

21 November 2024

## Fenix Resources Ltd (FEX)

BUY

Share Price: A\$0.26

### Potential to extend Iron Ridge mine life

Target Price: A\$0.42

Recent exploration and geotechnical drilling has identified high-grade mineralisation underneath and along strike from the existing pit at FEX's flagship Iron Ridge Mine. This will support studies to extend production beyond the current LOM (Petra est. 2.5 yrs). In addition, a recent aeromagnetic survey has identified three near-mine prospective targets; follow-up drilling to commence in early 2025. Production extension at Iron Ridge adds to the group's iron ore growth strategy with additional mines coming online at Shine in Dec. Q'24 and at Beebyn-W11 in Mar. Q'25. In addition, FEX's road, rail, and port infrastructure sees the group ideally placed to unlock any third-party business opportunities in Western Australia's Mid-West region (Fig. 1). BUY, TP A\$0.42/sh (unchanged).

#### High grade intersections SW of existing pit

- Exploration drilling was carried out between July-Oct.'24 to identify expansion opportunities for the Iron Ridge Resource (5.2Mt @ 65.3% Fe, 30 June 2024). This is the first exploration activity at Iron Ridge since the pre-mining program was completed in 2019.
- Thick, high-grade hematite mineralisation was intersected below and along strike to the SW of the existing pit (Figure 2). Significant intersections include:
  - 166m @ 66% Fe from 138m (EXDD002).
  - 98m @ 64% Fe from start of hole (FWDD007).
  - 57m @ 63% Fe from 115m (FWRC002).
- Updated MRE later this quarter; FEX to assess potential to extend the mine life (current Reserve 2.94Mt 30 June 2024, annual depletion ~1.4Mt). We note that a Heritage Exclusion Area is ~200m to the southwest of the current pit. However, we estimate that a modest cutback of ~50m plus a steeper wall pit design could add an additional 1Mt into an optimised mine plan.
- We estimate that an additional year LOM at Iron Ridge (Figs. 3-4) increases our TP by ~6% to A\$0.44/sh.

#### Near mine targets add further potential

- A recent aeromagnetic survey has identified three prospective near-mine hematite targets for follow up drilling in early 2025 (Figure 5). The target to the northeast is particularly prospective in our opinion, as it looks to be a (faulted) offset of the main orebody (Big BIF). The targets to the southwest are on the far side of the Heritage Area and extend into Sinosteel's tenure.

#### Key Dates Ahead

- Dec. Q'24 – Maiden shipment from Shine Mine.
- Dec. Q'24 – Updated MRE at Iron Ridge Mine.
- Mar. Q'25 – First production at Beebyn-W11 Mine.

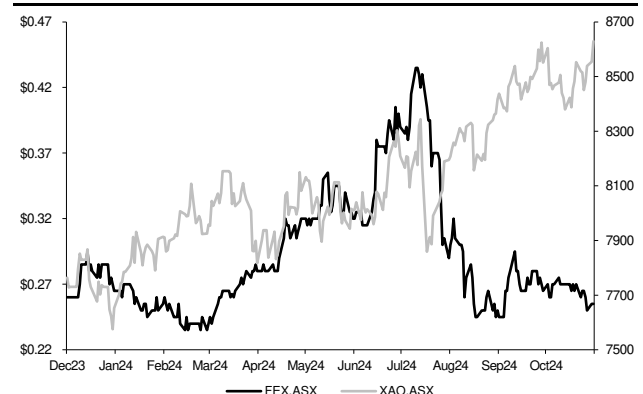
#### Company Data

Shares – ordinary (M)	720.6
Options/rights (M)	93.9
Diluted for options/rights (M)	81.5
Market capitalisation (\$M)	187
12 month low/high (\$)	0.23/ 0.45
Average monthly turnover (\$M)	9.8
GICS Industry	Metals & Mining

#### Financial Summary (fully diluted/normalised)

Year End June	FY24A	FY25F	FY26F	FY27F	FY28F
Revenue (\$M)	259.2	383.7	573.7	445.7	320.6
Costs (\$M)	-191.8	-306.8	-473.2	-386.8	-300.2
EBITDA (\$M)	67.4	76.9	100.5	58.9	20.3
NPAT (\$M)	33.6	38.9	47.1	25.7	5.9
EPS (cps)	4.9	5.3	6.4	3.5	0.8
EPS growth (%)	-50%	10%	20%	-45%	-77%
PER (x)	5.3	4.9	4.1	7.4	33.0
Op. Cashflow (\$M)	59.6	36.7	69.0	55.5	25.3
OCFPS (cps)	8.6	5.0	9.4	7.5	3.4
POCFPS (x)	3.0	5.2	2.8	3.4	7.7
Enterprise Value (\$M)	152	163	136	129	133
EV / EBITDA (x)	2.3	2.1	1.4	2.2	6.5
Payout ratio (%)	na	32%	29%	43%	124%
Dividends (cps)	0.0	1.7	1.8	1.5	1.0
Yield (%)	na	7%	7%	6%	4%
Franking (%)	100%	100%	100%	100%	100%

#### FEX – performance over one year



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This report must be read with the disclosure and disclaimer on the final page of this document.

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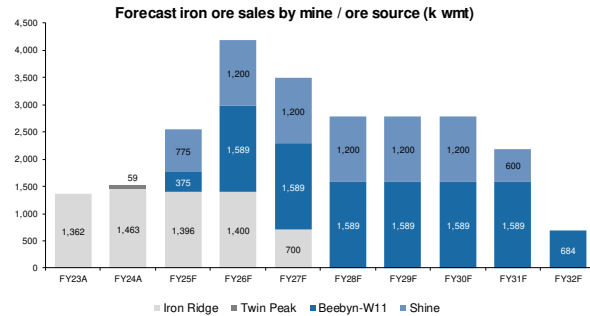
## Analysis

### Fenix Resources (FEX)

Year End June

Share price (A\$)	0.26
Issued Shares (m)	721
Market Cap (A\$m)	187
Options/Rights (m)	93.9 (incl. 12.5m Options to MGX)
Dilution (m)	0
Fully Diluted no. of Shares (m)	815

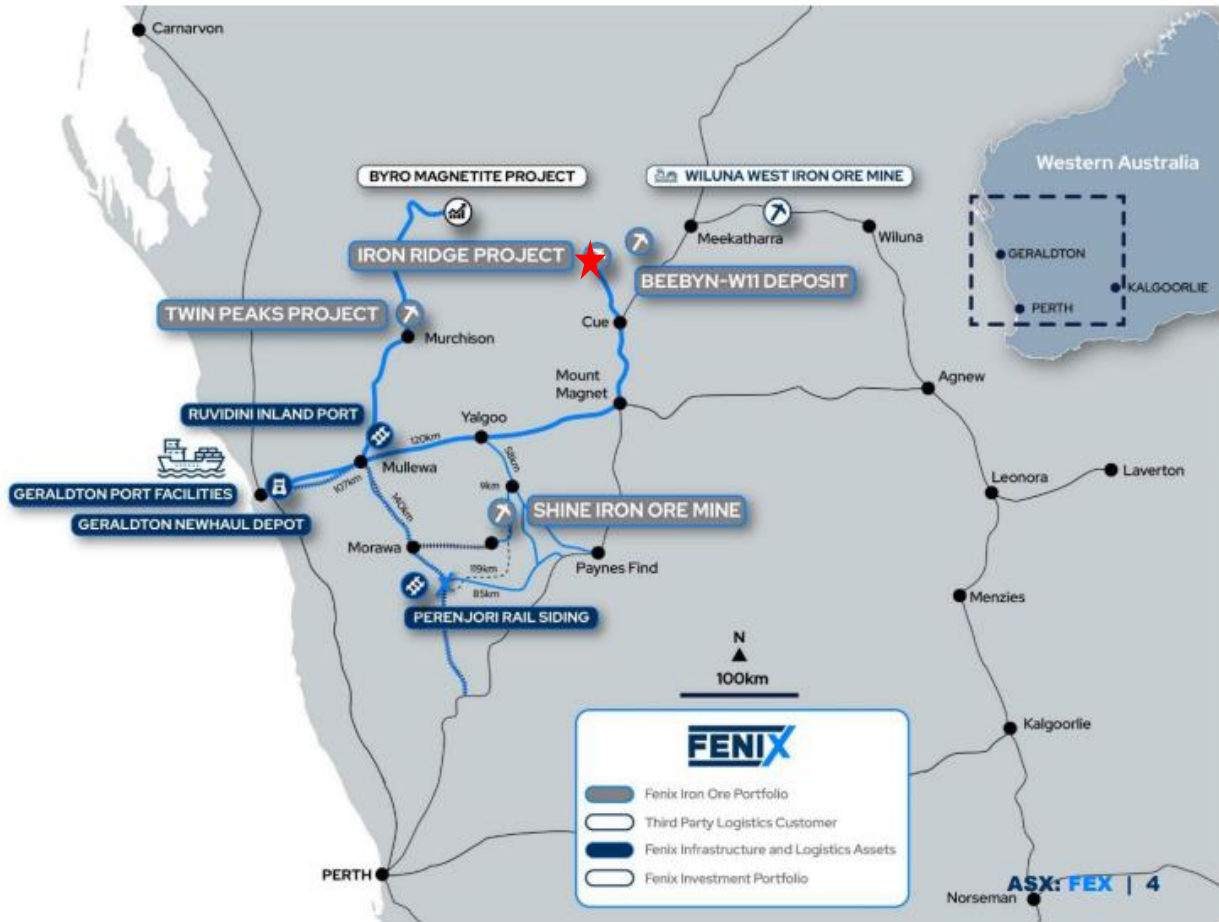
P&L Statement (A\$m)	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F	Iron ore price & FX	FY24A	FY25F	FY26F	FY27F	FY28F	FY29F
Revenue	259.2	383.7	573.7	445.7	320.6	320.6	Iron ore (US\$/dmt, 62% Fe, CFR)	120	100	95	90	90	90
Costs	(191.8)	(306.8)	(473.2)	(386.8)	(300.2)	(300.2)	<b>ARP (US\$/dmt, CFR)</b>	<b>126</b>	<b>101</b>	<b>94</b>	<b>88</b>	<b>85</b>	<b>85</b>
<b>EBITDA</b>	<b>67.4</b>	<b>76.9</b>	<b>100.5</b>	<b>58.9</b>	<b>20.3</b>	<b>20.3</b>	FEX premium / (discount)	5.1%	0.7%	-0.7%	-2.4%	-5.3%	-5.3%
Depreciation & Amortisation	(24.4)	(25.0)	(30.0)	(20.0)	(10.0)	(10.0)	AUD:USD	0.66	0.67	0.68	0.69	0.70	0.70
<b>Operating profit</b>	<b>43.0</b>	<b>51.9</b>	<b>70.5</b>	<b>38.9</b>	<b>10.3</b>	<b>10.3</b>	FEX ARP (A\$/dmt, CFR)	193	150	139	128	122	122
NOI	5.8	6.0	0.0	0.0	0.0	0.0	<b>Iron ore shipped (k wmt)</b>	<b>FY24A</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>	<b>FY29F</b>
<b>EBIT</b>	<b>49</b>	<b>58</b>	<b>71</b>	<b>39</b>	<b>10</b>	<b>10</b>	<b>Group</b>	<b>1,522</b>	<b>2,546</b>	<b>4,189</b>	<b>3,489</b>	<b>2,789</b>	<b>2,789</b>
Interest income	2.0	2.3	2.3	3.4	3.6	3.5	...Iron Ridge	1,463	1,396	1,400	700	0	0
Interest expense	(2.3)	(4.7)	(5.6)	(5.6)	(5.6)	(5.6)	...Beebyn-W11 (Right to Mine)	0	375	1,589	1,589	1,589	1,589
Tax expense	(15.0)	(16.7)	(20.2)	(11.0)	(2.5)	(2.5)	...Shine	0	775	1,200	1,200	1,200	1,200
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	...Twin Peaks (Ore Purchase)	59	0	0	0	0	0
<b>Reported NPAT</b>	<b>33.6</b>	<b>38.9</b>	<b>47.1</b>	<b>25.7</b>	<b>5.9</b>	<b>5.8</b>	<b>Costs (A\$/dmt, CFR)</b>	<b>FY24A</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>	<b>FY29F</b>
EPS Reported (A\$c)	4.9	5.3	6.4	3.5	0.8	0.8	Mining / processing /site	26	29	29	31	34	34
DPS - Declared (A\$c)	0.0	1.7	1.8	1.5	1.0	1.0	Road haulage / Port	55	45	40	36	36	36
Avg. no. of shares (m)*	691	728	736	736	746	756	C1 costs	82	73	69	67	69	69
YE no. of shares (m)*	721	736	736	736	756	756	Shipping	28	29	30	29	29	29
<b>Cash Flow Statement (A\$m)</b>	<b>FY24A</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>	<b>FY29F</b>	Royalties & Profit Sharing	19	17	16	15	15	15
EBITDA	67.4	76.9	100.5	58.9	20.3	20.3	Other	1	1	2	2	2	2
Investment in working capital	11.9	(23.5)	(11.3)	7.6	7.5	0.0	AISC	130	121	116	113	114	114
Tax expense	(19.7)	(16.7)	(20.2)	(11.0)	(2.5)	(2.5)	<b>C1 costs (US\$/dmt)</b>	<b>54</b>	<b>49</b>	<b>47</b>	<b>46</b>	<b>48</b>	<b>48</b>
<b>Operating Cash Flow</b>	<b>59.6</b>	<b>36.7</b>	<b>69.0</b>	<b>55.5</b>	<b>25.3</b>	<b>17.9</b>	<b>AISC (US\$/dmt, CFR)</b>	<b>85</b>	<b>82</b>	<b>79</b>	<b>78</b>	<b>80</b>	<b>80</b>
Capex (growth)	(30)	(38)	(15)	(25)	(10)	(10)	AISC margin (A\$/dmt, CFR)	63	29	23	15	8	8
Exploration	(6)	(2)	(2)	(2)	(2)	(2)	AISC margin (%)	33%	19%	16%	12%	6%	6%
Capex (sustaining)	(4)	(6)	(8)	(7)	(6)	(6)	<b>Forecast iron ore sales by mine / ore source (k wmt)</b>						
<b>Investing Cash Flow</b>	<b>(40)</b>	<b>(45)</b>	<b>(25)</b>	<b>(34)</b>	<b>(18)</b>	<b>(18)</b>							
Net interest received / (paid)	(0.3)	(2.4)	(3.3)	(2.2)	(2.0)	(2.1)							
Debt drawdown / (repayment)	20.6	10.0	10.0	0.0	0.0	0.0							
Dividends	(13.7)	(6.3)	(13.0)	(12.2)	(9.2)	(7.4)							
Equity raised / (repaid)	21.6	0.0	0.0	0.0	0.0	0.0							
<b>Financing Cash Flow</b>	<b>28.2</b>	<b>1.3</b>	<b>(6.3)</b>	<b>(14.4)</b>	<b>(11.2)</b>	<b>(9.5)</b>							
Minority interest / Other	(47.0)	6.0	0.0	0.0	0.0	0.0							
<b>Inc/(Dec) in Cash</b>	<b>0.7</b>	<b>(1.1)</b>	<b>37.7</b>	<b>7.1</b>	<b>(3.9)</b>	<b>(9.6)</b>							
<b>Balance Sheet (A\$m)</b>	<b>FY24A</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>	<b>FY29F</b>							
Cash & Equivalents	77.0	75.9	113.5	120.6	116.7	107.1							
Receivables	22.4	34.5	51.6	40.1	28.9	28.9							
Inventories	7.5	15.3	22.9	17.8	12.8	12.8							
Other Current Assets	0.7	0.7	0.7	0.7	0.7	0.7							
PPE and Explo/Dev.	128	148	143	157	165	173							
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0							
Other Non Current Assets	31.2	31.2	31.2	31.2	31.2	31.2							
<b>Total Assets</b>	<b>267</b>	<b>306</b>	<b>363</b>	<b>368</b>	<b>355</b>	<b>354</b>							
Payables and other CL	39.9	42.7	56.5	46.3	35.7	35.7							
Short Term Debt / Lease Liabilities	13.3	13.3	13.3	13.3	13.3	13.3							
Long Term Debt/Lease Liabilities	28.6	38.6	48.6	48.6	48.6	48.6							
Other Non Current Liabilities	7.3	7.3	7.3	7.3	7.3	7.3							
Non-controlling interest (NCI)	0.0	0.0	0.0	0.0	0.0	0.0							
Total Liabilities incl NCI	89.1	101.9	125.7	115.5	104.9	104.9							
Equity	178	204	237	252	251	249							
<b>Total Liabilities and Equity</b>	<b>267</b>	<b>306</b>	<b>363</b>	<b>368</b>	<b>355</b>	<b>354</b>							
<b>Ratios</b>	<b>FY24A</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>	<b>FY28F</b>	<b>FY29F</b>	<b>Valuation</b>	<b>(A\$m)</b>	<b>(A\$/sh)</b>				
P/E (x)	5.3	4.9	4.1	7.4	33.0	33.9	Iron Ridge mine inventory NPV8 (3.6M wmt)	112	0.15				
Debt/Equity	23.8%	25.5%	26.1%	24.6%	24.7%	24.9%	Beebyn-W11 mine inventory NPV8 (10.5M wmt)	26	0.03				
ROE (%)	18.9%	20.4%	21.3%	10.5%	2.3%	2.3%	Shine mine inventory NPV8 (7.4M wmt)	39	0.05				
							Twin Peak 0.5Mt Ore Purchase Agreement (nominal)	4.5	0.01				
							Total iron ore mine inventory NPV8 (22.2M wmt)	182	0.24				
							Iron ore Resource outside of inventory (9.3M wmt)	20	0.03				
							Port and rail assets	25	0.03				
							Fleet & haulage infrastructure	35	0.05				
							Third party haulage & logistics contracts	17	0.02				
							Corporate	(15)	(0.02)				
							Hedge book NPV8	2.2	0.00				
							Enterprise value	266	0.35				
							Net cash / (debt) (FY26F)	52	0.07				
							<b>Equity value</b>	<b>317</b>	<b>0.42</b>				



\* Shares diluted for 34.9 million shares in Contingent Milestone Payments outstanding to Newhaul as part of FEX's June 2022 acquisition of Newhaul's 50% interest in the haulage JV (20m shares already issued in June 2023 for delivery of 3Mt ore hauled). Note: part issue when aggregate 6Mt hauled, with final issue when aggregate 10Mt hauled.

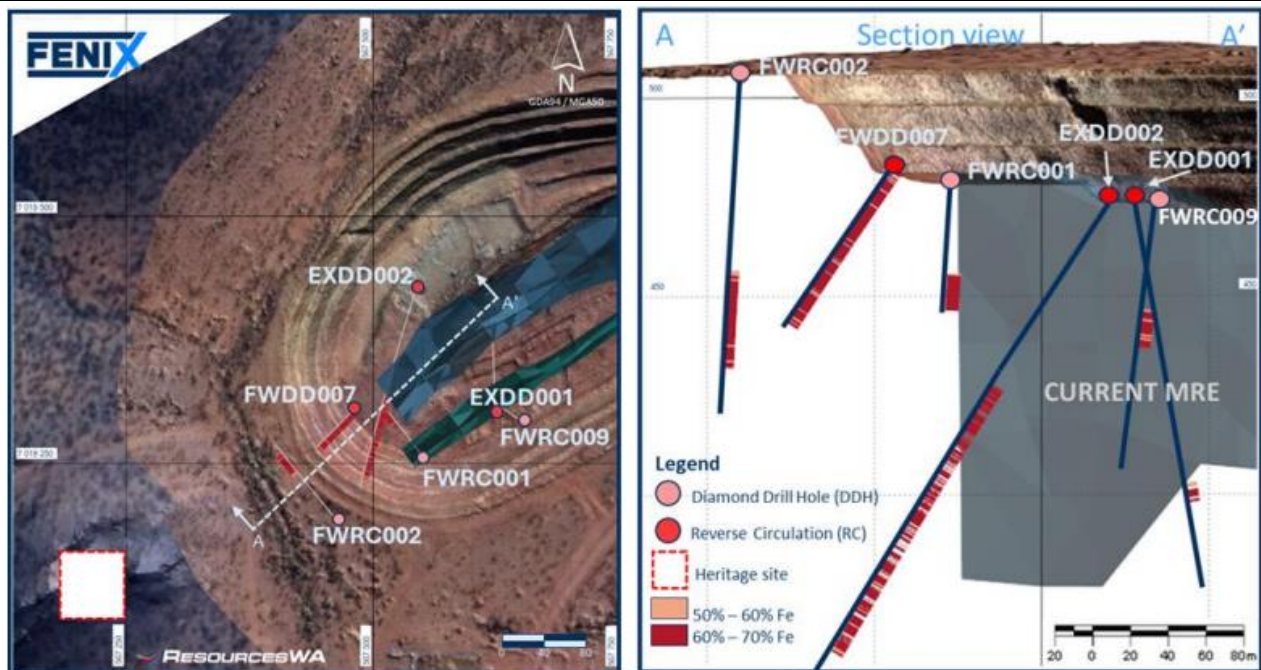
Source: Petra Capital

Figure 1: FEX’s mining and logistics assets in Mid-West Western Australia



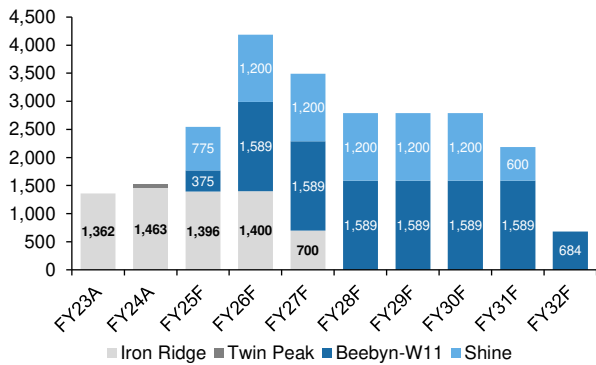
Source: Company, Petra Capital

Figure 2: Plan (LHS) and Section (RHS) view of the iron Ridge Pit showing the ore body and drill holes



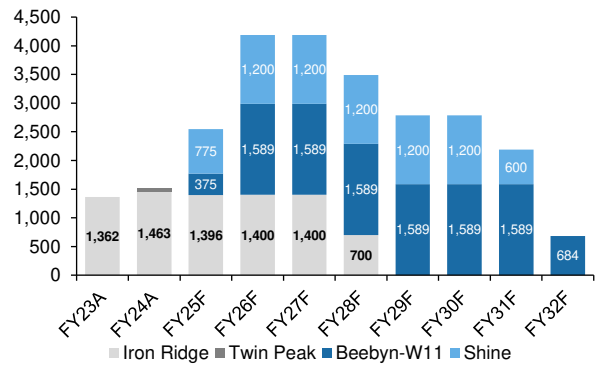
Source: Company

**Figure 3: Base Case - Iron Ridge Mine production to Dec. Q'26 (kt iron ore)**



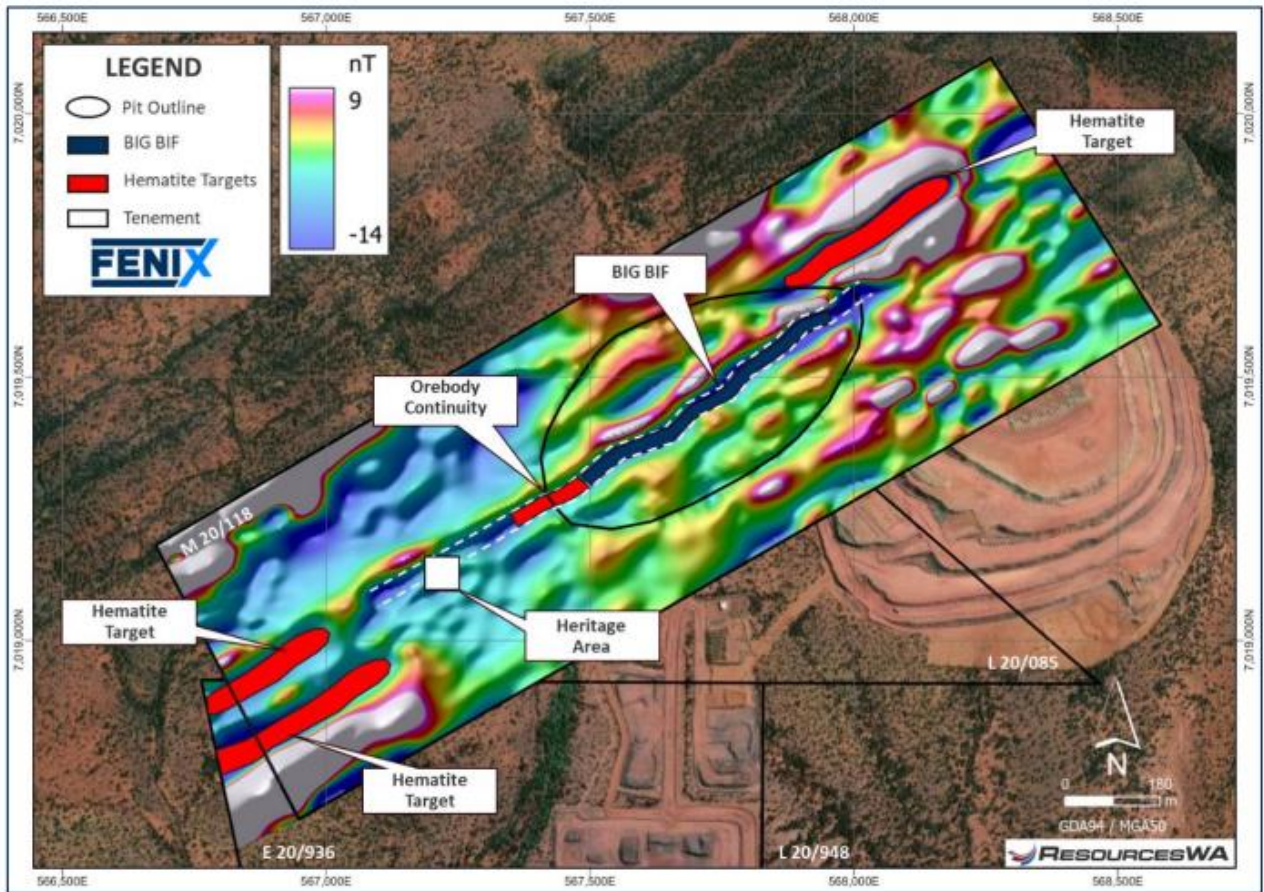
Source: Company, Petra Capital forecast

**Figure 4: Scenario - Iron Ridge Mine production to Dec. Q'27 (kt iron ore)**



Source: Company, Petra Capital forecast

**Figure 5: Iron Ridge aeromagnetic survey data showing the main hematite ore zone referred to as the “Big BIF” and the new hematite targets**



Source: Company



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