

02 September 2024

Strong FY2024 Result

NEED TO KNOW

- FY24 results - Iron Ridge delivers
- Cash preserved for further growth - no dividend declared
- Kick up in production in CY25 to 4mtpa vs 1.3mtpa in FY24

FY24 Results, delivering on all fronts: FY24 results were driven by higher iron ores sales, higher average iron ore price, lower cash costs, lower shipping costs and contribution from Fenix-Newhaul logistics and Port Services. EBITDA was up 36% and NPAT up 15% on PCP. FEX ended the year with A\$77.3m cash, providing a strong base on which to grow.

Cash preserved for further growth initiatives - no dividend declared: FEX has conservatively decided not to declare a final dividend based on the future funding requirements of the business. Expansion from 1.4mtpa to 4mtpa of iron ore and increased infrastructure requires capital investment of more than A\$50 million. FEX is also considering further growth opportunities.

Mount Gibson (MGX) option exercise: As part of the acquisition of the Mt Gibson assets in June 2023, MGX were granted 25 million options on Fenix shares. MGX exercised 12.5m of the options in August at A\$0.25, increasing ownership from 8.64% to 10.06% and generating A\$3.125m in cash for FEX.

Investment Thesis

Growth projects enable immediate and long-term iron ore production potential; CY25 will see 4Mtpa (3x current rate): Iron Ridge's cash generation has set up FEX for growth. The restart of Shine at 1.2Mtpa (expected 2QFY25) provides low-capex near-term production and potential mine life extension. The partnership with Sinosteel at Beebyn-W11 could expose FEX to a further ~300Mt of iron ore resources. Iron ore production will grow to 4Mtpa (3x) by CY25, at similar cash margins to Iron Ridge.

Logistics, infrastructure strength underpin FEX's high-margin operations, growth, solutions for regional players: Logistics, rail and port infrastructure support a high-margin iron ore business and growth within that business. It also places FEX in a unique position in the Mid-West of WA for potential exposure to other high-value commodities and sources of further cash generation. Many projects in the Mid-West will require logistics and infrastructure services that FEX can provide, to unlock their projects.

Right commodity, right place, unique position: Iron ore is the key ingredient in manufacturing steel. WA is a Tier-1 mining jurisdiction and the Mid-West has high-grade products sought after by customers.

Valuation – A\$0.68 Per Share (Previous A\$0.69)

We have updated our valuation (which equally weights NPV and EV/EBITDA) for the FY24 results and an increase in the share count.

Risks

Key risks include Iron Ridge performance, delays to development of growth projects, cost inflation, iron ore prices and exchange rates.

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Materials

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Fenix Resources is a high-grade, high-margin iron ore producer with assets in the Mid-West mining region of Western Australia. The company's 100%-owned, flagship Iron Ridge Iron Ore Mine is a premium direct shipping ore operation located approximately 360km northeast of Geraldton. The mine hosts some of the highest-grade iron ore in Western Australia. www.fenixresources.com.au

Valuation	A\$0.68 (from A\$0.69)
Current price	A\$0.28
Market cap	A\$198m
Cash on hand	A\$77.3m (30 June 24)

Additional Resources

[Catch up with Exec Chairman - John Welborn](#)

Upcoming Catalysts / Next News

Period	
4QCY24	Restart of Shine Iron Ore Mine
1QCY25	Beebyn-W11 commencement
Ongoing	More third-party logistics agreements
CY24	Completion of inland terminal

Share Price (A\$)



Source: FactSet, MST Access

Figure 1: Financial summary, FEX (June year-end)

Fenix Limited						FEX.AX
Year end 30 June						
MARKET DATA						
Share Price	A\$/sh					0.28
52 Week Low	A\$/sh					0.21
52 Week High	A\$/sh					0.45
Market Cap (A\$m)	A\$m					198
Net Debt / (Cash) (A\$m)	A\$m					(77)
Enterprise Value (A\$m)	A\$m					121
Shares on Issue (basic)	m					721
Performance rights and options	m					70
Potential shares on issue (diluted)	m					791
INVESTMENT FUNDAMENTALS						
Reported NPAT	A\$m	29	34	55	74	48
Underlying NPAT	A\$m	28	34	55	74	48
Underlying EPS	¢ps	5.1	4.9	7.9	10.4	6.8
EPS Reported	¢ps	4.6	4.8	7.8	10.4	6.8
P/E Reported	x	5.4	5.6	3.5	2.6	4.0
P/E Underlying	x	6.0	5.7	3.5	2.6	4.0
Price / Operating Cash Flow	x	10.7	2.7	2.0	1.7	2.4
Dividend per share	¢ps	2.0	0.0	3.0	7.0	5.0
Free Cash Flow / Share	A\$	0.00	0.04	0.07	0.15	0.10
Price / Free Cash Flow	x	68.9	6.4	4.0	1.9	2.7
Free Cash Flow Yield	%	1.5%	15.7%	25.2%	53.3%	37.0%
Book Value / Share	A\$	0.20	0.24	0.32	0.39	0.40
Price / Book	x	1.40	1.15	0.87	0.70	0.69
NTA / Share	A\$	0.20	0.24	0.32	0.39	0.40
Price / NTA	x	1.40	1.15	0.87	0.70	0.69
Year End Shares	m	634	695	707	707	707
Market Cap (spot)	A\$m	174	191	194	194	194
Net Cash / (Debt)	A\$m	76	77	129	213	240
Enterprise Value	A\$m	98	114	65	(18)	(46)
EV / EBITDA	x	2.3x	1.7x	1.1x	0.8x	1.3x
Net Debt / Enterprise Value		(0.6)	(0.6)	(1.1)	(1.8)	(2.0)
PRODUCTION AND PRICING						
Iron ore						
Ore shipped - Iron Ridge	kwmt	1,362	1,463	1,400	1,400	1,400
FOB cash cost	A\$/t	81.5	77.9	80.0	80.3	80.7
Ore shipped - Beebyn & Shine	kwmt	-	-	1,100	2,700	2,100
FOB cash cost	A\$/t	-	-	74.1	72.8	74.8
Realised price (CFR)	US\$/t	112.7	126.9	118.1	113.8	114.2
Logistics						
Haulage volumes	kwmt	-	59	1,550	2,750	2,500
Shipped volumes	kwmt	-	1,813	1,900	2,750	2,500
Margin per tonne	A\$/t	n.a.	3.5	5.7	6.5	5.8
12-Month Relative Performance vs S&P/ASX Metals & Mining						
Profit & Loss (A\$m)						
Revenue		197	259	508	784	630
Expenses		(144)	(186)	(398)	(642)	(534)
EBITDA		53	73	109	143	96
D&A		(15)	(24)	(32)	(41)	(34)
EBIT		38	49	78	101	62
Interest		(0)	(0)	1	4	6
Tax		(9)	(15)	(24)	(32)	(21)
Underlying NPAT		28	34	55	74	48
Reported Profit		29	34	55	74	48
Net Profit Before Tax		38	49	79	105	69
Balance Sheet (A\$m)						
Cash		76	77	129	213	240
Receivables		16	23	15	15	15
Inventory		8	7	7	7	7
PP&E		85	142	156	126	102
Exploration		1	12	12	12	12
Other		0	5	5	5	5
Assets		187	267	325	379	382
Creditors		22	31	31	31	31
Debt		-	-	-	-	-
Other		40	69	69	69	69
Liabilities		62	100	100	100	100
Shareholder's Equity		125	166	225	278	281
Cashflow (A\$m)						
Receipts from Customers		193	259	516	784	630
Payments to suppliers and employees		(148)	(182)	(400)	(642)	(534)
Interest Received		1	2	1	4	6
Other		(30)	(10)	(22)	(32)	(21)
Net Cash From Operations		16	70	95	115	82
Capex		(4)	(20)	(46)	(11)	(10)
Exploration		(0)	(6)	-	-	-
Other		(10)	(14)	-	-	-
Net Cash From Investing		(14)	(40)	(46)	(11)	(10)
Equity		-	-	3	-	-
Borrowings		-	(15)	-	-	-
Dividend		(28)	(14)	-	(20)	(45)
Net Cash From Financing		(28)	(29)	3	(20)	(45)
Effects of FX		0	(1)	-	-	-
Net Increase / (Decrease) in Cash		(25)	1	52	84	27

Source: FEX, MST estimates.

FY 2024 Results - Iron Ridge Drives Strong Result

FEX reported EBITDA of A\$73.2m in FY24, an improvement of 35.8% over FY23. NPAT of A\$33.6m for FY24 was an improvement of 14.7% over FY23.

FEX's key asset is the Iron Ridge iron ore mine. Metrics improved all round, with higher revenue from increased sales and price, lower cash costs per tonne and lower shipping costs per tonne. Strong cash generation from Iron Ridge has set FEX up for further growth in FY25 with iron ore production set to almost triple to 4mtpa.

Newhaul Road Logistics hauled 1.44 million wmt of iron ore from Iron Ridge to the Company's Geraldton Port facilities. In addition, Newhaul Road Logistics hauled 59,275 wmt of lump iron ore from the Twin Peaks mine.

Newhaul Port Logistics shipped a total of 3,276,460 wmt of iron ore via the Company's on-wharf storage facilities at Geraldton Port. This consisted of 1,463,041 wmt of product from the Iron Ridge mine, 59,275 wmt from the Twin Peaks mine and 1,754,144 wmt of product on behalf of third-party customers. This resulted in A\$19.0m of Revenue from external source for the Port Services business.

The key metrics of the result

Figure 2: Snapshot of key metrics for FY24

	FY24	FY23	Change	Change %
Iron Ore Sales (wmt)	1.46	1.36	0.1	7.4
Avg Price Received (US\$/dmt)	125.0	113.0	12.0	10.6
Sales Revenue (A\$m)	240.1	196.0	44.1	22.5
C1 Cash Costs (A\$/wmt)	77.9	81.5	-3.6	-4.4
Shipping Costs (US\$/dmt)	18.3	21.2	-2.9	-13.7
Cash Operating Margin (A\$/dmt)	79.0	49.0	30.0	61.2
EBITDA(A\$m)	73.2	53.9	19.3	35.8
NPAT (A\$m)	33.6	29.3	4.3	14.7
Cash (A\$m)	77.1	76.3	0.8	1.0

Source: FEX, MST estimates.

The Bottom Line - NPAT Breakdown and Commentary

As can be seen from Figure 2, an improved result was driven by the performance of Iron Ridge. However with the purchase of the Mount Gibson assets, including Shine Iron Ore Mine and Geraldton Port assets at the beginning of FY24 and the inclusion of 100% of Fenix Newhal logistics in FY24 increased the asset base size and increased the cost base.

Figure 3 below gives a breakdown of the NPAT.

Figure 3: NPAT Breakdown and Commentary

Profit & Loss (A\$m)	FY24A	FY23A	\$ Change	Percentage Change	Commentary
Revenue	259	197	62	32%	Higher production, higher average price, port services income from MGX acquisition A\$19m
Expenses	186	144	42	29%	Higher production, increased costs from port services and increased logistics cost
EBITDA	73	54	19	36%	
D&A	24	15	9	60%	Increased D&A from higher asset base through MGX acquisition of ports and 100% ownership of Fenix Newhaul
EBIT	49	39	10	26%	
Interest	-	-	-	-	
Tax	15	9	6	67%	Increased tax on higher pre tax profit
Underlying NPAT	34	29	5	15%	
Dividend Declared (cps)	-	2	(2)	-100%	Cash preservation to fund capex and growth opportunities

Source: FEX, MST

Growth Opportunities take priority over dividend

Fenix's annual dividend policy is based on the full financial year profitability of the Company and with regard to the future funding requirements of the business and the availability of franking credits.

FEX has previously paid dividends of A\$0.0525 per share in FY21 and FY22 and A\$0.02 per share in FY23.

As discussed above, FY24 was a more profitable year than FY23 and the company ended the year with A\$77m in cash, however FEX has adopted a conservative approach and has not declared a final dividend for FY24 based on the future funding requirements of the business. Fenix continues to invest in an expansion of the production base and infrastructure assets and will be producing at a rate of 4mtpa of iron ore in CY25. The expansion of the Newhaul Logistics fleet and related infrastructure upgrades, will require a total capital investment of more than A\$50 million.

The Company is also considering additional growth opportunities in iron ore production, logistics, port services and potentially other commodities in the Mid-West region of Western Australia.

Importantly, FEX has stated the dividend policy remains in place without amendment and the Company remains committed to rewarding shareholders by the payment of an annual dividend, when it is appropriate to do so.

We think FEX will be in a position to declare a modest final dividend with the FY25 financial results as result of the expected cash generation of Shine and Beebyn-W11. However we are supportive of retaining sufficient cash on the balance sheet to pursue further organic growth, or potential external opportunities.

Hedging Position for FY25

Prior to the result, FEX's hedge book has been extended out to December 2024, with 50,000 tonnes per month hedged from July 2024 through to September 2024 at a fixed price of A\$170.80/dmt and 20,000 tonnes per month hedged from October 2024 through to December 2024 at a fixed price of A\$168.75/dmt.

A Recap of FEX Growth Projects

Expanding Iron Ore Production and Logistics Services

Restart of Shine Iron Ore Mine in December 2024

FEX has made the decision to restart the Shine Iron Ore Mine (Shine), a short lead time, low capex growth project for FEX with similar mining scale and operational characteristics to Iron Ridge and the potential to leverage FEX's haulage and logistics capabilities.

The Key Highlights of the Shine Restart

- estimated capex of A\$7.4m stage 1 production of 100,000 tonnes per month is expected to commence in December 2024 quarter and continue until the end of FY26
- Iron ore grade of 60% Fe
- C1 cash costs of A\$67.50 /t (compared A\$78.20/t Iron Ridge due to 200km shorter haul to Geraldton port)
- With a 15.1mt resource there is significant opportunity to extend the mine life beyond FY26. Stage 2 and Stage 3 mine plans will be assessed following further optimisation work. FEX will need to obtain further approvals to extend the mine life.

Beebyn-W11: A Key Pillar to FEX Growth - An Iron Ridge 'cut and paste'

FEX has completed a Feasibility Study (FS) for the development of the key new FEX iron ore mine at the Beebyn-W11 deposit. The FS has demonstrated that the project will provide strong returns over a 7-year mine life.

- estimated capex of A\$22.9m
- Production of 1.5mtpa to commence in CY25
- Iron ore grade of 62.2% Fe
- C1 cash costs of A\$77.50 /t (aligned with Iron Ridge)
- Mine life 7 years
- Beebyn-W11 project is a veritable 'cut and paste' of Iron Ridge. This model has potential to be replicated many times over across Sinosteel's resource at the Weld Range. Sinosteel's resource is around 300Mt of iron ore. This compares to the reserve of 10Mt at Beebyn-W11, demonstrating potential scalability.
- FEX estimates the pre-tax NPV of W11 to be A\$151m. If FEX were to look to replicate the Beebyn-W11 model across half of Sinosteel's resource, a potential NPV of A\$1.5b could be realised.

A\$70m haulage and logistics contract with Gold Valley

During the March quarter, FEX-Newhaul and FEX Port Services secured a A\$70m haulage and logistics contract with Gold Valley, an iron ore producer with existing operations in the Mid-West. Under the terms of the contract:

- FEX-Newhaul was appointed as haulage and logistics services provider for the transport of 3Mt of iron ore extracted from Gold Valley's Mid-West operations, which will be delivered by Gold Valley to FEX's inland port terminal at Ruvidini Rail Siding and then hauled by FEX.
- FEX Port Services will provide services to Gold Valley in relation to the 3Mt of product which will be transported through FEX's facilities at Geraldton Port. The agreement covers a period of up to 3 years, commencing from the date Ruvidini Rail Siding has been recommissioned for use and ending at the earlier of: (1) 3 years after the date of commencement of services; or (2) when the total number of tonnes handled under the agreements reaches 3Mt.

Valuation: A\$0.68/Share (Previous A\$0.69), Using Blended DCF and EV/EBITDA

Our blended valuation for FEX of A\$0.68 per share (from A\$0.69) is based on a 50:50 weighting of our DCF-derived NPV and EV/EBITDA valuations.

This methodology balances the short-term earnings and commodity price outlook for FEX's existing businesses with the medium- to long-term, through-the-cycle free cash flow generation of the company's assets at long-run commodity prices over the remaining reserve life.

FEX has pursued some very significant business development opportunities since acquiring the Mid-West iron ore and port assets from Mount Gibson. These new opportunities have the potential to create significant value for the business and have not been appropriately valued by the market, in our view.

Our valuation has decreased marginally after issuance of new shares increasing the share count and removal of the dividend formour valuation.

DCF-based net asset valuation: A\$0.61/share (50% of our base case)

We value FEX using DCF methodology across the company's key assets, net of cash, debt, and including other assets/liabilities. We apply a discount rate of 10.0% (nominal WACC) to life-of-mine/project cash flows. We include Iron Ridge, Beebyn-W11, Shine, and the third-party transport and logistics business.

Key assumptions

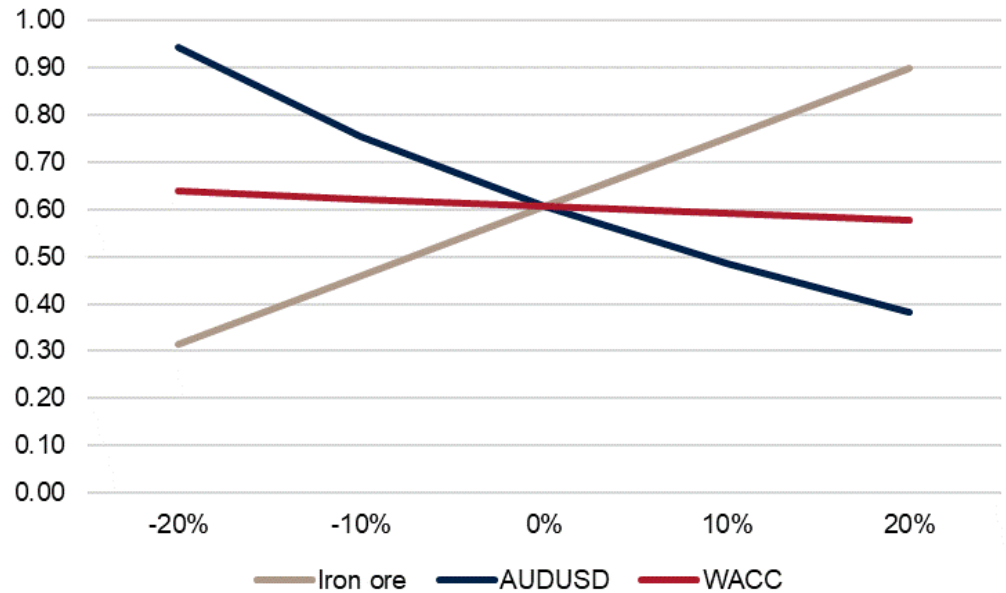
- **Iron ore price:** long-run iron ore price of US\$100/t (2023 real \$)
- **Forex:** AUD/USD of 0.70
- **Iron Ridge:** 1.44Mwmtpa of shipments, C1 cash cost of A\$76/wmt, mining to the end of 2027 (~4 years' life remaining)
- **Shine:** 1.2Mwmtpa of shipments, C1 cash cost of A\$67/wmt, commencing in the December 2024 quarter and running to the end of 2026, A\$7.4m capex
- **Beebyn:** A\$33.5m capex, first production 2025, ramping up to 1.5Mwmtpa of shipments for ~10 years, C1 cash cost of ~A\$80/wmt
- **Logistics:** We include growth in third-party logistics volumes (including Gold Valley, Beebyn, and the 10M ore purchase agreement) to ~2.5–3.0Mwmtpa hauled and shipped, at an average blended margin of A\$15.0/t (25% EBITDA margins). We discount these cashflows over the term of current contracts or life of mine, extending over the next ~10 years and with no terminal value. We highlight that the strategic and financial value of FEX's logistics assets may extend far beyond this.

Figure 4: DCF-based NPV valuation for FEX

DCF Valuation				Previous Valuation
	Discount rate	A\$mn	A\$/sh	A\$/sh
Iron Ridge	10.0%	76	0.10	0.10
Beebyn	10.0%	116	0.15	0.15
Shine	10.0%	39	0.05	0.05
Logistics & other	10.0%	137	0.18	0.18
Total operating assets		368	0.48	0.48
Corporate	10.0%	(31)	-0.04	-0.04
Net cash/(debt)		135	0.18	0.17
Provisions		(9)	-0.01	-0.01
Net Asset Value		463	0.61	0.60

Source: MST.

Figure 5: DCF sensitivity to key inputs



Source: MST.

EV/EBITDA valuation: A\$0.75/share at 4x FY25 EBITDA (50% of our base case)

We use a sum-of-the-parts (SOTP) valuation approach to value the two distinct earnings streams as FEX develops both its iron ore and logistics businesses. We apply a 3.5x multiple to iron ore EBITDA (average multiple on comparable companies), and a 8.5x multiple to logistics EBITDA (average multiple on comparable companies) to account for the expected growth in that business despite limited contribution in FY24. This results in a combined EV/EBITDA target multiple for the group of 4x next twelve months (NTM) EBITDA (see Figure 6).

Figure 6: FEX EV/EBITDA valuation

EV/EBITDA valuation				Previous Valuation
	A\$m		A\$/sh	A\$/sh
EBITDA	1H 25	2H 25		
Iron Ridge	35	29	0.08	0.08
Beebyn	0	5	0.01	0.01
Shine	6	22	0.04	0.04
Logistics services	8	11	0.03	0.03
Corporate/SG&A/hedging	-3	-4	(0.01)	(0.01)
Total next twelve months (NTM)	109		0.14	0.15
Multiple	4.0x			4.0x
Enterprise value	437		0.57	0.58
Net cash/(debt)	135		0.18	0.17
Equity value	572		0.75	0.75

Source: MST.

Key catalysts for share price and valuation

FEX's growth profile is strong and there are several key catalysts both in the short and medium term that have the potential to both drive the share price towards our valuation and to increase our valuation.

Continued strong performance of Iron Ridge

As the core asset of the group and the chief cash generator, the continued strong performance of Iron Ridge is key to the valuation and the performance of the stock.

Commencement of the Beebyn-W11 Project

As a significant leg up in production and cash generation, the Beebyn-W11 Project is a key next leg of growth for FEX and its commencement is a key to our valuation.

Commencement of the Shine Project

Another significant leg up in production and cash generation, the Shine Project is another key leg of growth for FEX and its commencement is a key to our valuation.

Further iron ore acquisitions

Our valuation is predominantly based on the current business and known projects. Further acquisition of iron ore projects would enhance the valuation.

Iron ore price

The iron ore price is the central input to FEX's revenue. Short- and long-term increases in the iron ore price would drive both the share price and valuation.

Logistics and infrastructure growth

A major foundation for FEX's growth is the capacity of the logistics and port and rail infrastructure. Deals such as the CuFe port access show FEX's ability and capacity to deliver these types of transactions.

Further transactions with regional producers – including other commodities

FEX's position in the Mid-West enables it to unlock regional producers' projects via its ownership of the logistics and port and rail infrastructure. This also positions FEX to participate in regional producers' projects and diversify the revenues across commodities outside of iron ore.

Key risks to our view

We outline the key risks to the share price and valuation below. We note that these risks are mitigated by a strong management team, cost control, financial management and a dominant position in Mid-West logistics and infrastructure.

Performance of Iron Ridge and maintaining high margins

As the core asset of FEX, any performance issues at Iron Ridge will influence cash generation. Strong cost control and hedging has reduced the risks of this.

Delays to production from Shine and Beebyn-W11

Any delays in moving into development of the assets would be negative for cash generation and would have a negative effect on our valuation.

Growth

An investment highlight of FEX is its capacity to grow. Lack of growth may reduce the investment appeal of FEX.

Cost inflation

Cost inflation is a global theme and is particularly concerning in the mining industry. If operational or capital costs increase without a corresponding increase in the commodity price, the project's margins will be reduced. FEX has demonstrated strong cost control in this environment.

Iron ore price

This is the most important valuation sensitivity.

Foreign exchange rates

Iron ore is priced in USD, meaning that the exchange rate is a risk to the AUD price received by FEX. FEX offsets this risk by hedging part of the production.

Health and safety

Health and safety is of high importance with respect to mining operations and any issues can be detrimental to those operations. FEX manages this risk through a strong, OH&S-focused culture, Fenix–Newhaul safety technology (simulator, IT systems, etc), and industry-leading management.

Appendix 1: Recapping Our Investment Thesis – Uniquely Positioned for Growth; Valuation of A\$0.69/Share

Company overview: a unique, high-quality asset base

FEX operates a unique, fully integrated mining and logistics business. High-quality iron ore products are transported by road to Geraldton using the company's 100%-owned Fenix–Newhaul haulage and logistics business. FEX also operates its own loading and storage facilities at the Geraldton Port with storage capacity of 400,000 tonnes and loading capacity of more than 5Mtpa.

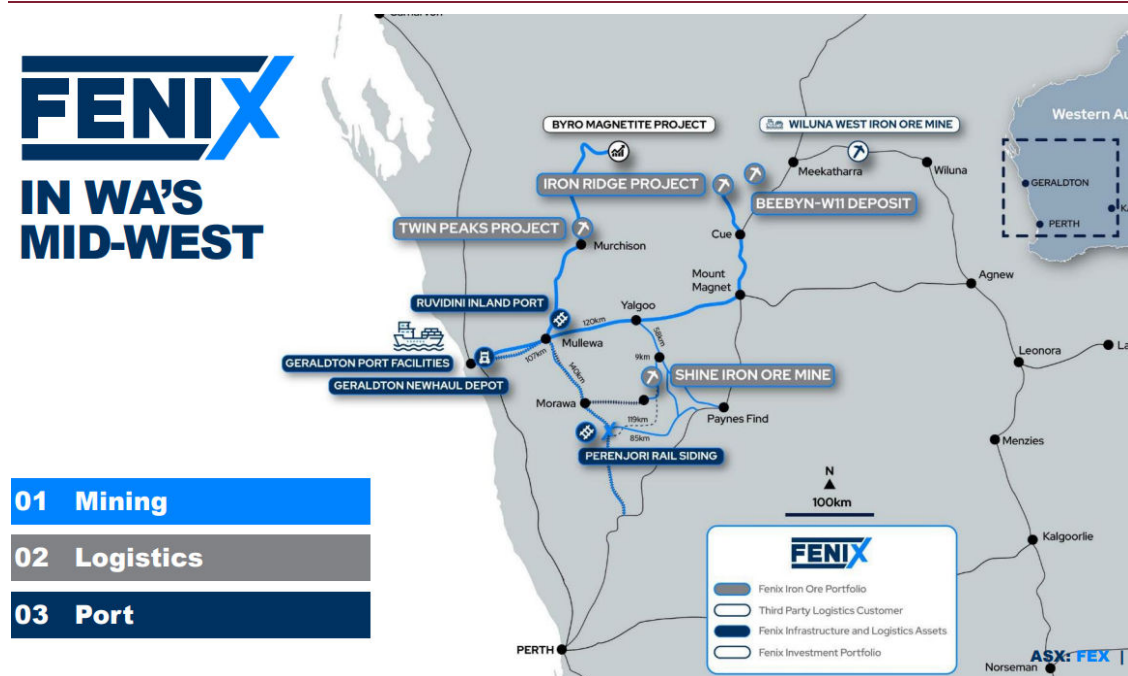
FEX's iron ore assets include:

- flagship Iron Ridge mine
- right to mine 10Mt of iron ore at Sinosteel's Mt. Weld Beebyn-W11
- Twin Peaks iron ore mine – right to purchase 500kt (CuFe Ltd)
- Shine iron ore mine
- potential ownership of 31.8% of Athena Resources.

FEX's logistics assets and contracts include:

- trucking: 30 x 200-tonne quad road trains
- port: warehouse storage capacity of ~400,000 tonnes and on-wharf ship loading infrastructure with in-loading access via truck or rail and access to Berths 4 and 5 for ship loading at Geraldton Port
- rail: 2 rail sidings with access to the main Mid-West rail network connecting to Geraldton Port
- Ruvidini inland port being developed
- 1.4 Mt port services agreement with CuFe Ltd.
- A\$70m haulage and logistics contract with Gold Valley, 3Mt of product which will be transported through FEX's facilities at Geraldton Port.

Figure 7: FEX's projects and assets in WA



Source: FEX.

Set up for immediate and long-term growth with strong cash generation, Sinosteel deal, dominant logistics position

Cash generation and strong cost control – laying the groundwork; cash balance of \$77m sets FEX up for growth

Iron Ridge's resource provides a potential mine life of ~5 years. Iron Ridge began production in December 2020 and has produced >3Mt of iron ore at a consistent run rate of 1.3Mtpa. FEX's robust financial position has been driven by consistent cash generation and strong cost control, creating a cash balance of A\$77m as at end-June 2024, with average A\$50/t margins over the life of the asset. The platform has been built for the company to grow its iron ore production and unique truck, rail and ports business. FEX's iron ore is high quality, with a greater than 63% Fe content, putting it amongst the highest-grade iron ore exported from Australia. The Mineral Resource Estimate (MRE) is 6.6Mt @ 65.1% Fe.

Sinosteel deal opens up immediate and long-term iron ore growth potential

The acquisition of a right to mine 10Mt from Sinosteel's high-grade Beebyn-W11 deposit has the potential to give FEX exposure to a portion of the 300Mt high-grade iron ore resource contained within the greater Weld Range project, sufficient to support over 25 years of production. Beebyn-W11 is ~20km from Iron Ridge and geologically similar. FEX intends to commence production from Beebyn-W11 during CY2025, significantly boosting production and cash flows. Production would use the same conventional mining methods as currently deployed at Iron Ridge. This right to mine and ongoing relationship with Sinosteel has the potential to grow long-term iron ore production and provide low-cost mine-to-port logistics. The restart of the Shine Iron ore Mine is targeted for December quarter 2024 and will add 1.2Mtpa into FEX's production mix.

Logistics and infrastructure strength provides for growth, unlocks regional options

FEX acquired Mount Gibson's rail and port assets in July 2023, which alongside FEX's existing trucking and port assets give it a total 'mine-to-port' solution. These assets are pivotal in supporting the low-cost, high-margin iron ore business and allow FEX to provide efficient transportation and port solutions for its own iron ore growth. The Mid-West region of WA hosts a diverse array of mining projects at various stages of development, many in need of cost-effective transportation solutions. Leveraging FEX's logistics and infrastructure capabilities, FEX can offer efficient, low-cost services to third parties, facilitating the seamless movement of products from mine to port and unlocking their projects. This approach positions FEX to expand its logistics business, optimise its assets at the Geraldton Port, and boost cash flow and profitability. Furthermore, the integration of transport solutions may provide opportunities for FEX to participate in regional projects and additional commodities on favourable terms.

WA's Mid-West – a Tier-1 mining jurisdiction

FEX's operations are situated in WA's Mid-West region, a Tier-1 mining jurisdiction. The region boasts substantial high-grade iron ore deposits, numerous operational gold mines, ongoing exploration projects, base and battery metals and industrial minerals. Modern infrastructure (well-developed road networks, railways and ports) facilitates the efficient transportation and export of mined products. Of particular significance is the coastal city of Geraldton, which hosts a crucial deep-water port that plays a vital role in exporting the region's mining products to international markets.

Iron ore – the most crucial input to steel

FEX's key product is iron ore. The Mid-West has been an integral part of WA's iron ore supply to international markets, and its high-grade products are eagerly sought after by steel producers. Iron ore is the primary raw material used in the production of steel, one of the most widely used materials in construction, manufacturing, and infrastructure. Iron ore is a globally traded commodity, and its production and export have a significant impact on the global economy. China is the world's largest steel producer due to the scale of its manufacturing industry and many construction and infrastructure projects, as well as its rapid urbanisation and substantial manufacturing exports. China's enormous steel output and iron ore consumption exert a substantial influence on global steel and iron ore markets. Japan, Korea, India and Europe also have extensive steel industries.

ESG: doing the right thing – greening steel, benefitting communities

Environmental: The steel industry currently contributes to ~8% of global carbon emissions. FEX's iron ore is exceptionally high grade with very low impurities and can supply low-carbon electric arc furnaces, resulting in lower emissions. The steel industry is highly focused on reducing its carbon footprint, and high-quality iron ore is a key input to achieving that goal. Solar-powered Iron Ridge infrastructure includes a weighbridge, telecommunications towers and water transfer pumps.

Social: The Iron Ridge project has generated >200 new full-time jobs and is a partner in Mid-West initiatives relating to sponsoring local business as well as Chamber of Commerce initiatives.

Governance: The Board of Directors has been expanded from 3 to 4, with an additional independent director being appointed. The independent directors are now 50% of the Board thus complying with ASX guidelines.

Recent events

- August 2024 - Annual results
- August 2024 - MGX exercises 12.5m options
- July 2024 – Beebyn-W11 Feasibility Study completed
- July 2024 – Posts 4QFY24 results – another consistent quarter for Iron Ridge
- July 2024 – Restart of Shine Iron Ore Mine announced
- April 2024 – Posts 3QFY24 results – another strong quarter
- March 2024 – Gold Valley logistics and port services contract signed
- March 2024 – Shipment of first Twin Peaks ore
- March 2024 – Athena Resources transaction
- February 2024 – Strong half-year results
- January 2024 – Standout quarter for Iron Ridge
- November 2023 – Foundation Port Services customer; 500kt ore purchase agreement

Personal disclosures

Michael Bentley received assistance from the subject company or companies in preparing this research report. The company provided them with communication with senior management and information on the company and industry. As part of due diligence, they have independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in this report. They have taken care to maintain honest and fair objectivity in writing this report and making the recommendation. Where MST Financial Services or its affiliates has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid has, or will, directly or indirectly impact the content provided in this report.

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The companies and securities mentioned in this report, include:

Fenix Resources (FEX.AX) | Price A\$0.28 | Valuation A\$0.68;

Price and valuation as at 02 September 2024 (not covered)*

Additional disclosures

This report has been prepared and issued by the named analyst of MST Access in consideration of a fee payable by: Fenix Resources (FEX.AX)

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