

10 December 2024

## Iron Ridge Grows

### NEED TO KNOW

- Mineral Resource Estimate (MRE) for Iron Ridge increases 177% on drilling results
- Targeting mine-life extension for Iron Ridge
- FEX increases its interest in Athena Resources

**Iron Ridge – recent drilling results drive 177% increase in MRE:** Fenix (FEX) conducted an exploration drilling program between July and October 2024, targeting extensions in the south-west of the deposit and enhanced resource definition in previously explored areas. The program demonstrated the continuity of the high-grade ore body at Iron Ridge, leading to an increase of 177% to the MRE to 13.4Mt @ 64.9% Fe.

**Next step – Iron Ridge mine life extension:** The updated resource provides the platform for further exploration programs and informs future mining planning work aimed at increasing the Ore Reserve and extending the Iron Ridge mine life.

**FEX increases its interest in Athena Resources:** Athena Resources owns the Byro Magnetite Project, a premium high-grade magnetite iron ore development project in the Mid-West of Western Australia (WA). FEX has increased its interest to 19.84% with potential to be as high as 46.56% post a capital raise by Athena (closing 23rd December 2024). The project represents a strong opportunity 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 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 the ability to grow that business. It also gives FEX potential exposure to other high-value commodities and sources of further cash generation. Many projects in the Mid-West require logistics and infrastructure services 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\$0.78 Per Share (Previous: A\$0.70)

Our A\$0.78 per share valuation (which equally weights NPV and EV/EBITDA) is up from A\$0.70 due to our assumption of an extension of mine life for Iron Ridge and a higher EBITDA contributing to the EV/EBITDA valuation.

### Risks

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

Report prepared by MST Access, a registered business name of MST Financial services ABN 617 475 180 AFSL 500 557. 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)

### Equity Research Australia

#### Materials

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Fenix's diversified Mid-West iron ore, port and rail asset base provides an excellent foundation for future growth. These assets include the Iron Ridge mine, the Beebyn-W11 Deposit, the Twin Peaks Iron Ore Mine, the Shine Iron Ore Mine, the Newhaul Road Logistics haulage business which includes a state-of-the-art road haulage fleet, two rail sidings at Ruvidini and Perenjori, as well as the Newhaul Port Logistics business that operates three on-wharf bulk material storage sheds at the Geraldton Port. [www.fenixresources.com.au](http://www.fenixresources.com.au)

Valuation	<b>A\$0.780</b> (from A\$0.700)
Current price	<b>A\$0.275</b>
Market cap	<b>A\$198m</b>
Cash on hand	<b>A\$72m</b> (30 Sep 24)

### Additional Resources

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

### Upcoming Catalysts / Next News

Period	
4QCY24	Shine production
1QCY25	Beebyn-W11 commencement
Ongoing	More third-party logistics agreements
Ongoing	Further iron ore expansion
1QCY25	Updated Iron Ridge Reserve and mine life extension update

### Share Price (A\$)



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

Fenix Limited						FEX.AX
Year end 30 June						
MARKET DATA						12-Month Relative Performance vs S&P/ASX Metals & Mining
Share Price	A\$/sh					0.275
52 Week Low	A\$/sh					0.24
52 Week High	A\$/sh					0.45
Market Cap (A\$m)	A\$m					198
Net Debt / (Cash) (A\$m)	A\$m					(72)
Enterprise Value (A\$m)	A\$m					126
Shares on Issue (basic)	m					721
Performance rights and options	m					44
Potential shares on issue (diluted)	m					765
INVESTMENT FUNDAMENTALS						
Reported NPAT	A\$m	FY23A	FY24A	FY25E	FY26E	FY27E
Underlying NPAT	A\$m	29	34	58	85	52
Underlying EPS	¢ps	5.1	4.9	8.2	12.0	7.3
EPS Reported	¢ps	4.6	4.8	8.1	12.0	7.3
P/E Reported	x	5.4	5.6	3.3	2.3	3.8
P/E Underlying	x	6.0	5.7	3.4	2.3	3.8
Price / Operating Cash Flow	x	10.7	2.7	2.0	1.5	2.3
Dividend per share	¢ps	2.0	0.0	4.0	6.0	5.0
Free Cash Flow / Share	A\$	0.00	0.04	0.06	0.13	0.11
Price / Free Cash Flow	x	68.9	6.4	4.5	2.0	2.6
Free Cash Flow Yield	%	1.5	15.7	22.4	48.8	39.1
Book Value / Share	A\$	0.20	0.24	0.32	0.41	0.43
Price / Book	x	1.40	1.15	0.86	0.67	0.64
NTA / Share	A\$	0.20	0.24	0.32	0.41	0.43
Price / NTA	x	1.40	1.15	0.86	0.67	0.64
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	124	197	236
Enterprise Value	A\$m	98	114	71	(3)	(42)
EV / EBITDA	x	2.4x	1.7x	1.1x	0.8x	1.2x
Net Debt / Enterprise Value		(0.6)	(0.6)	(1.0)	(1.6)	(1.9)
PRODUCTION AND PRICING						
		FY23A	FY24A	FY25E	FY26E	FY27E
<b>Iron ore</b>						
Ore shipped - Iron Ridge	kwmt	1,362	1,463	1,396	1,400	1,400
FOB cash cost	A\$/t	81.5	77.9	79.7	80.2	80.6
Ore shipped - Beebyn & Shine	kwmt	-	-	1,208	2,700	2,100
FOB cash cost	A\$/t	-	-	67.5	72.8	74.8
Realised price (CFR)	US\$/t	112.7	126.9	115.9	117.1	115.5
<b>Logistics</b>						
Haulage volumes	kwmt	-	59	1,588	2,750	2,500
Shipped volumes	kwmt	-	1,813	1,761	2,750	2,500
Margin per tonne	A\$/t	n.a.	3.5	5.8	6.8	6.0
Profit & Loss (A\$m)						
Revenue		FY23A	FY24A	FY25E	FY26E	FY27E
Expenses		197	259	509	800	633
EBITDA		(144)	(186)	(396)	(641)	(531)
D&A		53	73	113	158	102
EBIT		(15)	(24)	(32)	(41)	(34)
Interest		38	49	81	117	68
Tax		(0)	(0)	1	4	6
Underlying NPAT		(9)	(15)	(25)	(36)	(22)
Reported NPAT		28	34	58	85	52
Net Profit Before Tax		29	34	58	85	52
Balance Sheet (A\$m)						
Cash		FY23A	FY24A	FY25E	FY26E	FY27E
Receivables		76	77	124	197	236
Inventory		16	23	16	16	16
PP&E		8	7	7	7	7
Exploration		85	142	162	152	128
Other		1	12	12	12	12
Assets		0	5	5	5	5
Creditors		187	267	327	391	405
Debt		22	31	31	31	31
Other		-	-	-	-	-
Liabilities		40	69	69	69	69
Shareholder's Equity		62	100	100	100	100
Other		125	166	227	290	305
Cashflow (A\$m)						
Receipts from Customers		FY23A	FY24A	FY25E	FY26E	FY27E
Payments to suppliers and employees		193	259	516	800	633
Interest Received		(148)	(182)	(392)	(641)	(531)
Other		1	2	1	4	6
Net Cash From Operations		(30)	(10)	(29)	(36)	(22)
Capex		16	70	96	126	86
Exploration		(4)	(20)	(52)	(31)	(10)
Other		(0)	(6)	-	-	-
Net Cash From Investing		(14)	(40)	(52)	(31)	(10)
Equity		-	-	3	-	-
Borrowings		-	(15)	-	-	-
Dividend		(28)	(14)	-	(21)	(37)
Net Cash From Financing		(28)	(29)	3	(21)	(37)
Effects of FX		0	(1)	-	-	-
Net Increase / (Decrease) in Cash		(25)	1	47	74	39

Source: FEX, MST estimates.

## MRE at Iron Ridge Increases 177% on Resoundingly Successful Drilling Program; Mine Life Extension

Fenix (FEX) conducted an exploration drilling program from July to October 2024 with the aim of identifying potential opportunities to (1) expand the Iron Ridge Mineral Resource Estimate (MRE) and (2) extend the mine life.

### Drilling results: very high-grade extensions

The drilling program focused on in-pit drilling targeting the main hematite ore zone, the 'Big BIF'. The key results were as follows:

- **162.9m @ 66% Fe from 138.1m EXDD002**
- 21.0m @ 65% Fe from 81.0m FWRC001
- 97.5m @ 64% Fe from the start of hole FWDD007
- 57.0m @ 63% Fe from 115.0m FWRC002
- 19.0m @ 62.8% Fe from 79.0m FWRC009
- 10.4m @ 60.3% Fe from 171.6m EXDD001.

The key to these results is the high-grade that was encountered, with the longest extension recording 66%Fe. This iron ore would attract a substantial premium to benchmark prices due to its high-grade and may justify the economics of a larger pit shell to extend the current mine life.

### MRE update: up 177% to 13.4Mt @ 64.9% Fe – bigger than at commencement of mining

The new data from the drilling program improved geological confidence and identified additional zones of high-grade mineralisation. Key changes include a significant increase in tonnage from the Big BIF zone and improved definition of the parallel Little BIF zone (see Figure 2).

Figure 2: Iron Ridge MRE as at 30 November 2024, at a 58% Fe cut-off grade

Class	Tonnes	Fe	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	TiO <sub>2</sub>	P	LOI
	t	%	%	%	%	%	%
Indicated	4,315,357	65.90	1.80	2.36	0.09	0.04	1.31
Inferred	9,045,000	64.37	2.22	3.17	0.12	0.05	1.87
<b>Total</b>	<b>13,360,357</b>	<b>64.86</b>	<b>2.09</b>	<b>2.91</b>	<b>0.11</b>	<b>0.04</b>	<b>1.69</b>

Source: FEX.

Figure 3: Comparison of new MRE to previous

	Tonnes	Fe	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	TiO <sub>2</sub>	P	LOI
	t	%	%	%	%	%	%
<b>Post Mining 2019 MRE as at 30 November 2024</b>							
Total	4.8	65.4	1.92	2.6	0.09	0.04	1.69
<b>Current 2019 MRE as at 30 November 2024</b>							
Total	13.4	64.9	2.09	2.91	0.11	0.04	1.69

Source: FEX

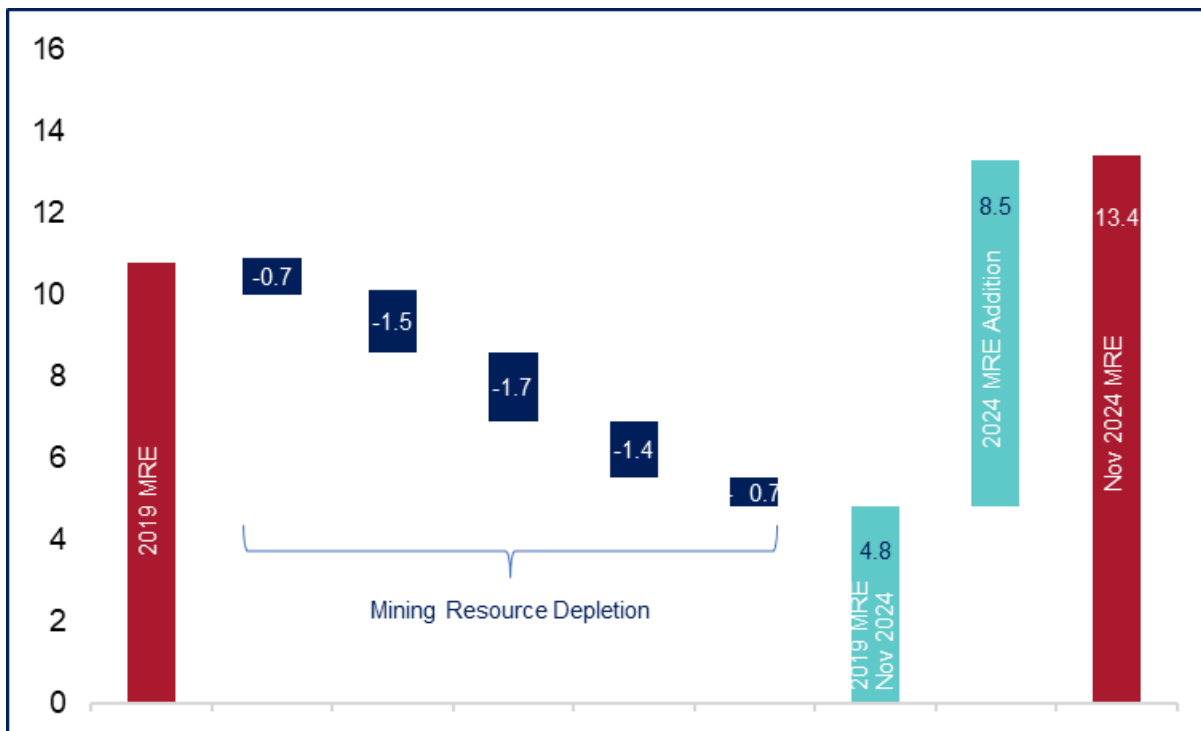
Figure 4: Iron Ridge Pit - Big BIF through the centre of the mine, Little BIF to the left



Source: MST.

The upgraded resource has shown a significant upward revision. The details of the MRE history are shown in Figure 5. Notably, the current resource is now larger than the original resource in 2019. Iron Ridge has had 3 full years and 2 partial years of mining since commencement and recently produced its 5 millionth tonne of ore.

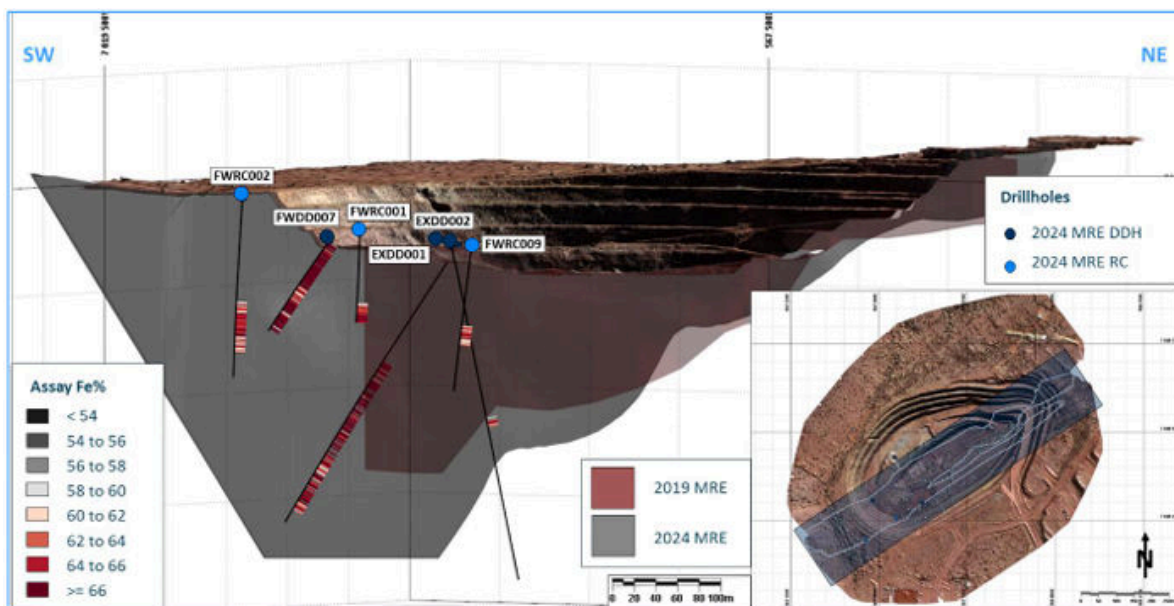
Figure 5: Mineral Resource Estimate – change from original (2019)



Source: FEX.

The resource has been constrained at a depth of 170m, incorporating geotechnical and economic considerations, including pit slope angles and tenement boundary constraints. These factors ensure the resource meets the criteria for Reasonable Prospects of Eventual Economic Extraction (ie the mineral deposit has a likelihood of being economically mined and processed in the foreseeable future).

Figure 6: Cross section showing new and previous MRE



Source: FEX.

## Mine-life extension: new mine plan and Ore Reserve revision

With the increase in the MRE, FEX will review mine planning to optimise the potential for mine life extension. These results reinforce the deposit's continuity and provide a stronger basis for future mine planning and reserve estimation.

The current Ore Reserve (at 30 June 2024) is 2.94Mt @ 64.8% Fe, sufficient for mining to around the end of FY26.

FEX will integrate the 2024 MRE and commence a comprehensive review of the Iron Ridge Ore Reserve Estimate. This process will incorporate the refined resource model, updated economic parameters, heritage considerations and geotechnical inputs to ensure that the Ore Reserve Estimate accurately reflects the current and future economic extraction potential of the Iron Ridge deposit.

Further exploration will be conducted in early 2025 to focus on the high-priority target areas identified in the recent geophysical survey, including smaller iron-rich zones within the Iron Ridge lease area. These targets offer potential upside to the project and may contribute to further resource and reserve expansion.

### The limitations – heritage zones

Important heritage exclusion zones exist in close proximity to the current pit. FEX will look to optimise the current mining footprint while ensuring identified heritage zones remain undisturbed.

### How can FEX best extend the mine life?

**Deepening the current pit:** Deepening the current pit would involve steepening the current wall angles of the pit enabling access to deeper ore, particularly the high-grade ore identified in hole EXDD002 as shown in Figure 5. There is a practical limit to how much ore can be accessed solely through steepening the wall angles, but it would allow access to some additional ore that sits below the current MRE.

Steepening the walls would require minimal capital investment.

**Extending the current pit:** The current pit lies around 50–60m away from the heritage exclusion zone, allowing FEX the potential to do a small 'cutback' of the pit wall and access additional ore. The cutback would require approval from the traditional landowners, as well as some additional capital that would likely be well economically justified by the additional high-grade ore recovered.

# FEX Ups its Interest in Athena Resources – Fits the Strategy

## Who are Athena Resources (AHN)?

Athena Resources (ASX:AHN) owns the Byro Magnetite Project, a high-grade magnetite project in the Mid-West of WA, 340km north-east of the port of Geraldton.

- The FE1 deposit in the Byro Magnetite Project hosts a 29.3Mt Mineral Resource Estimate.
  - FE1 consists of coarse-grained grind-friendly mineralisation. It demonstrates outstanding metallurgy with capacity to produce high-grade magnetite concentrates with exceptionally low levels of impurities.
  - This is a relatively low-capex small-scale project development.
- A Scoping Study has confirmed positive metallurgy and provided key engineering, processing, pit optimisation, permitting, and capital estimates.
- The project has the potential to be part of the green steel thematic. The high-grade low impurity product being utilised in Electric Arc furnaces and reducing steel production carbon footprint.

## Timeline: FEX's investment in AHN

### The original investment in March 2024: convertible notes

FEX entered into an agreement with AHN in March 2024 to subscribe for up to A\$1m worth of convertible notes(100 notes), in order to assist AHN in completing the Scoping Study forthe Byro Magnetite Project. The notes have a maturity date of 12 months with interest of 8% and a conversion price of A\$0.002/share. In total, the notes give FEX the capacity to own up to 31.8% of Athena.

### Some notes are now converted, giving FEX a 19.84% stake in AHN today

In December 2024, FEX announced that it wasconverting53 of its 100 convertible notes in AHN into ordinary shares. This resulted in the issue to FEX of 265m ordinary shares, an interest of 19.84%. This has made FEX the largest shareholder in AHN.

### FEX underwrites AHN renounceable entitlement offer – boosting FEX's potential AHN stake to 46.56%

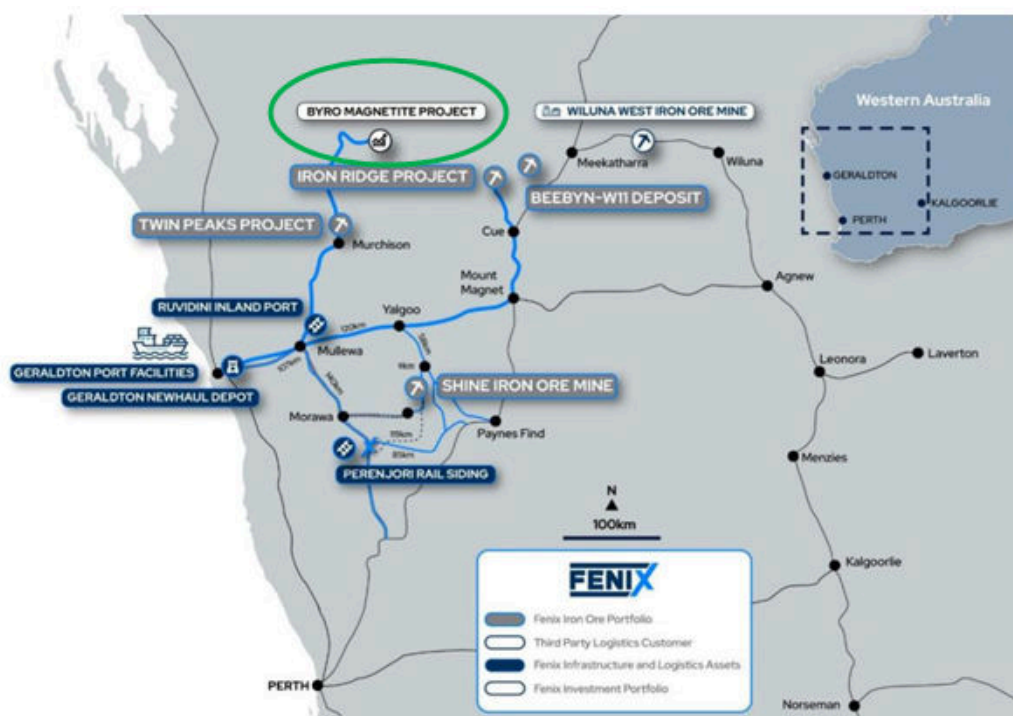
At the same time, AHN has announced a \$2,670,935 renounceable entitlement offer on a pro-rata basis, with 1 new share to be issued for every 2 existingshares at an offer price of \$0.004.

FEX has entered into an underwriting agreement with AHN and will fully underwrite the offer. FEX has indicated that it will fully take up its entitlements to maintain its 19.84% stake in AHN. If no other AHN shareholders and no other eligible participants take up new AHN shares under the entitlement offer, FEX would increase its interest in AHN to 46.56%.

## What does FEX like about AHN?

FEX sees AHN as a regional opportunity to develop a small-scale, ultra-high-grade magnetite mining operation.FEX believes its established capabilities in developing and operating a low-capital project development and providing logistics solutions is ideal for the Byro development.

Figure 7: Location of Byro – north-west of Iron Ridge



Source: FEX.

## FEX Extends Hedge Book

FEX has secured new iron ore hedging contracts for a total of 120,000 tonnes of iron ore between January 2025 and June 2025 at an average price of A\$152 per tonne.

The new contracts add to the company's existing iron ore hedge book, which comprises a total of 220,000 tonnes at an average price of A\$151 per tonne, structured as follows:

- 50,000 tonnes per month currently in place for November 2024 and December 2024 at a fixed price of A\$150 per tonne
- 20,000 tonnes per month from January 2025 to June 2025 at a fixed price of A\$152 per tonne.

FEX sees the recent stability in the iron ore prices above US\$100/t and a weaker Australian dollar as an ideal time to extend the hedge book to the end of FY25.

The additional hedge contracts are consistent with the company's Price Protection Policy and secure a positive cashflow margin on a base level of production whilst maintaining positive exposure to spot iron ore prices.

Valuation: A\$0.78/Share (Previous A\$0.70/Share);

## Using Blended DCF and EV/EBITDA

Our blended valuation for FEX of A\$0.78 per share (previous A\$0.70) 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.

We have increased our valuation to A\$0.78/share as a result of:

- **increasing the NPV to A\$0.65/share from A\$0.62** as we have extended our assumption of the mine life of Iron Ridge by an additional 18 months as a result of the recent MRE upgrade. We will review this assumption upon FEX's release of the updated mine plan and Ore Reserve
- **rolling forward our next-12-months EBITDA to CY25** – the EBITDA is significantly higher in CY25 given the inclusion of increased iron ore production from Shine and Beebyn-W11
- **reducing our EV/EBITDA multiple to 3x from 4x** to reflect that we have taken in a significant amount of FEX's mine and logistics growth into the EBITDA for NTM and hence apply a lower multiple going forward

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.

## DCF-based NPV: A\$0.62/share (50% weighting in 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, extended our mining assumption to mid-CY2029 (~4.5 years' life remaining from 3 years)
- **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-W11:** 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.

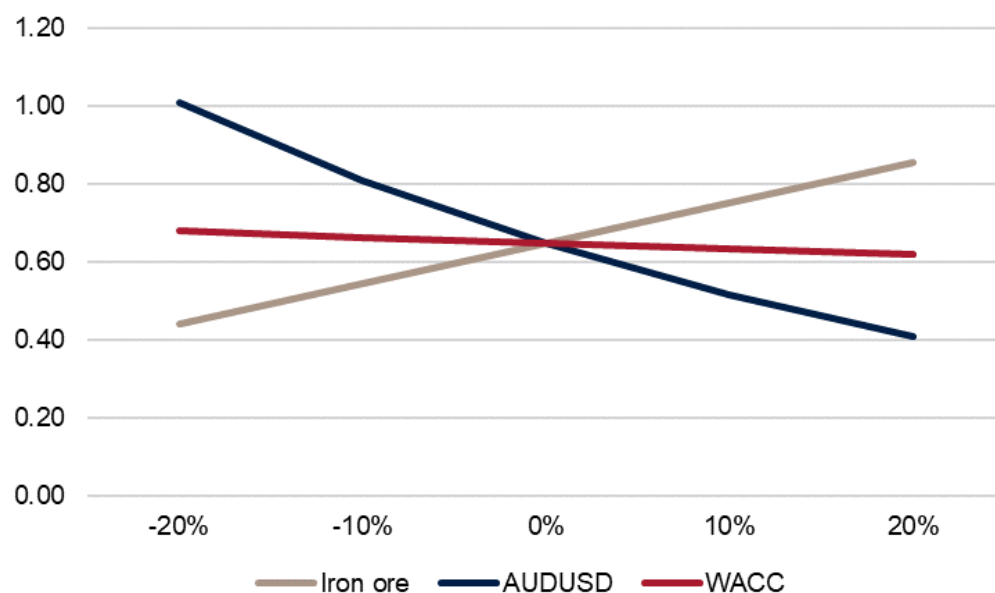


Figure 8: DCF-based NPV valuation for FEX

DCF Valuation				Previous Valuation
	Discount rate	A\$m	A\$/sh	A\$/sh
Iron Ridge	10.0%	84	0.11	0.10
Beebyn	10.0%	117	0.15	0.16
Shine	10.0%	28	0.04	0.05
Logistics & other	10.0%	139	0.18	0.19
<b>Total operating assets</b>		<b>368</b>	<b>0.48</b>	<b>0.50</b>
Corporate	10.0%	(28)	-0.04	-0.04
Net cash/(debt)		166	0.22	0.17
Provisions		(9)	-0.01	-0.01
<b>Net Asset Value</b>		<b>496</b>	<b>0.65</b>	<b>0.62</b>

Source: MST.

Figure 9: DCF sensitivity to key inputs



Source: MST.

## EV/EBITDA valuation: A\$0.91/share at 3x NTM EBITDA (50% weighting in our base case)

We use a sum-of-the-parts (SOTP) valuation approach to value FEX's two distinct earnings streams as the company develops both its iron ore and logistics businesses. We apply a 2.5x multiple to iron ore EBITDA (average multiple on comparable companies), and a 5x multiple to logistics EBITDA. This results in a combined EV/EBITDA target multiple for the group of 3x next 12 months (NTM) EBITDA (see Figure 10).

Figure 10: FEX EV/EBITDA valuation

EV/EBITDA valuation			Previous Valuation	
	A\$m		A\$/sh	
	2H 25	1H 26		
<b>EBITDA</b>				
Iron Ridge	33	32	0.09	0.08
Beebyn	16	22	0.05	0.02
Shine	26	25	0.07	0.04
Logistics services	14	19	0.04	0.03
Corporate/SG&A/hedging	-6	-4	(0.01)	(0.01)
<b>Total next twelve months (NTM)</b>	<b>177</b>		<b>0.23</b>	<b>0.15</b>
<b>Multiple</b>	<b>3.0x</b>			<b>4.0x</b>
Enterprise value	531		0.69	0.61
Net cash/(debt)	166		0.22	0.17
<b>Equity value</b>	<b>696</b>		<b>0.91</b>	<b>0.78</b>

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.

### **Extension of Iron Ridge mine life**

The recent drilling success has shown the potential for extension of the Iron Ridge mine life. Further extension of the mine life of the flagship asset could lead to share price appreciation.

### **Regional exploration success – Iron Ridge**

The recent geophysics and geological work at Iron Ridge shows the potential to increase the resources around the Iron Ridge mine. Further exploration is planned in CY2025 and this may add further mine life to the Iron Ridge project extending the high-grade resource and strong cash flow generation.

### **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.

### **Shine Iron Ore Mine –consistent production**

Another significant leg up in production and cash generation, the Shine Project is another key leg of growth for FEX. Production has commenced and delivery of consistent results and will be a key catalyst for the stock.

### **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, in our view.

### Delays to production from 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. However, we note that 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\$0.78/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
- Shine iron ore mine
- Twin Peaks iron ore mine – right to purchase 500kt
- potential ownership of 46.56% of Athena Resources.

### FEX's logistics assets and contracts include:

- trucking: 30 x 200-tonne quad road trains (increasing currently for Shine and Beebyn-W11)
- 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
- Ruvadini inland port being developed
- 1.4Mt 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.

## 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 \$72m sets FEX up for growth

Iron Ridge's updated resource (13.4Mt @ 64.9% Fe) provides a potential extension of mine life beyond the previous resource of 4.8mt @ 65.4% Fe. Iron Ridge began production in December 2020 and has produced 5Mt 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\$72m as at end-September 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 .

### 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 has commenced 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 4 members. The independent directors represent 50% of the Board, thus complying with ASX guidelines.

## Recent events

- December 2024 – Increased position in Athena Resources
- December 2024 – Upgrade of MRE at Iron Ridge
- November 2024 – Outstanding Iron Ridge exploration results
- August 2024 – Strong full-year results
- July 2024 – Beebyn-W11 Feasibility Study completed
- July 2024 – Posted 4QFY24 results – another consistent quarter for Iron Ridge
- July 2024 – Restart of Shine Iron Ore Mine announced
- March 2024 – Gold Valley logistics and port services contract signed
- March 2024 – Original Athena Resources transaction

## 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.

## Company disclosures

The companies and securities mentioned in this report, include:

Fenix Resources (FEX.AX) | Price A\$0.275 | Valuation A\$0.780;

*Price and valuation as at 10 December 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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