower PE multiple looks reasonable, mainly attributable to a lower EPS CAGR of 28% over 2025-30E, compared with a 10-year CAGR of 47% over 2016-26E.

Highlights (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenues	33,497	32,966	42,563	51,741	55,649	60,077	64,983	67,412
EBIT (UBS)	3,461	1,850	3,485	7,362	7,443	8,933	10,599	11,087
Net earnings (UBS)	2,371	1,004	2,251	4,242	5,098	6,166	7,349	7,695
EPS (UBS, diluted) (Rmb)	0.66	0.28	0.62	1.17	1.41	1.71	2.03	2.13
DPS (net) (Rmb)	0.07	0.04	0.13	0.35	0.42	0.51	0.61	0.64
Net (debt) / cash	(1,640)	(2,951)	(3,876)	(1,017)	0	2,885	7,643	13,248
Profitability/valuation	**12/23**	**12/24**	**12/25**	**12/26E**	**12/27E**	**12/28E**	**12/29E**	**12/30E**
EBIT (UBS) margin %	10.3	5.6	8.2	14.2	13.4	14.9	16.3	16.4
ROIC (EBIT) %	13.3	6.6	11.3	21.7	20.0	22.0	24.5	24.6
EV/EBITDA (UBS core) x	23.1	29.6	29.6	16.1	15.6	13.1	10.9	10.2
P/E (UBS, diluted) x	36.6	69.4	55.0	29.8	24.8	20.5	17.2	16.4
Equity FCF (UBS) yield %	0.8	(1.5)	(0.5)	2.4	2.1	3.8	5.5	6.4
Dividend yield (net) %	0.3	0.2	0.4	1.0	1.2	1.5	1.7	1.8

Source: Company accounts, LSEG Eikon, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of Rmb 35.01 on 09-Oct-2026

This report has been prepared by UBS Securities Asia Limited. **ANALYST CERTIFICATION AND REQUIRED DISCLOSURES, INCLUDING INFORMATION ON THE QUANTITATIVE RESEARCH REVIEW PUBLISHED BY UBS, BEGIN ON PAGE 16.**

UBS Research THESIS MAP a guide to our thinking and what´s where in this report

PIVOTAL QUESTIONS

Q: Can CNRE deliver solid cash flow at our NdPr oxide price forecast of US$110/kg?
Yes. We forecast China's NdPr oxide prices to stabilise at US$110/kg in the long run, 33% higher than our previous forecast, mainly because China: 1) has no incentive to push prices below US$110/kg, which is the ex-China floor price set for NdPr oxide in July 2025; 2) can exert significant control over NdPr oxide prices via its rare earth quota system (promoting more disciplined effective supply) and excess capacity (to satisfy demand growth). Our analysis of NdPr cash costs reveals CNRE-Baotou Steel Group **has the lowest cash cost** among global producers. Under our US$110/kg forecast, we think CNRE may generate an average 18% GPM after sharing profits with Baotou Steel Group. As a result, CNRE could report free cash flow of over Rmb2bn a year.

Q: Will CNRE's valuation face downside risk due to the development of ex-China projects?
Yes, we therefore cut the medium-term growth rate from 5% to 4.2% in our valuation. Based on our analysis of global cash costs and incentivised prices for NdPr oxide, we estimate the weighted average incentivised price to be **US$108/kg for NdPr oxide** for pure ex-China rare earth mining, separation and refining projects. Hence, with a floor price of US$110/kg NdPr (subsidised by the US Department of Defense), many ex-China light rare earth projects become economically viable for development. We recently reviewed the development progress of ex-China rare earth projects after the US introduced the floor price in July 2025 and find that the development of ex-China rare earth projects has accelerated. Though we estimate a limited impact before 2030 (CNRE's market share down from 36% to 32%), we expect ex-China floor prices to impact CNRE's growth after 2030 due to a lower reinvestment rate as the company will likely need to be more disciplined in its expansion.

UBSVIEW

We forecast China's NdPr oxide prices to stabilise at US$110/kg. As a result, we believe CNRE can generate free cash flow of over Rmb2bn a year. We also reflect the potential downside valuation risk by cutting the medium-term growth rate from 5% to 4.2%, which we attribute to a lower reinvestment rate as we expect CNRE to be more disciplined in its projected expansion given the accelerating development of ex-China rare earth projects under a floor price of US$110/kg for NdPr. Based on a DCF methodology (WACC of 8.2% and a medium-term growth rate of 4.2%), we derive a price target of Rmb36.18.

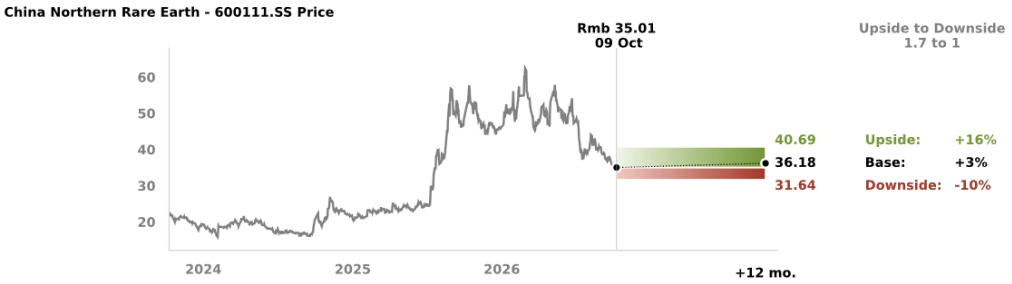
EVIDENCE

Since July 2025, China's NdPr oxide price has increased from US$59/kg to US$95/kg, mainly through tighter management of refining and separation quotas, i.e. China's supply was up only 6%/5% in 2025/2026E while China's demand (including exports) rose 7%/7% YoY.

WHAT´S PRICED IN?

CNRE is trading at 26x 12-month forward PE, 0.8SD below the historical mean of 42x. Our new price target implies a 27x 12-month forward PE, lower than its 10-year average of 42x. The lower PE multiple looks reasonable, mainly due to a lower EPS CAGR of 28% over 2025-30E, compared with a 10-year CAGR of 47% over 2016-26E.

UPSIDE/DOWNSIDE SPECTRUM



Value drivers	NdPr oxide price (long-term price; US$/kg)	Rare earth concentrate price (long-term price; US$/kg)	Separation and refining quota in 2027E (tonne REO)
Rmb40.69 upside	120	5,400	190,000
Rmb36.18 base	110	5,000	185,061
Rmb31.64 downside	100	4,500	180,000

Source: UBS estimates. Note: REO = rare earth oxide.

COMPANY DESCRIPTION

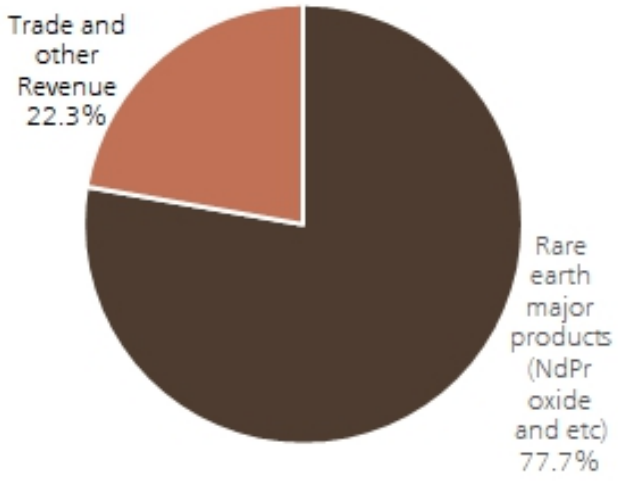
CNRE is the largest rare earth producer in the world by 2025 volume, with core businesses spanning the separation, smelting and processing of rare earth products. CNRE leverages its access to the Bayan Obo deposit, the world's largest rare earth resources by 2025 resources volume and owned by CNRE's biggest shareholder, Baotou Steel.

What does the company do?

Controlled by Baotou Steel Group, CNRE is the exclusive processor of rare earth concentrate sourced from the Bayan Obo deposit, the world's largest light rare earth resource. Under the concentrate supply arrangement with Baotou Steel (600010.SH), another subsidiary of the Baotou Steel Group, part of the value created by changes in rare earth prices is shared between the two entities. CNRE currently operates around 210ktpa of REO separation capacity and 100ktpa of magnetic material capacity, while continuing to expand into higher-value magnetic materials through a series of NdFeB alloy and magnet projects. CNRE primarily sells rare earth oxides, metals and magnetic materials to domestic magnet manufacturers and advanced materials companies, with 98% of its FY25 revenue from domestic markets. Through its downstream customers, the company's products are used in EVs, wind turbines, industrial motors, robotics and consumer electronics.

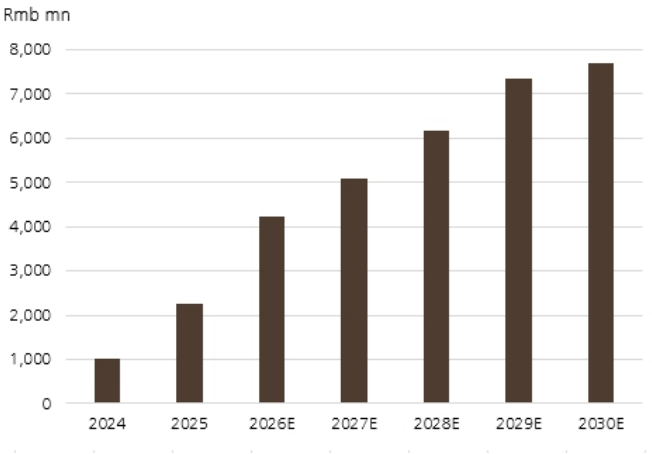
Notable shareholder: CNRE is controlled by Baotou Steel Group, which owns around 38% of the company as of 30 June 2026. CNRE is eligible for Northbound Stock Connect. Institutional ownership is primarily concentrated in domestic mutual funds, index funds and rare-earth thematic ETFs.

Figure 1: Revenue mix (2026E)



Source: UBS estimates

Figure 2: Our forecasts for net profit attributable to shareholders



Source: Company data, UBS estimates

Key estimate changes

We raise the long-term price of NdPr oxide in China to US$110/kg, up 33% compared with our last update and 73% compared with the average spot price for NdPr oxide in 2025. NdPr oxide is the major finished product of CNRE. At the same time, we increase our long-term cost estimate for CNRE's raw materials (i.e. rare earth concentrate) by 32% compared with our last update, mainly reflecting the profit split between CNRE and Baotou Steel, CNRE's supplier of rare earth concentrate and its biggest shareholder.

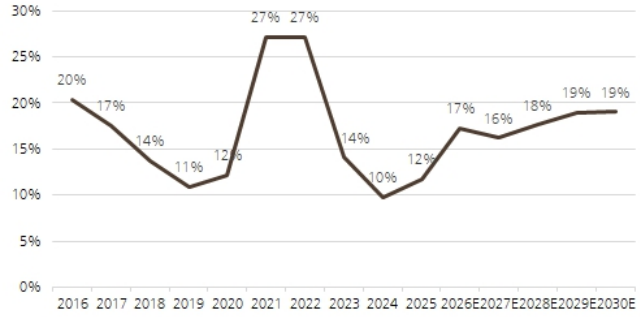
For 2026, we expect NdPr oxide's spot price to capture much of the upside in our price assumption, rising 35% YoY. For 2027-30, we expect the price of NdPr oxide to gradually increase to our long-term price forecast of US$110/kg. We expect the spot price of rare earth concentrate to broadly follow the spot price growth trend of NdPr oxide. However, due to the First In, First Out (FIFO) accounting rule, we expect CNRE to use low-cost raw materials in 2026 and forecast its GPM to expand by 5.5ppt in 2026, as we expect the price of finished goods to increase faster than raw material costs. For 2027, we expect CNRE's GPM to contract by 1ppt because we expect CNRE to consume raw materials procured in 2026, the cost of which is likely to increase faster than the price of finished goods in 2027E. For 2028-30, we expect finished goods' prices to grow

slightly faster than the growth rate of raw material costs and hence we forecast GPM to expand gradually to 19%.

We cut 2026-28E EPS by 13-21%, mainly due to our lower sales volume estimates for NdPr oxide than before, as China has tightened quota controls. We forecast the EPS CAGR to slow down from the historical average of 47% over 2016-26 to 28% over 2025-30. The slowdown is mainly driven by the larger size of the market today and the resulting moderation in volume growth. We expect CNRE's capex to decline in 2029 after it completes the construction of its existing expansion projects in downstream magnetic materials. Overall, we expect future capacity expansion to become more disciplined.

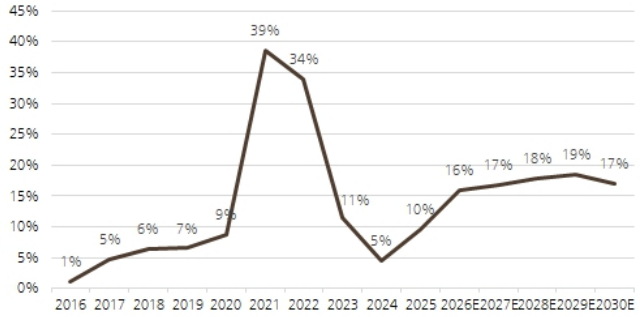
In the past, the rare earth industry was largely cyclical, with prices set by supply and demand in China. Between 2016 and 2025, ROE ranged from 1.1% to 38.7%. Now, we believe prices are likely to be less volatile, as policy factors (including US subsidised prices) and geopolitics are playing an increasingly important role in price formation. Under our revised price assumption of US$110/kg for NdPr, we forecast a more stable ROE of 15-18.5% for 2026-30. We note that CNRE's ROE averaged 15% over the past 10 years, during which the average NdPr price was US$60/kg.

Figure 3: CNRE's GPM



Source: Company data, UBS estimates

Figure 4: CNRE's ROE



Source: Company data, UBS estimates

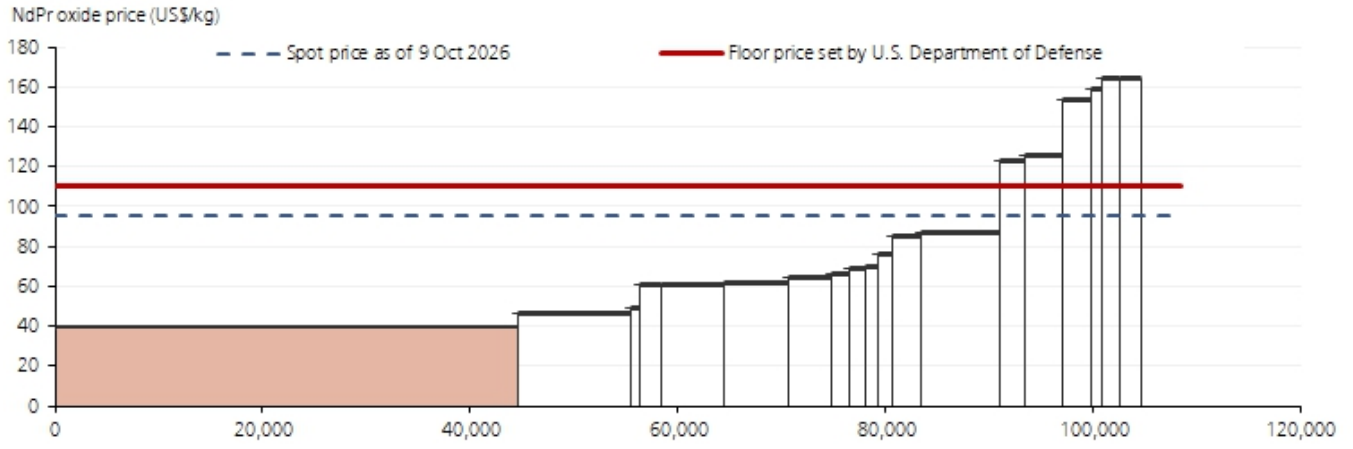
Rare earth – incentivised prices in China vs. ex-China

We acknowledge the efforts being made by Western countries to develop rare earth supply chains outside China. However, we expect China to maintain its dominance in the rare earth and PM industry, supported by its extensive and diversified rare earth resources, including light REE and medium-heavy REE deposits, its established refining and separation capabilities, and its ability to expand capacity relatively quickly. More importantly, we expect China to have a cost advantage across the rare earth and PM value chain, which we believe is a key factor supporting its continued competitive position.

For NdPr oxide, we estimate:

- The weighted average incentivised price for rare earth mining and refining projects in **China** to be **US$43/kg for NdPr oxide in China**, with **light REE projects averaging at US$27/kg and medium-heavy REE projects averaging at US $68/kg**.
- The weighted average incentivised price for rare earth supply sourced from mines in **Southeast Asia** (primarily medium-heavy RE mines in Myanmar) and refined in China to be **US$75/kg**.
- For the **fully integrated ex-China rare earth mining and refining projects**, the weighted average incentivised price to be **US$108/kg**, excluding greenfield projects with incentivised prices above US$200/kg.
- With a floor price of US$110/kg (subsidised by the US Department of Defense), many ex-China light rare earth projects are likely to become economically viable for development.

Figure 5: Incentivised price of global rare earth mining and refining projects with target return of 20% (US$/kg NdPr oxide; tonnes of NdPr oxide)



Source: Company data, Wood Mackenzie, UBS estimates. Note: The red box represents the consolidated Baotou Steel-CNRE entity.

The above conclusion is based on our analysis of: 1) the operating costs of existing rare earth mine/refining projects in China and outside China; and 2) incentivised prices of rare earth mine/refining projects in China and outside China. In our analysis, we make the following assumptions and clarifications.

- We assume that all rare earth mine and refining projects are fully integrated to exclude profit allocation between miners and refineries, as the price of rare earth feedstock follows the price trend of rare earth oxides.
- Opex includes the C1 cash cost related to the projects, including the cash cost related to mining, refining, transportation costs of intermediate products such as rare earth concentrates, and selling, general and administrative (SG&A) expenses of the mine and refining projects.
- The incentivised price is calculated based on a target return of 20% on the total

cost of the projects, including capex, opex, royalties and sustaining capex, while excluding interest expenses and SG&A expenses incurred at the operator level rather than the project level.

- The unit cost and incentivised price are presented as the cost/price per tonne of NdPr oxide, which is typically the key product delivered to downstream PM materials producers. We also include by-product credits from other key REE products, such as Dy oxide and Tb oxide, to offset costs.
- For projects in the pipeline, we reference their feasibility studies and economic assessments, while applying an inflation factor based on the project's development stage and stated or estimated commissioning year.
- We do not include government subsidies in our analysis. That said, we note that higher government subsidies would reduce the incentivised price required for project development.

Operating Cost

Mining: In our study, we find that rare earth mining projects in China and ex-China have similar operating costs, which are driven primarily by ore grade. Major light rare earth mines, such as Bastnaesite and Monazite, have lower operating costs than the major medium-heavy rare earth mines, such as IAC mines, mainly due to their higher REO grade in ore deposits.

However, even at similar or lower ore grades, rare earth mines in China generally have lower operating costs than mines outside of China, mainly due to lower labour costs. The weighted average operating cost of light rare earth mines in China is 20% lower than the weighted average operating cost of light rare earth mines outside of China, based on our calculation.

Refining: Operating costs of refineries outside of China are much higher than those in China, mainly attributed to higher unit costs of reagents, labour and electricity, as well as lower utilisation rates due to less mature refining and separation technology. Some ex-China refinery facilities have operating costs that are double or triple those in China.

Refineries' operating costs vary depending on the number of REEs that are separated. In general, the greater the number of REEs separated, the higher the operating costs. As a result, the operating costs of medium-heavy rare earth refineries are typically much higher (three times or more) than those of light rare earth refineries. However, by-product credits of medium-heavy rare earth refineries are also typically higher (often around double those of light rare earth refineries), partially offsetting this cost disadvantage.

Capex

Rare earth mining is generally not highly capital-intensive. However, rare earth refining and separation require substantial capex, with environmental compliance-related investment representing a significant component. In recent years, we have observed project capex increasing during the construction phase relative to initial planning estimates.

Overall, the capex intensity of China's rare earth mining and refining projects is usually 30-60% lower than that of comparable projects outside China. Not to mention that there is excess refining and separation capacity in China. In our study, we exclude excess refining and separation capacity and assume that each new mining project would be associated with a new refinery.

Rare earth – the footprint outside of China

Amid heightened competition between China and Western countries in the rare earth sector, China has implemented a licensing-based export control regime covering select medium and heavy rare earth materials, magnets and related technologies. CNRE's key product is not currently within the scope of these export controls. Following the introduction of China's export control regime, the US introduced a floor price of US $110/kg for NdPr oxide.

Based on our analysis of global cash cost and incentivised prices for NdPr oxide, we estimate the weighted average incentivised price to be **US$108/kg for NdPr oxide** for pure ex-China rare earth mining, separation and refining projects. Therefore, at a NdPr floor price of US$110/kg (subsidised by the US Department of Defense), many ex-China light rare earth projects are likely to become economically viable for development.

We recently reviewed the development progress of ex-China rare earth projects after the US introduced the floor price in July 2025 and find that the development of ex-China rare earth projects has accelerated since then. Under the most favourable scenario for ex-China rare earth projects (i.e. with ready access to the required technology and equipment), we estimate CNRE's market share in global NdPr production could decline from 36% in 2025 to 32% in 2030, and the impact is likely to be limited. However, we expect the ex-China floor price to impact CNRE's growth after 2030, due to potentially lower reinvestment rates as the company is likely to be more disciplined in its expansion.

Mining & beneficiation: Not a major bottleneck, but development timelines remain lengthy

Figure 6: Operating rare earth mines outside of China

Country	Mine	Operator	Status	Capacity in REO tonne
U.S.	Mountain Pass	MP Materials	Operating	50,692
Australia	Mt Weld	Lynas	Operating	13,089
Brazil	Pela Emma	Serra Verde	Operating	5,000
Australia	Balranald	Illuka	Operating	4,000
India	BSM mine	IREL	Operating	2,900
Russia	Lovozersky	SMW	Operating	2,600
Vietnam	Yen Phu	Thai Duong	Operating	1,000

Source: Company data, Wood Mackenzie, UBS

Figure 7: Ex-China rare earth mines in pipelines: Planned capacity and capex

Country	Mine	Operator	Status	Stated first production	Capacity				CAPEX of mine project (US$mn)*	Funding	Refining and Separation
					Rare Earth Concentrate in tonne	Rare Earth Concentrate in REO tonne	NdPr Oxide (tonne)	Dy-Tb Oxide (tonne)			
Australia	Eneabba	Iluka	Stockpiling	2022	21,000	12,400	2,700	-	32	Funded	Integrated - Eneabba
Australia	Wimmera	Iluka	DFS in progress	2030+	15,000	8,550	1,500	180	-	-	Integrated - Eneabba
Australia	Browns Range	Northern Minerals	FEED	2028/2029	30,500	5,500	-	-	-	Funding	Integrated - Eneabba
Australia	Yangibana - Stage 1	Wyloo / Hastings	DFS completed	2028	37,000	9,990	3,400	-	233	Funding	-
Australia	Goschen	VHM limited	Pre-FID	2027	4,300	-	-	-	-	Partially funded	Integrated - Eneabba
Australia	Cannie	VHM limited	Exploration	n.a.	-	-	-	-	-	-	-
Australia	Nolans	Arafura	Construction	2029	340,000	-	4,440	573	1,191	Funded	Integrated - Nolan
Australia	Dubbo	Energy Fuels	PFS	n.a.	-	-	1,342	164	1,189	Funded	-
Australia	Donald	Energy Fuels	BFS	2028	8,000 - 14,000	-	800 - 1,400	-	-	-	Integrated - White Mesa Mill
Australia	North Stanmore	Victory Metals	PFS completed	2029+	29,000	-	-	-	109	-	-
Brazil	Monte Alto	Brazilian Rare Earths	Exploration	2030	-	-	-	-	969	-	Integrated - Camaçari Refinery
Brazil	Ema	Brazilian Critical Minerals	FEED	2028+	-	5,920	-	-	101	-	On-site MREC production, separation n.a.
Brazil	Caldeira	Metioric	DFS completed	2028	-	12,500	3,700	122	453	-	-
Brazil	Colossus	Viridis	DFS completed	2028	-	-	2,843	-	449	Partially funded	On-site MREC production, separation Solvay La Rfochelle
Brazil	Bahia	Energy Fuels	Exploration	2030	3,000	-	300	-	-	-	Integrated - White Mesa Mill
Brazil	Carina	Aclara	FS completed	2028	-	4,378	1,152	177	781	-	Integrated - Aclara
Chile	Penco Module	Aclara	FS in progress	2028	-	-	125	50	129	Partially funded	Integrated - Aclara
Madagascar	Vara Mada	Energy Fuels	FS	2028	26,100	-	2,600	-	911	-	Integrated - White Mesa Mill
Tanzania	Ngualla	Shenghe	DFS completed	2028	-	16,200	3,600	-	320	Partially funded	-
U.S.	Round Top	USA Rare Earth	PFS in progress	2028	-	4,300	-	-	-	-	Integrated - USA Rare Earth
U.S.	Halleck Creek	American Rare Earth	PFS in progress	n.a.	-	-	-	-	-	-	-
U.S.	Bear Lodge	Rare Element Resources	Permitting in pr	2030+	-	-	-	-	-	-	-
Vietnam	Dong Pao	VTRE	Suspended	n.a.	-	10,000-30,000	-	-	-	Partially funded	Integrated - VTRE
Greenland	Tanbreez	Critical Metals	BFS	n.a.	-	8,500	-	-	-	-	Separation - Ucore Louisiana Facility
Malawi	Kangankunde	Lindian Resources	Construction	2026	15,300	8,451	-	-	-	Funded	SARECO MREC Plant
Malawi	Songwe	Mkango	DFS completed	2029+	-	6,000	1,935	56	325	-	Separation - Pulawy Separation Plant
Angola	Longonjo	Pensana	Construction	2027	20,000	-	-	-	250	Partially funded	-
South Africa	Zandkopsdrift	Frontier Rare Earths	DFS	2030	-	-	3,038	-	-	Partially funded	Separation - Caremag Facility
South Africa	Steenkampskraal	Steenkampskraal	Construction	2026	-	-	-	-		Funded	-
Sweden	Norra Karr	Leading Edge	PFS in progress	2030+	-	-	-	-	-	-	-
Canada	Tardiff	Vital Metals	PFS in progress	2030+	56,000	-	-	-	291	-	-
Canada	Wicheeda	Defense Metals	PFS completed	2030+	-	-	-	-	-	-	-
Canada	Strange Lake	Torngat Metals	BFS in progress	2029+	-	15,000	-	-	1,460	Partially funded	-

Source: Company data, Wood Mackenzie, UBS

Refining & separation: Development of ex-China rare earth projects has accelerated after the US introduced the floor price in July 2025

Figure 8: Ex-China rare earth refining and separation facility: Operating and in pipelines (summarised before July 2025)

Operator	Refining and Seperation facility	Country	Status	Stated first production	Capacity			CAPEX of refining project (US$mn)
					Separated REO tonne	NdPr oxide (tonne)	HREE oxide (tonne)	
Lynas	LAMP	Malaysia	Operating	2012	11,000	7,200	-	372
	LAMP - Expansion	Malaysia	Ramping up	2024	11,000	3,300	-	117
	LAMP - Heavy REE	Malaysia	Pre-production	2025	-	-	1,500	25
	Texas Processing Facility	U.S.	Construction	2026	7,500 - 8,000	1,000 - 1,300	2,500 - 3,000	-
MP Materials	MP Materials Processing Facility	U.S.	Operating	2023	20,000	6,075	-	-
NPM	NPM Silmet AS	Estonia	Operating	-	2,500	-	-	-
Iluka	Eneabba Rare Earths Refinery	Australia	Construction	2027	17,500	5,500	750	1,170
Arafura	Nolans Rare Earths Refinery	Australia	Funded	-	-	4,440	573	1,226
Energy Fuels	White Mesa Mill	U.S.	Qualification	2024	10,000	1,048	62	-
	White Mesa Mill - Expansion	U.S.	BFS	2028	50,000	5,000	200 - 300	-
Aclara	Aclara Technologies	U.S.	Planning	2029-2030	-	-	-	350
USA Rare Earths	USA Rare Earths Refinery	U.S.	R&D	2030+	-	-	-	-
VTRE	VTRE Refinery (Dong Pao)	Vietnam	Suspended	-	5,000	-	-	-

Source: Company data, UBS

Figure 9: Ex-China rare earth refining and separation facility: Operating and in pipelines (summarised in Sep 2026)

Operator	Refining and Seperation facility	Country	Status	Stated first production	Capacity			CAPEX of refining project (US$mn)
					Separated REO tonne	NdPr oxide (tonne)	HREE oxide (tonne)	
Lynas	LAMP	Malaysia	Operating	2012	11,000	7,200	-	372
	LAMP - Expansion	Malaysia	Operating	2024	11,000	3,300	-	117
	LAMP - Heavy REE	Malaysia	Commissioning	2025	-	-	1,500	25
	Texas Processing Facility	U.S.	Funding redirected	-	7,500 - 8,000	1,000 - 1,300	2,500 - 3,000	-
MP Materials	MP Materials Processing Facility	U.S.	Operating	2023	20,000	6,075	200	-
NPM	Silmet	Estonia	Operating	-	2,500	-	-	-
	Silmet - Heavy REE	Estonia	Commissioning	2026	-	-	-	-
Iluka	Eneabba Rare Earths Refinery	Australia	Construction	2027	17,500	5,500	750	1,250
Arafura	Nolans Rare Earths Refinery	Australia	FID	2029+	-	4,440	573	1,226
Energy Fuels	White Mesa Mill	U.S.	Operating	2024	10,000	1,048	62	-
	White Mesa Mill - Expansion	U.S.	BFS	2029	50,000	5,000	200 - 300	-
Aclara	Louisiana Separation Plant	U.S.	Planning	2028	-	-	-	350
USA Rare Earth	USA Rare Earths Refinery	U.S.	R&D	2030+	-	-	-	-
USA Rare Earth/Carester	Caremag Facility	France	Construction	2026	5,000	800	150	-
VTRE	VTRE Refinery (Dong Pao)	Vietnam	Suspended	-	5,000	-	-	-
Rainbow	Phalaborwa	South Africa	DFS	2028+	-	1,900	-	-
Ionic Rare Earths	Belfast	Northern Ireland	FEED	2028+	400	-	-	-
Brazilian Rare Earths	Camaçari Refinery	Brazil	Planning	2031	-	-	-	-
Ucore Rare Metals	Ucore Louisiana facility	U.S.	Construction	2027	7,500	-	-	-
Mkango/Grupa Azoty Pulawy	Pulawy Rare Earth Separation Plant	Poland	PFS completed	2029+	-	-	-	-
Lindian Resources	SARECO MREC Processing Facility	Kazakhstan	Operating	2012	1,500	-	-	-
Frontier	Zandkopsdrift	South Africa	DFS	2030	-	3,000	-	-
IREL	IREL Rare Earth Division, Aluva	India	Operating	-	-	450	-	-
Solvay	La Rochelle	France	Commissioning	2026	4,500	-	-	-
SRC	SRC Rare Earth Processing	Canada	Commissioning	2026	-	525	30	-
REEtec	RE1 Separation Plant	Norway	Construction	2026+	-	720	-	-

Source: Company data, UBS

Figure 10: Global NdPr supply-demand

Global NdPr Supply	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
China	20,369	20,369	20,369	23,200	25,167	26,545	31,971	40,149	48,659	51,414	54,093	56,736	59,525	62,469	65,577	68,857
Australia	3,176	4,499	5,380	5,581	5,608	4,853	5,366	5,828	6,016	6,198	7,935	10,875	12,445	15,579	19,060	22,156
U.S.	852	-	-	2,600	3,989	5,561	6,126	6,139	6,002	6,566	6,697	6,697	6,697	6,697	6,697	6,697
Myanmar	85	965	4,308	7,333	6,203	7,652	7,574	5,126	15,566	9,571	9,954	9,954	10,153	10,356	10,564	10,775
Other countries and regions	1,596	1,923	2,985	2,634	2,467	2,388	2,549	2,643	5,286	7,029	7,147	7,147	7,208	7,271	7,334	7,399
Total global primary supply of NdPr	26,078	27,757	33,042	41,349	43,435	46,999	53,587	59,885	81,530	80,778	85,825	91,409	96,028	102,372	109,232	115,884
Secondary supply (Recycling)	9,585	10,005	11,238	11,810	12,898	13,082	14,073	15,526	16,863	17,975	19,589	21,283	23,058	24,962	26,958	29,115
Total global primary and secondary supply of NdPr	35,663	37,762	44,280	53,159	56,332	60,081	67,659	75,411	98,393	98,753	105,414	112,691	119,086	127,334	136,190	144,999
% YoY		*6%*	*17%*	*20%*	*6%*	*7%*	*13%*	*11%*	*30%*	*0%*	*7%*	*7%*	*6%*	*7%*	*7%*	*6%*
Global NdPr Demand	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Magnetic demand	39,717	41,337	46,305	48,897	53,298	57,834	65,286	66,420	72,927	81,189	89,694	98,496	107,487	115,857	125,126	135,136
Non-magnetic demand	1,973	2,167	2,352	2,536	2,719	2,563	2,800	2,614	2,640	2,681	2,698	2,687	2,784	2,923	3,005	3,152
Total global NdPr demand	41,690	43,504	48,657	51,433	56,017	60,397	68,086	69,034	75,567	83,870	92,392	101,183	110,271	118,780	128,130	138,287
% YoY		*4%*	*12%*	*6%*	*9%*	*8%*	*13%*	*1%*	*9%*	*11%*	*10%*	*10%*	*9%*	*8%*	*8%*	*8%*
Supply - Demand Balance (+ surplus/- deficit)	(6,027)	(5,742)	(4,378)	1,726	316	(316)	(427)	6,378	22,826	14,883	13,022	11,508	8,816	8,553	8,060	6,712

Source: Company data, Wood Mackenzie, USGS, China Customs, Japan Customs, UBS estimates

WHAT'S PRICED IN?

CNRE is trading at Rmb35.10 as of 9 October



Source: UBS estimates

Based on a DCF methodology (WACC of 8.2% and a medium-term growth rate of 4.2%), we derive a price target of Rmb36.18. We cut the medium-term growth rate from 5% to 4.2% in our valuation, mainly to reflect the downside valuation risk as the development of ex-China light rare earth projects has been accelerating.

Figure 12: CNRE's DCF valuation

3-stage DCF and price target **Rmb 36.18**

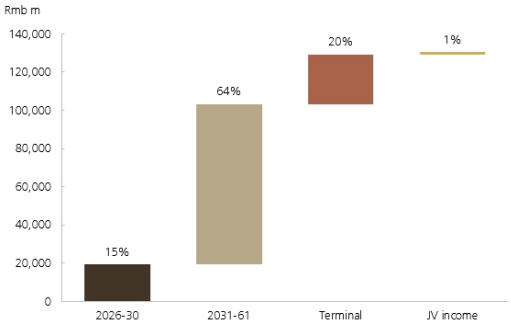
Inputs for DCF valuation

Medium-term growth period	30
Reinvestment rate	28.0%
Medium-term ROIC	15.0%
Medium-term growth rate	4.2%
Terminal growth rate	3.6%
Terminal ROIC	8.2%
WACC derivation	
Risk-free rate	3.0%
Equity risk premium	5.9%
Beta	1.2
Cost of equity	10.1%
Cost of debt	4.0%
Marginal tax rate	16.0%
After tax cost of debt	3.4%
Debt / total capital	28.0%
WACC	8.2%
Cash flow period and Valuation inputs	
Price target year	2026
Net debt (at FY-start 2026)	1,017
Minority interests (at FY-start 2026)	8,551
Value of non-core operations	1,427

Valuation summary

	(Rmb)
Stage 1 DCF	19,202
Stage 2 DCF	83,964
Stage 3 Terminal value	25,951
Non-core operations	1,427
Total enterprise value	**130,544**
Less:	
Net debt	1,017
Minority interests	8,551
NPV (Rmb m)	**120,975**
NPV (Rmb m)	120,975
Shares outstanding (m)	3,615
Price target (Rmb)	**36.18**
Currency	
Reporting	Rmb
Trading	Rmb
Spot rate: Rmb per Rmb	1.00

Contributions to DCF-based enterprise value



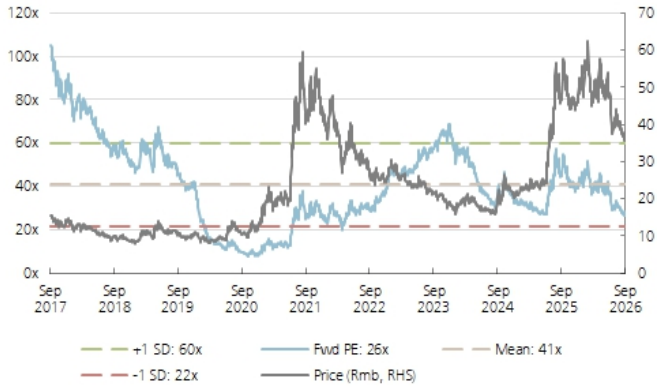
Source: UBS estimates

Although we cut EPS in 2026-28E, we raise our estimates for free cash flow for 2030E due to a higher NdPr oxide price assumption, higher margin expectations and lower capex. Consequently, even though we cut the medium-term growth rate from 5% to 4.2%, we derive a higher Stage 2 valuation, based on higher forecast free cash flow in 2030E. As a result, we raise our price target by 39% from Rmb26.00 to Rmb36.18.

CNRE is trading at 26x 12-month forward PE, 0.8SD below its historical mean of 42x. Our new PT of Rmb36.18 implies a 27x 12-month forward PE, lower than its 10-year average of 42x. The lower PE multiple looks reasonable, mainly reflecting a lower EPS CAGR of 28% over 2025-30E, compared with a historical 10-year CAGR of 47% over 2016-26E.

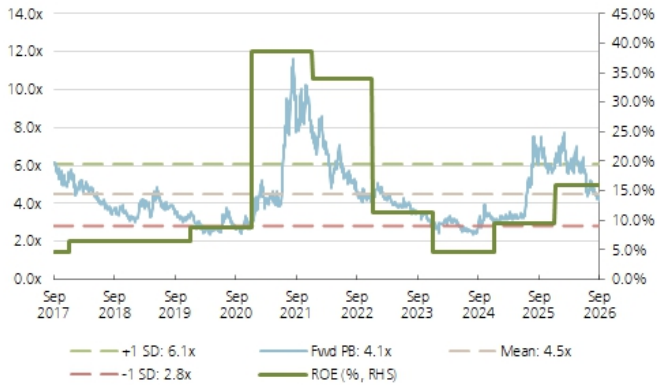
CNRE has traded at an average P/BV of 4.5x over the last 10 years, with an average ROE of 15%. The stock traded at a 4.1x 12-month forward P/BV as of 9 October 2026. Our new PT of Rmb36.18 implies a 4.2x 12-month forward P/BV multiple, with 2027E ROE of 16.8%. This is largely in line with the historical average P/BV to ROE valuation.

Figure 13: CNRE's PE band



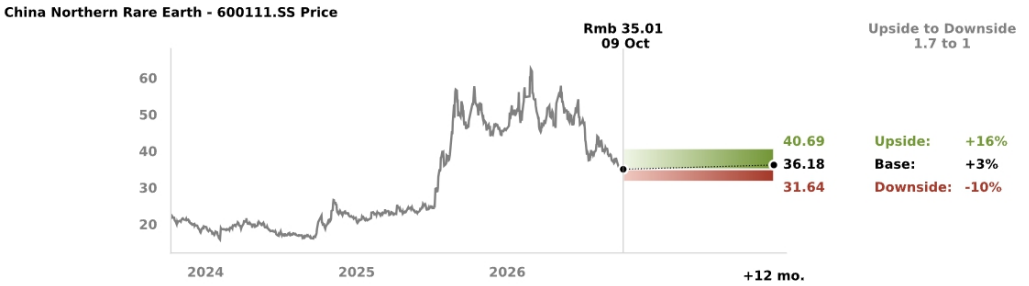
Source: Wind, UBS estimates

Figure 14: CNRE's P/BV to ROE relationship



Source: Wind, UBS estimates

UPSIDE/DOWNSIDE SPECTRUM



CNRE is trading at Rmb35.10 as of 9 October

Value drivers	NdPr oxide price (long-term price; US$/kg)	Rare earth concentrate price (long-term price; US$/ tonne)	Separation and refining quota in 2027E (tonne REO)
Rmb40.69 upside	120	5,400	190,000
Rmb36.18 base	110	5,000	185,061
Rmb31.64 downside	100	4,500	180,000

Source: UBS estimates

Risk to current share price is skewed (1.7:1) to the upside

CNRE is trading at Rmb35.10 as of 9 October 2026.

UPSIDE (Rmb40.69): We assume: 1) a faster electric vehicle (EV) penetration rate for 2027E; 2) development of ex-China rare earth would be slower than the global demand growth rate; and 3) the Chinese government would adopt a more conservative stance on mining, separation and refining quotas. Strong EV growth would keep manufacturers of neodymium magnets (NdFeB) running at high utilisation rates, increasing demand for NdPr. We assume NdPr oxide prices would be US$120/kg in the long term. Accordingly, we derive an upside valuation of Rmb40.69, assuming 27.4x 2027E PE.

BASE (Rmb36.18): We expect: 1) moderate EV production growth; 2) the development of ex-China rare earth to be in line with the global demand growth rate and also in line with our current expectation; and 3) the Chinese government to continue managing mining, separation and refining quotas in line with domestic demand. We forecast NdPr oxide prices to be US$110/kg in the long term. Accordingly, we derive a price target of Rmb36.18, implying 25.7x 2027E PE.

DOWNSIDE (Rmb31.64): We assume: 1) a slower EV penetration rate; 2) a faster-than-expected development of ex-China rare earth projects; and 3) the Chinese government would ease its control over rare earth supply. In this scenario, NdPr oxide would drop to US$100/kg in the long term. Accordingly, we derive a downside valuation of Rmb31.64, assuming 26.0x 2027E PE.

China Northern Rare Earth (600111.SS)

Income Statement (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Revenues	**33,497**	**32,966**	**42,563**	**51,741**	*21.6*	**55,649**	*7.6*	**60,077**	**64,983**	**67,412**
Gross profit	4,752	3,239	4,986	8,903	*78.6*	9,017	*1.3*	10,573	12,308	12,826
EBITDA (UBS)	**3,983**	**2,564**	**4,432**	**8,383**	*89.2*	**8,576**	*2.3*	**10,186**	**11,951**	**12,447**
Depreciation & amortisation	(522)	(714)	(947)	(1,021)	*-7.9*	(1,133)	*-11.0*	(1,253)	(1,353)	(1,360)
EBIT (UBS)	**3,461**	**1,850**	**3,485**	**7,362**	*111.2*	**7,443**	*1.1*	**8,933**	**10,599**	**11,087**
Associates & investment income	1	15	6	0	-	0	-	0	0	0
Other non-operating income	(161)	167	89	0	-	0	-	0	0	0
Net interest	(168)	(195)	(196)	(306)	*-56.5*	(262)	*14.4*	(248)	(248)	(248)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
Pre-tax profit	**3,132**	**1,837**	**3,384**	**7,055**	*108.5*	**7,180**	*1.8*	**8,685**	**10,351**	**10,839**
Tax	(509)	(249)	(525)	(1,058)	*-101.4*	(1,077)	*-1.8*	(1,303)	(1,553)	(1,626)
Profit after tax	**2,623**	**1,588**	**2,859**	**5,997**	*109.8*	**6,103**	*1.8*	**7,382**	**8,798**	**9,213**
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(252)	(584)	(608)	(1,755)	*-188.9*	(1,005)	*42.7*	(1,216)	(1,449)	(1,517)
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	**2,371**	**1,004**	**2,251**	**4,242**	*88.4*	**5,098**	*20.2*	**6,166**	**7,349**	**7,695**
Net earnings (UBS)	**2,371**	**1,004**	**2,251**	**4,242**	*88.4*	**5,098**	*20.2*	**6,166**	**7,349**	**7,695**
Tax rate (%)	16.3	13.5	15.5	15.0	*-3.4*	15.0	*0.0*	15.0	15.0	15.0

Per Share (Rmb)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
EPS (UBS, diluted)	0.66	0.28	0.62	1.17	*88.4*	1.41	*20.2*	1.71	2.03	2.13
EPS (local GAAP, diluted)	0.66	0.28	0.62	1.17	*88.4*	1.41	*20.2*	1.71	2.03	2.13
EPS (UBS, basic)	0.66	0.28	0.62	1.17	*88.4*	1.41	*20.2*	1.71	2.03	2.13
DPS (net) (Rmb)	0.07	0.04	0.13	0.35	*170.8*	0.42	*20.2*	0.51	0.61	0.64
Cash EPS (UBS, diluted) [1]	0.80	0.48	0.88	1.46	*64.6*	1.72	*18.4*	2.05	2.41	2.51
Book value per share	5.98	6.21	6.82	7.87	*15.3*	8.92	*13.5*	10.21	11.73	13.25
Average shares (diluted)	3,615	3,615	3,615	3,615	*0.0*	3,615	*0.0*	3,615	3,615	3,615

Balance Sheet (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Cash and equivalents	5,302	5,644	4,528	5,887	*30.0*	6,204	*5.4*	9,089	13,847	19,452
Other current assets	23,654	26,019	28,938	32,018	*10.6*	34,690	*8.3*	37,070	39,701	41,158
Total current assets	**28,956**	**31,664**	**33,465**	**37,905**	*13.3*	**40,893**	*7.9*	**46,158**	**53,547**	**60,611**
Net tangible fixed assets	6,899	9,088	9,634	10,666	*10.7*	11,840	*11.0*	12,853	12,879	12,817
Net intangible fixed assets	600	654	1,153	1,189	*3.2*	1,224	*2.9*	1,264	1,315	1,365
Investments / other assets	4,041	3,976	3,875	3,308	*-14.6*	3,398	*2.7*	3,500	3,613	3,669
Total assets	**40,497**	**45,381**	**48,128**	**53,068**	*10.3*	**57,356**	*8.1*	**63,776**	**71,354**	**78,461**
Trade payables & other ST liabilities	5,562	7,442	7,817	8,670	*10.9*	8,821	*1.7*	9,412	10,029	10,129
Short term debt	3,686	3,438	4,452	3,952	*-11.2*	3,952	*0.0*	3,952	3,952	3,952
Total current liabilities	**9,248**	**10,880**	**12,268**	**12,622**	*2.9*	**12,772**	*1.2*	**13,364**	**13,980**	**14,080**
Long term debt	3,255	5,157	3,952	2,952	*-25.3*	2,252	*-23.7*	2,252	2,252	2,252
Other long term liabilities	1,092	1,188	1,050	1,110	*5.7*	1,116	*0.5*	1,092	1,106	1,105
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	**13,595**	**17,225**	**17,271**	**16,684**	*-3.4*	**16,141**	*-3.3*	**16,708**	**17,339**	**17,437**
Common s/h equity	**21,619**	**22,432**	**24,661**	**28,433**	*15.3*	**32,259**	*13.5*	**36,895**	**42,395**	**47,885**
Minority interests	5,282	5,724	6,196	7,951	*28.3*	8,956	*12.6*	10,172	11,621	13,139
Total liabilities & equity	**40,497**	**45,381**	**48,128**	**53,068**	*10.3*	**57,356**	*8.1*	**63,776**	**71,354**	**78,461**

Cash Flow (Rmbm)	12/23	12/24	12/25	12/26E	%ch	12/27E	%ch	12/28E	12/29E	12/30E
Net income (before pref divs)	2,371	1,004	2,251	4,242	*88.4*	5,098	*20.2*	6,166	7,349	7,695
Depreciation & amortisation	522	714	947	1,021	*7.9*	1,133	*11.0*	1,253	1,353	1,360
Net change in working capital	(1,598)	(1,962)	(3,225)	(2,227)	*31.0*	(2,521)	*-13.2*	(1,788)	(2,015)	(1,357)
Other operating	480	853	750	2,061	*175.0*	1,267	*-38.5*	1,464	1,697	1,766
Operating cash flow	**1,775**	**610**	**723**	**5,098**	*NM*	**4,977**	*-2.4*	**7,095**	**8,384**	**9,464**
Tangible capital expenditure	(1,114)	(1,688)	(1,306)	(1,986)	*-52.1*	(2,231)	*-12.3*	(2,186)	(1,300)	(1,213)
Intangible capital expenditure	0	0	0	(103)	-	(111)	*-7.6*	(120)	(130)	(135)
Net (acquisitions) & disposals	0	0	0	0	-	0	-	0	0	0
Other investing	(710)	34	123	627	*NM*	(84)	-	(126)	(99)	(57)
Investing cash flow	**(1,823)**	**(1,655)**	**(1,183)**	**(1,462)**	*-23.6*	**(2,426)**	*-65.9*	**(2,432)**	**(1,528)**	**(1,405)**
Equity dividends paid	(982)	(830)	(747)	(470)	*37.1*	(1,273)	*-170.8*	(1,529)	(1,850)	(2,205)
Share issues / (buybacks)	0	226	207	0	-	0	-	0	0	0
Other financing	330	70	(58)	(306)	*NM*	(262)	*14.4*	(248)	(248)	(248)
Change in debt & pref shares	814	1,537	(357)	(1,500)	*-320.0*	(700)	*53.3*	0	0	0
Financing cash flow	**161**	**1,003**	**(955)**	**(2,276)**	*-138.5*	**(2,235)**	*1.8*	**(1,778)**	**(2,098)**	**(2,453)**
Cash flow inc/(dec) in cash	**113**	**(43)**	**(1,415)**	**1,359**	-	**317**	*-76.7*	**2,885**	**4,758**	**5,606**
FX / non cash items	742	385	298	0	*-100.0*	0	-	0	0	0
Balance sheet inc/(dec) in cash	**854**	**342**	**(1,117)**	**1,359**	-	**317**	*-76.7*	**2,885**	**4,758**	**5,606**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.[1] Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

China Northern Rare Earth (600111.SS)

Valuation (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
P/E (local GAAP, diluted)	36.6	69.4	55.0	29.8	24.8	20.5	17.2	16.4
P/E (UBS, diluted)	36.6	69.4	55.0	29.8	24.8	20.5	17.2	16.4
P/CEPS	30.0	40.6	38.7	24.0	20.3	17.1	14.5	14.0
Equity FCF (UBS) yield %	0.8	(1.5)	(0.5)	2.4	2.1	3.8	5.5	6.4
Dividend yield (net) %	0.3	0.2	0.4	1.0	1.2	1.5	1.7	1.8
P/BV	4.0	3.1	5.0	4.5	3.9	3.4	3.0	2.6
EV/revenues (core)	2.7	2.3	3.1	2.6	2.4	2.2	2.0	1.9
EV/EBITDA (UBS core)	23.1	29.6	29.6	16.1	15.6	13.1	10.9	10.2
EV/EBIT (core)	26.5	41.0	37.7	18.3	18.0	14.9	12.3	11.5
EV/OpFCF (core)	24.9	33.5	31.8	16.7	16.2	13.5	11.2	10.5
EV/op. invested capital	3.5	2.7	4.3	4.0	3.6	3.3	3.0	2.8

Enterprise value (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Market cap.	86,859	69,738	123,828	126,563	126,563	126,563	126,563	126,563
Net debt (cash)	1,645	2,295	3,413	2,447	509	(1,442)	(5,264)	(10,446)
Buy out of minorities	5,282	5,724	6,196	7,951	8,956	10,172	11,621	13,139
Pension provisions/other	0	0	0	0	0	0	0	0
Total enterprise value	**93,786**	**77,757**	**133,437**	**136,961**	**136,028**	**135,293**	**132,921**	**129,257**
Non core assets	(1,923)	(1,962)	(2,080)	(2,080)	(2,080)	(2,080)	(2,080)	(2,080)
Core enterprise value	**91,862**	**75,795**	**131,357**	**134,881**	**133,948**	**133,213**	**130,841**	**127,176**

Growth (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Revenue	(10.1)	(1.6)	29.1	21.6	7.6	8.0	8.2	3.7
EBITDA (UBS)	(56.6)	(35.6)	72.8	89.2	2.3	18.8	17.3	4.1
EBIT (UBS)	(60.3)	(46.5)	88.3	111.2	1.1	20.0	18.6	4.6
EPS (UBS, diluted)	(60.4)	(57.6)	124.2	88.4	20.2	21.0	19.2	4.7
Net DPS	(58.8)	(50.0)	NM	170.8	20.2	21.0	19.2	4.7

Margins & Profitability (%)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Gross profit margin	14.2	9.8	11.7	17.2	16.2	17.6	18.9	19.0
EBITDA margin	11.9	7.8	10.4	16.2	15.4	17.0	18.4	18.5
EBIT (UBS) margin	10.3	5.6	8.2	14.2	13.4	14.9	16.3	16.4
Net earnings (UBS) margin	7.1	3.0	5.3	8.2	9.2	10.3	11.3	11.4
ROIC (EBIT)	13.3	6.6	11.3	21.7	20.0	22.0	24.5	24.6
ROIC post tax	11.2	5.7	9.5	18.4	17.0	18.7	20.9	20.9
ROE (UBS)	11.4	4.6	9.6	16.0	16.8	17.8	18.5	17.0

Capital structure & Coverage (x)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Net debt / EBITDA	0.4	1.2	0.9	0.1	0.0	(0.3)	(0.6)	(1.1)
Net debt / total equity %	6.1	10.5	12.6	2.8	0.0	(6.1)	(14.1)	(21.7)
Net debt / (net debt + total equity) %	5.7	9.5	11.2	2.7	0.0	(6.5)	(16.5)	(27.7)
Net debt/EV %	1.8	3.0	2.6	1.8	0.4	(1.1)	(4.0)	(8.1)
Capex / depreciation %	NM	NM	145.0	NM	NM	186.3	102.1	95.1
Capex / revenue %	3.3	5.1	3.1	3.8	4.0	3.6	2.0	1.8
EBIT / net interest	20.6	9.6	17.8	24.0	28.4	36.0	42.7	44.7
Dividend cover (UBS)	9.4	7.9	4.8	3.3	3.3	3.3	3.3	3.3
Div. payout ratio (UBS) %	10.7	12.6	20.9	30.0	30.0	30.0	30.0	30.0

Revenues by division (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	33,497	32,966	42,563	51,741	55,649	60,077	64,983	67,412
Total	**33,497**	**32,966**	**42,563**	**51,741**	**55,649**	**60,077**	**64,983**	**67,412**

EBIT (UBS) by division (Rmbm)	12/23	12/24	12/25	12/26E	12/27E	12/28E	12/29E	12/30E
Others	3,461	1,850	3,485	7,362	7,443	8,933	10,599	11,087
Total	**3,461**	**1,850**	**3,485**	**7,362**	**7,443**	**8,933**	**10,599**	**11,087**

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	3.3%
Forecast dividend yield	1.0%
Forecast stock return	4.3%
Market return assumption	6.7%
Forecast excess return	-2.4%

Company Description

CNRE is the largest rare-earth producer in the world in terms of 2025 volume, with its core businesses spanning separation, smelting and processing of rare-earth products. CNRE leverages access to the Bayan Obo deposit, the world's largest rare-earth resource, owned by CNRE's biggest shareholder, Baotou Steel.

Valuation Method and Risk Statement

We value Northern Rare Earth using a DCF model.

Risks for China Northern Rare Earth include: 1) changes in China-US relations; 2) unexpected movements in rare earth prices; 3) government intervention in production volumes; and 4) higher concentrate costs.

Potential risks inherent in the mining sector include, but are not limited to, the volatile nature of commodity prices and currencies, which may differ materially from expectations. Furthermore, the sector is exposed to political, financial and operational risks, each of which has the potential to significantly impact company/industry performance.

Quantitative Research Review

UBS Global Research publishes a quantitative assessment of its analysts' responses to certain questions about the likelihood of an occurrence of a number of short term factors in a product known as the 'Quantitative Research Review'. The views for this month can be found below. Views contained in this assessment on a particular stock reflect only the views on those short term factors which are a different timeframe to the 12-month timeframe reflected in any equity rating set out in this note. For previous responses please make reference to (i) previous UBS Global Research reports; and (ii) where no applicable research report was published that month, the Quantitative Research Review which can be found at https://neo.ubs.com/quantitative, or contact your UBS sales representative for access to the report or the Quantitative Research Team on ubs-quant-answers@ubs.com. A consolidated report which contains all responses is also available and again you should contact your UBS sales representative for details and pricing or the Quantitative Research Team on the email above.

China Northern Rare Earth

Question	Response
1. Is the industry structure facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting worse, 3 = no change, 5 = getting better, N/A = no view)	4
2. Is the regulatory/government environment facing the firm likely to improve or deteriorate over the next six months? Rate on a scale of 1-5 (1 = getting tougher 3 = no change, 5 = getting better, N/A = no view)	3
3. Over the last 3-6 months in broad terms have things been improving/no change/getting worse for this stock? Rate on a scale of 1-5 (1 = getting a lot worse, 3 = not much change, 5 = getting a lot better, N/A = no view)	4
4. Relative to the current CONSENSUS EPS forecast, is the next company EPS update likely to lead to: (1 = negative surprise vs consensus, 3 = in-line with consensus, 5 = positive surprise vs consensus expectations, N/A = no view)	3
5. What's driving the difference?	
6. Relative to YOUR current earnings forecast, is there relatively greater risk at the next earnings result of:(1 = downside skew risk to earnings, 3 = equal upside or downside risk to earnings, 5 = upside skew risk to earnings, N/A = no view)	3
7. What's driving the difference?	
8. Is there an upcoming catalyst for the company over the next three months?	No Catalyst
9. Is there an actual or approximate date for the catalyst?	
10. Is the catalyst date an actual or approximate date?	N/A
11. What is the catalyst?	

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12-Month Rating	Definition	Coverage[1]	IB Services[2]
Buy	FSR is > 6% above the MRA.	55%	24%
Neutral	FSR is between -6% and 6% of the MRA.	39%	20%
Sell	FSR is > 6% below the MRA.	6%	21%

Source: UBS. Rating allocations are as of 30 September 2026.
1:Percentage of companies under coverage globally within the 12-month rating category.
2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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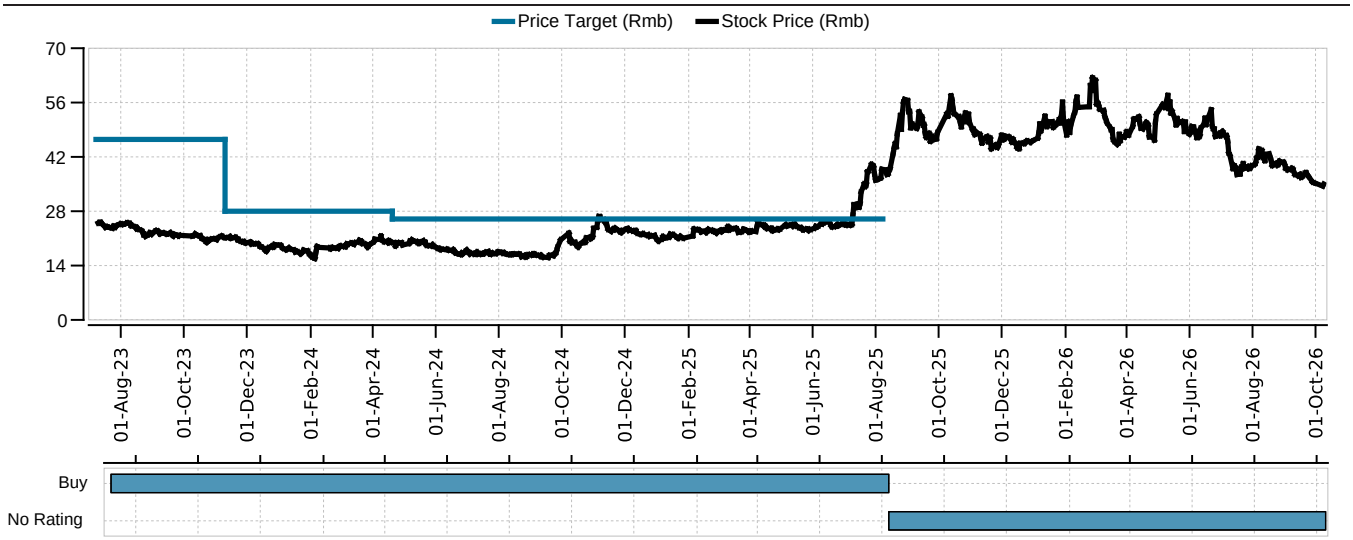
Company Disclosures

Company Name	Reuters	12-month rating	Price	Price date
China Northern Rare Earth	600111.SS	Suspended	Rmb35.01	09 Oct 2026

Source: UBS Global Research; LSEG Eikon. All prices as of local market close. Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date.

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China Northern Rare Earth (Rmb)



Date	Stock Price (Rmb)	Price Target (Rmb)	Rating
2023-07-07	25.20	46.50	Buy
2023-11-09	21.27	28.00	Buy
2024-04-19	19.99	26.00	Buy
2025-08-07	38.81	-	No Rating

Source: UBS Global Research; LSEG Eikon as of 09-Oct-2026. All prices as of local market close. Ratings as of date shown.

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