

Victory Metals

Ticker: ASX: VTM

March 17, 2026

One of the West's most strategically positioned rare earth development projects.

Executive Summary

Victory Metals sits at the convergence of three of the most urgent strategic themes of the decade: Western defence self-sufficiency, Chinese supply chain weaponisation, and the global race to electrify everything. Its North Stanmore project in Western Australia hosts Australia's largest clay-hosted heavy rare earth resource, one of the few Western projects with confirmed presence of all seven elements captured under China's export licensing restrictions. With a scoping study returning an NPV above A\$1.2 billion, a US EXIM letter of interest for US\$190 million in financing, a Sumitomo LOI for offtake, and a landmark 48x concentration upgrade announced in March 2026, the project's development thesis has never been stronger, or more timely.

Investment Recommendation

Rating: BUY

Price Target: A\$3.50 (148% Upside)

Current Price: A\$1.41

Horizon: 12 Months

Risk: HIGH

Investment Thesis

We initiate coverage of Victory Metals (ASX: VTM) with a BUY rating and a 12-month price target of A\$3.50, implying ~150% upside from the current price of A\$1.40. Our thesis is based on three key pillars.

First, the strategic importance of heavy rare earth elements has increased significantly following China's April 2025 export licensing controls on seven critical rare earths. Given China currently dominates global supply and processing of these materials, projects such as North Stanmore have shifted from being purely commercial developments to strategic assets for allied supply chains, increasing the likelihood of government-backed financing and strategic partnerships that could materially de-risk project development.

Second, the March 2026 flotation breakthrough, which achieved a 48x concentration upgrade, has the potential to significantly improve project economics. If incorporated into the Q2 2026 Pre-Feasibility Study (PFS), this could reduce capital intensity below the A\$337M estimate in the scoping study, creating a near-term re-rating catalyst that we believe is not yet fully reflected in the current share price.

Third, at A\$1.40 (A\$173M market capitalisation), Victory trades at ~14% of its post-tax scoping study NPV, representing a deep discount for a development-stage project with strong strategic validation, including a US EXIM Letter of Interest for up to US\$190M in potential financing and a Letter of Intent with Sumitomo Corporation.

Equity Research Australia

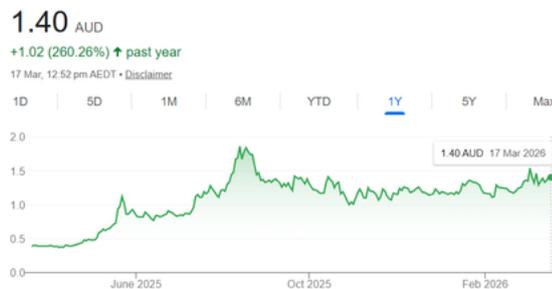
Mining & Resources



Victory Metals (ASX: VTM) is an Australian critical minerals developer focused on its North Stanmore Heavy Rare Earth Elements (HREE) Project in Western Australia. The project hosts Australia's largest clay-hosted heavy rare earth resource and is being advanced to supply strategic elements such as dysprosium and terbium to Western defence, energy, and technology supply chains.

Valuation	A\$3.50
Current price	A\$1.41
Market cap	A\$185m
Cash on hand	A\$13.56m

Share Performance (A\$)



Over the past 12 months, Victory Metals (ASX: VTM) has delivered a strong re-rating, with the share price rising more than 220–230% year-on-year, climbing from roughly A\$0.36–0.41 to around A\$1.40. The rally reflects growing investor interest in the company's North Stanmore heavy rare earth project and the broader strategic importance of critical minerals supply chains.

Substantial shareholders

Brendan Clark (CEO)	5%
Adam Brand	4%

Upcoming Catalysts/Next News

- PFS in Q2 2026
- Metallurgical upside from flotation / leach optimisation
- Offtake conversion beyond LOIs
- EXIM / strategic financing progress
- Resource expansion and category upgrades

The Macro Backdrop: Rare Earths as a Geopolitical Weapon

Rare earths have been described as strategically critical for twenty years. China's April 2025 export controls significantly escalated the strategic importance of non-Chinese rare earth supply. The export controls transformed VTM's investment case from a commercial mining story into something far more urgent, a supply chain security imperative for the Western alliance.

Defence & Military: F-35 fighters, Tomahawk missiles, Virginia-class submarines, and Predator UAVs all require rare earth permanent magnets. Dysprosium and terbium are irreplaceable for high-temperature coercivity, there is no current substitute in defence applications.

Clean Energy Demand: EV drivetrain motors and offshore wind turbines require NdFeB magnets doped with dysprosium and terbium. The IEA projects magnet rare earth demand growing 4-7x by 2040 under net-zero scenarios.

China's Monopoly: China controls ~60% of mining and over 90% of all rare earth refining and separation globally. Following the shutdown of Vietnam's sole non-Chinese HREE refinery, China now holds what amounts to a monopoly over heavy rare earth processing.

Trump's CTEP Mandate: The Trump administration's EXIM CTEP program was mandated by Congress to finance alternatives to Chinese supply chains in critical sectors. Rare earths are the flagship target, VTM's US\$190M LOI is direct evidence of US government prioritisation.

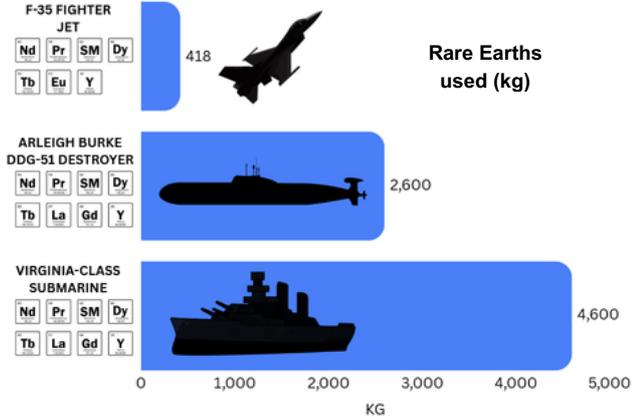
Project Vault: Project Vault further reinforces the Western supply-chain response. In February 2026, EXIM approved up to US\$10 billion for the proposed U.S. Strategic Critical Minerals Reserve, aimed at stockpiling essential materials and protecting manufacturers from supply disruptions. While VTM is not directly part of the program, the initiative underscores how heavy rare earths are increasingly viewed through a strategic security lens rather than purely a commodity cycle.

China's Export Control Escalation: The Trigger Event

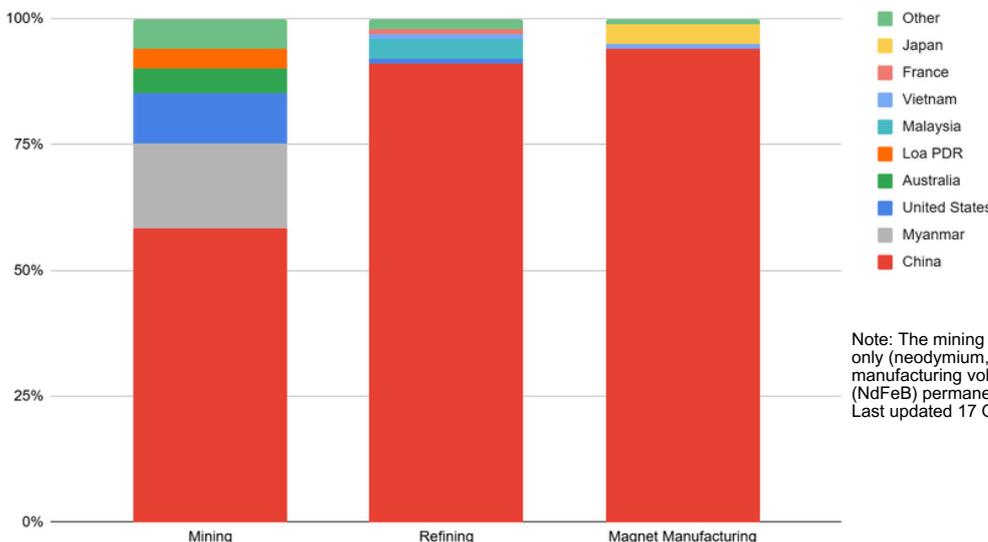
On 4 April 2025, China introduced export licensing requirements covering seven medium and heavy rare earth elements, samarium, gadolinium, terbium, dysprosium, lutetium, scandium and yttrium. The policy shift highlighted the vulnerability of global supply chains for these materials and reinforced the strategic importance of developing alternative sources of heavy rare earth production outside China.

While some administrative measures were later adjusted during diplomatic negotiations in late 2025, the original controls covering the seven elements, including dysprosium and terbium, two of the most strategically important magnet metals, remain in force. The episode underscored the structural supply risk facing downstream industries and accelerated Western policy support for new rare earth projects.

Rare Earths: Critical Inputs for Modern Defence Systems



Regional composition of rare earths and permanent magnet production, 2024



"The restrictions apply to seven medium and heavy rare earths... Until 2023, China accounted for 99 percent of global heavy REE processing, with only minimal output from a refinery in Vietnam, which has since shut down, effectively giving China a monopoly over supply."
- CSIS Analysis, April 2025

Note: The mining and refining numbers are for magnet rare earths only (neodymium, praseodymium, dysprosium, terbium). Magnet manufacturing volumes are based on neodymium-iron-boron (NdFeB) permanent magnets, both sintered and bonded. Last updated 17 Oct 2025

Source: IEA (2025), Regional composition of rare earths and permanent magnet production, 2024

Why Heavy Rare Earths Command a Strategic Premium

The rare earth sector divides into light (NdPr, La, Ce) and heavy (Dy, Tb, Y, Sc, Gd, Lu, Sm) elements. Light rare earths have attracted the most investor attention due to NdPr magnet volumes, but it is the heavy rare earths that face the most acute supply constraint. When added to NdFeB magnets in small doses (2–5%), dysprosium and terbium raise coercivity, resistance to demagnetisation at elevated temperatures, a property non-negotiable for jet engines, missiles, and industrial motors. There is no commercially viable substitute.

Dy: Dysprosium - heat-resistant magnets, EV, defence

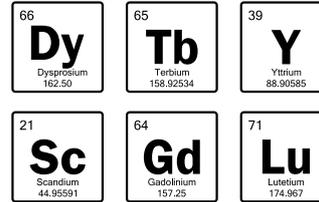
Tb: Terbium - magnet performance, sonar, fuel cells

Y: Yttrium - phosphors, ceramics; price surged 4,400%

Sc: Scandium - aerospace alloys, fuel cells

Gd: Gadolinium - MRI agents, nuclear shielding

Lu: Lutetium - cancer therapeutics, PET scans



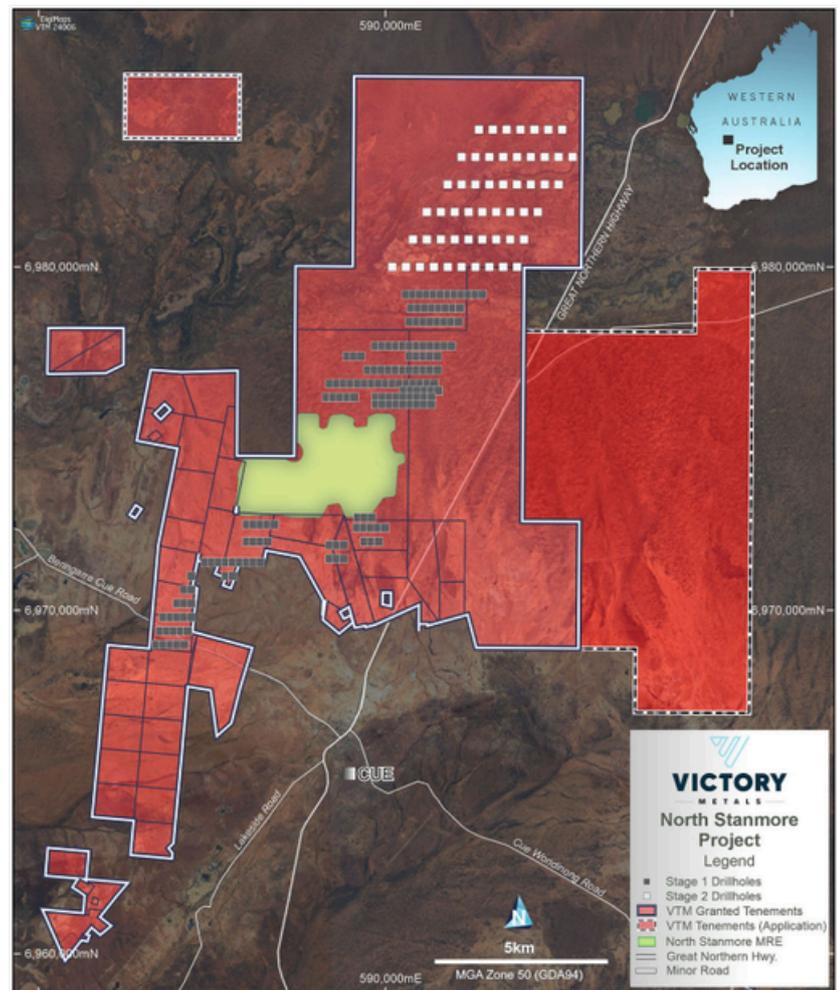
North Stanmore's HREO/TREO ratio of 39% (average, up to 83% in satellite zones) is one of the highest of any clay-hosted deposit globally outside China's southern provinces. The project produces all seven restricted elements plus gallium, scandium, and hafnium, multiple elements under separate Chinese export controls. This multi-element strategic profile materially increases the project's geopolitical value to potential government and allied industrial partners.

North Stanmore - Asset Quality & Competitive Advantage

Located ~6km north of Cue in Western Australia, the North Stanmore Project sits within a proven mining jurisdiction and directly adjoins the Great Northern Highway, providing immediate road haulage access to established transport corridors. The project also benefits from proximity to regional rail, airports and port infrastructure, supporting efficient logistics. Victory holds a contiguous tenement package of more than 16,500 hectares, with a further ~12,500 hectares under application, all positioned adjacent to major infrastructure corridors, a logistical advantage rarely seen in projects of this scale. The deposit occurs on crown land with no private landowners and carries no private royalties. The ore itself is soft, free-digging clay, requiring no blasting and supporting simple, well-understood processing.

Why Clay-Hosted Ionic Adsorption Is the Superior Deposit Type: Clay-hosted rare earth deposits are the most economical style globally. Soft, shallow ore requires no blasting or crushing. Processing uses simple heap or vat leach circuits with no pyrometallurgy. Victory's March 2025 scoping study returned an operating cost of just A\$25.50 per ROM tonne, underpinning a projected two-year capital payback. This is the same deposit type as China's prolific southern provinces, the world's only productive heavy rare earth deposits prior to North Stanmore's development.

North Stanmore Project Overview Map (Cue, Western Australia)



Source: Victory Metals Limited. North Stanmore Project.

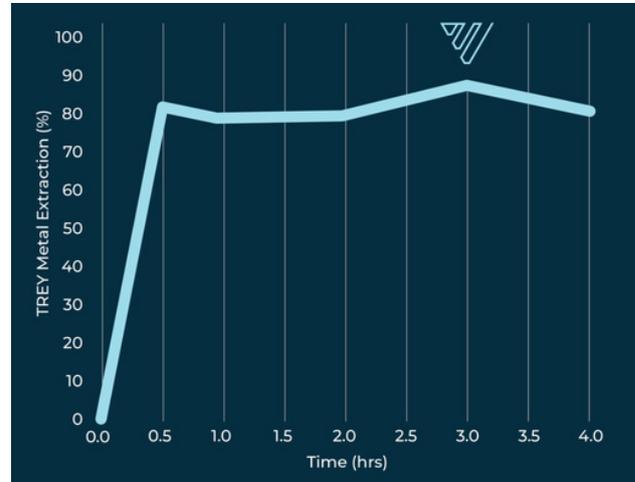
The August 2025 JORC mineral resource update (79-hole, 3,221m air core drilling program) delivered a 29.5% increase to 320.6 Mt at 510 ppm TREO, with mineralisation remaining open in all directions. At scoping study throughput rates, the resource supports a mine life exceeding 60 years. It also contains 4,788 tonnes of gallium oxide, along with significant scandium and hafnium, both emerging defence-critical metals.

Recent Key Announcements

Victory Metals has delivered a strong run of announcements over the past year, consistently advancing North Stanmore across technical, strategic and financing milestones. Metallurgical breakthroughs, resource growth and emerging international partnerships are steadily de-risking the project while reinforcing its potential role in supplying critical rare earths to Western markets. The pace and consistency of progress suggest the project is moving rapidly toward its next development phase.

- Mar 2026 Flotation Breakthrough:** First-pass flotation delivered a 48x TREO upgrade (1,251 ppm → 5.9% TREO) with 81.5% recovery and >95% ore mass rejection upstream. Mineralogy confirms REEs are hosted in simple secondary phosphate minerals, supporting a conventional, potentially lower-capex processing route ahead of the Q2 2026 PFS.
- Q4 2025 Rapid Leach Kinetics:** Hydrometallurgical test work indicated ~80% rare earth recovery in ~30 minutes, significantly faster than typical clay-hosted projects. Additional fine fraction separation (~10.8 μm) improved grades of Tb (+53%), Dy (+25%), and Sc (+100%), suggesting further processing optimization potential.

Leach Kinetics: Time vs TREO Extraction (%)



Source: Victory Metals (ASX: VTM), Company Materials

- Oct 2025 Sumitomo Strategic LOI:** Victory signed a non-binding LOI with Sumitomo Corporation, one of Japan's major trading houses, building on a Dec 2024 MOU. The agreement outlines potential offtake and strategic cooperation, reflecting Japan's policy push to diversify rare earth supply chains away from China.
- Apr 2025 US EXIM Bank Support:** The US Export-Import Bank issued a non-binding Letter of Interest for up to US\$190M under its China and Transformational Exports Program (CTEP). If finalised, EXIM financing could support development funding and signals strategic interest from Western partners in securing rare earth supply.
- Aug 2025 / Mar 2025 Resource Growth & Scoping Study:** The Aug 2025 JORC update increased the North Stanmore resource to 320.6 Mt @ 510 ppm TREO, a 29.5% increase in contained tonnes. The Mar 2025 scoping study outlined a potential A\$1.2B post-tax NPV and 52% IRR, with A\$337M capex and ~31-year mine life.
- 2025 Strategic Critical Minerals Basket:** North Stanmore contains the seven rare earth elements captured under China's April 2025 export controls (Dy, Tb, Y, Sc, Sm, Gd, Lu). Victory has also highlighted gallium in product streams and hafnium within the deposit, both strategic materials used in semiconductors, aerospace, and defence technologies.

Development Pathway & Catalysts Ahead

- Q1 2026: Flotation Optimisation & Bulk Concentrate Production:** Following the breakthrough 48x upgrade result, further flotation optimisation and bulk concentrate production is underway, with results to be integrated into the PFS.
- Q2 2026 Pre-Feasibility Study (PFS), KEY CATALYST:** The PFS, incorporating the breakthrough flotation results and rapid leach kinetics, is the most significant near-term catalyst. It is expected to materially reduce projected CapEx and OpEx relative to the scoping study, and will serve as the primary financing document for discussions with EXIM, other Export Credit Agencies, strategic partners, and offtakers.
- 2026–2027 Project Financing & Strategic Partnership Finalisation:** Following PFS, the company aims to finalise funding structure, expected to combine government grant funding (Australia's A\$1.2B Critical Minerals Strategic Reserve is relevant here), US EXIM debt, strategic partnerships potentially including JV or partial asset sale arrangements, and offtake agreements led by Sumitomo.
- Q3 2028 Targeted Commissioning:** Subject to financing and approvals, the scoping study modelled commissioning in Q3 2028, positioning North Stanmore as one of the first new Western heavy rare earth projects to reach production in this decade.

Valuation - Price Target A\$3.50

Our 12-month price target of A\$3.50 is derived using a risked NAV methodology, applying a 70% discount to the post-tax lower-case-pricing scoping NPV, standard for a development-stage project pre-PFS. Upon PFS release (Q2 2026), we would expect the discount to narrow toward 50%, implying a revised target of approximately A\$4.70.

Component	Basis	Gross Value (A\$M)	Discount	Risked NAV (A\$M)
North Stanmore	Post-tax NPV, lower-case Adamas pricing	1,200	70%	360
Strategic Partner Premium	US EXIM US\$190M LOI; Sumitomo LOI	80	50%	40
Resource Upside / Satellite Zones	MRE open in all directions; 83%	100	80%	20
By-Products (Ga, Sc, Hf)	Scoping study by-product credits	60	75%	15
Gross Risked Asset NAV				435
Corporate	Net cash est. ~A\$8M; admin deducted	—	—	(10)
Total Equity NAV				A\$425M
Diluted Shares (est. incl. PFS-stage funding)				~121M
Cashu Research 12-Month Price Target				A\$3.50

Scenario analysis: Bear case (80% discount) → ~A\$2.10. Base case (70%, pre-PFS) → A\$3.50 target. Post-PFS re-rate (50% discount) → ~A\$4.70 implied.

All scenarios assume ~121M diluted shares. Rare earth price sensitivity: scoping study NPV used Adamas Intelligence lower-case projections; base-case pricing produces pre-tax NPV of A\$1.777B. At current price of A\$1.40, VTM trades at 14% of post-tax lower-case scoping NPV.

Competitive Positioning

The global rare earth pipeline is dominated by light rare earth-focused projects. Projects combining clay-hosted geology, heavy rare earth enrichment, Western-aligned jurisdiction, and the ability to produce all seven Chinese-restricted elements are extraordinarily rare outside China. Very few development-stage projects globally meet all five criteria.

Project	Clay-Hosted	Heavy REE Focus	All 7 Restricted Elements	Non-Chinese Jurisdiction	Low Capex Path
North Stanmore	✓	✓	✓	✓ AUS/US/JP	✓ ~A\$337M
Browns Range (NTU, AUS)	✓	✓	Partial	✓	Moderate
Nolans (ARU, AUS)	x (Carbonatite)	x (Light REE)	x	✓	High CapEx
MP Materials (MP, US)	x (Hard Rock)	x (Light REE)	x	✓	Moderate
Chinese Southern	✓	✓	✓	China only	✓

Key Risk Factors

- 1. Development Stage Risk:** North Stanmore remains pre-PFS. The scoping study carries +/-35% accuracy. Project economics could change materially when engineering is advanced to DFS standard.
- 2. Rare Earth Price Volatility:** HREE prices are driven substantially by Chinese policy decisions and are highly volatile. Any sustained Chinese supply normalisation could reduce the pricing premium supporting project economics.
- 3. Geopolitical Settlement Risk:** US–China trade negotiations could ease the supply pressure underpinning the strategic case. April 2025 Announcement No. 18 controls remain in force but further diplomatic agreements could reduce urgency for Western alternatives.
- 4. Financing Execution Risk:** The US EXIM LOI is non-binding. The preferred structure, government grants, EXIM debt, strategic partner equity, and offtake, requires complex parallel negotiations to succeed.
- 5. Flotation Validation Risk:** The 48x concentration result is from sighter test work only. Full-scale optimisation and hydromet integration results are pending and could differ from the early-stage tests.

Cashu Research Conclusion

BUY · Price Target A\$3.50

Cashu Research initiates coverage of Victory Metals with a BUY rating and 12-month price target of A\$3.50, representing 150% upside. VTM is developing what may be one of the most strategically significant heavy rare earth projects in the Western world at the most urgent moment in the industry's history.

The combination of clay-hosted geology, exceptional HREO enrichment (39% average, up to 83%), Western-aligned jurisdiction, 60+ year mine life, confirmed production of all seven Chinese-export-restricted elements, gallium, and hafnium is rare outside China.

The March 2026 flotation breakthrough, 48x concentration upgrade, has the potential to materially cut CapEx and OpEx in the Q2 2026 PFS: a re-rating catalyst the market has not yet priced. External validation from the US EXIM Bank (US\$190M LOI) and Sumitomo Corporation (LOI) provides high-quality third-party endorsement that significantly de-risks the development path.

North Stanmore is emerging not just as a mining project, but as a strategically critical asset in a supply chain the West can no longer afford to be without.

At A\$1.40, VTM trades at just 14% of post-tax scoping NPV, a compelling speculative entry ahead of what should be an exceptionally catalyst-rich 12 months.

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