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Fenix Resources Ltd (FEX)

Mid-West triple threat

Recommendation
Buy (Initiation)
Price
$0.29
Target (12 months)
$0.41

Sector

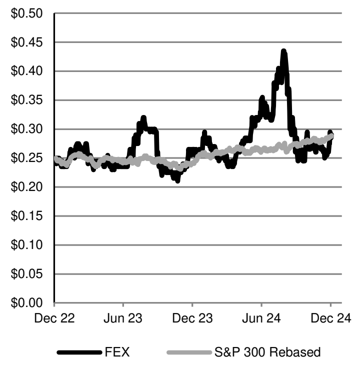
Materials

Expected Return	
Capital growth	41%
Dividend yield	4%
Total expected return	45%
Company Data & Ratios	
Enterprise value	$179m
Market cap	$209m
Issued capital	721m
Free float	76%
Avg. daily val. (52wk)	$591k
12 month price range	$0.235-0.45

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	0.27	0.30	0.26
Absolute (%)	7.4	-1.7	11.5
Rel market (%)	3.7	-7.0	-9.0

Absolute Price



SOURCE: IRESS

Unlocking stranded assets throughout Mid-West WA

FEX is unlocking stranded mining assets across the Mid-West region of Western Australia, through three key business pillars: (1) Iron ore mining; (2) bulk haulage (Newhaul Road Logistics, 100% FEX); and (3) port services (Newhaul Port Logistics, 100% FEX). Its iron ore production will reach 4Mtpa in FY26 (FY24 1.4Mt), through: Iron Ridge (100% FEX, operating); Beebyn-W11 (10Mt Right to Mine, first production expected Q3 FY25); and Shine (100% FEX, operating). FEX's logistics businesses provision bulk haulage and port services for in-house and third-party customers.

Leveraged to regional commodity output

A $350m WA government funded Geraldton Port upgrade will cater for the sizable growth forecast in Mid-West exports. FEX controls the largest storage (~440kt) and throughput (+5Mtpa) positions at the port, placing it in the unique position to expand its third-party logistics contracts while progressing its upstream expansion. FEX will mine the 10Mt Beebyn-W11 Reserve in partnership with project owner Sinosteel Midwest Corporation. Beebyn-W11 forms part of SMC's broader 300Mt Weld Range Resource. We expect the FEX-SMC agreement could expand to include mining additional deposits from this long life Project, leveraging existing FEX infrastructure.

History of self-funded growth & fully franked dividends

FEX's vertical integration supports margins through weaker iron ore markets while preserving upside leverage. Since FY21, Iron Ridge cash flows have funded 100% of group growth expenditure, while delivering fully franked dividend payments of over $65m (~31% of current market cap).

Investment view – Buy, Target price $0.41/sh

We initiate coverage with a Buy recommendation. FEX's portfolio of low-capital mining assets and integrated logistics networks should continue to underpin robust cash flows, funding growth expenditure requirements and shareholder returns. FEX is trading on 2.3x our EV/FY25 EBITDA forecast, well below its nearest peers.

Earnings Forecast

Year ending 30 June	2024a	2025e	2026e	2027e
Sales (A$m)	265	370	559	541
EBITDA (A$m)	73	79	117	103
NPAT (reported) (A$m)	34	32	45	36
NPAT (adjusted) (A$m)	34	32	45	36
EPS (adjusted) (¢ps)	4.9	4.6	6.5	5.2
EPS growth (%)	-5%	-6%	41%	-19%
PER (x)	6.0x	6.4x	4.5x	5.6x
FCF Yield (%)	15%	6%	38%	25%
EV/EBITDA (x)	2.4x	2.3x	1.5x	1.7x
Dividend (¢ps)	-	1.2	1.8	1.3
Yield (%)	0%	4%	6%	4%
Franking (%)	-	1.0	1.0	1.0
ROE (%)	23%	17%	21%	15%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Contents

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IRON ORE PRODUCTION TO REACH 4MTPA IN FY26

FEX operates three capital-light iron ore mining assets in WA's Mid-West region, producing Direct Shipping Ore products through simple crushing and screening. All exports are facilitated through FEX's wholly owned, cost efficient logistics network.

- **Iron ore production is expected to reach 4Mtpa in FY26:** We expect realised prices to be marginally above the 62% Fe index, at C1 unit costs of A$73/t and all-in sustaining costs of A$112/t.
- **Iron Ridge (100% FEX, operating):** Produces 1.4Mtpa high grade lump (64% Fe) and fines (63% Fe) DSO, with sales realising a 5-10% premium to the 62% Fe index. Robust cost management throughout a highly inflationary period has resulted in Q1 FY25 C1 cash costs of A$78/wmt (down from A$93/wmt in FY21).
- **Beebyn-W11 (10Mt Right to Mine, first production expected Q3 FY25):** FEX holds the right to mine a 10Mt Reserve (62% Fe) of a +21Mt Mineral Resource Estimate at Sinosteel Midwest Corporation's Beebyn-W11 deposit. Beebyn-W11 is 20km from Iron Ridge, minimising upfront capital expenditure through the use of existing infrastructure. The partnership could expand for FEX to unlock ~300Mt of iron ore Resources across SMC's broader Weld Range portfolio.
- **Shine (100% FEX, operating):** FEX have recommissioned Shine at a modest $7.4m upfront capital cost, following a $25m investment by previous owner Mount Gibson Iron (MGX, not rated). Stage 1 is expected to produce a 60% Fe DSO, averaging 100kt/month from the current quarter. Additional stages will be assessed; we model a mine life until the end of FY29.

Over time, we believe FEX will leverage its mining and logistics expertise beyond iron ore, into a multi-commodity portfolio of mining assets throughout WA's Mid-West.

MID-WEST REGION: HIGH GROWTH MARKET REQUIRING LOGISTICS SOLUTIONS

FEX's 100% owned logistics businesses include **Newhaul Road Logistics** and **Newhaul Port Logistics**.

Western Australia's Mid-West region hosts over 100 minerals assets (ranging from exploration to operating, excluding inactive), many of which remain unfeasible without third-party logistics solutions. FEX's cost efficient, integrated logistics businesses diversify revenue streams through commodity haulage and port services for in-house and third party customers.

Newhaul Road Logistics (100% FEX, bulk haulage):

- **State-of-the-art haulage fleet:** Expanding to +70 x 200-tonne quad road trains.
- **Fully equipped Geraldton depot:** Fleet monitoring centre, servicing bays, truck refuelling, wash facility, and driver wellness centre.
- **Ruvidini inland port & rail siding:** Accessible by road or rail, connects to the Mid-West rail network. Used for bulk commodity storage, product blending, moderating shipping timing and maximising port throughput by reducing bottlenecks.
- **Perenjori rail siding**.

The Geraldton Port is a strategic and fast-growing regional hub that facilitates the export of Mid-West mining output. The Western Australian government's high growth forecast points to iron ore throughput of as much as 78Mtpa by FY50 (FY24 17Mt). FEX will benefit from the state government's $350m Geraldton Port Maximisation Project, which aims to develop the required infrastructure to increase the port's throughput capacity to 25Mtpa by 2026.

Newhaul Port Logistics (100% FEX):

- Three large on-wharf sheds at Geraldton Port with ~440kt bulk materials storage capacity, and over 5Mtpa export throughput; the largest position at the highly strategic port. Connected to FEX's wholly owned truck unloader, and the Mid-West Port Authority's rail unloader and ship loaders.

A third-party logistics contract with Gold Valley Iron Ore (not listed) is expected to generate +$70m revenue, beginning from the end of FY25 through to FY28 (approximately $24m per year).

History of self-funded growth & fully franked dividends

Since FY21, Iron Ridge's high-margin cash flows have funded 100% of group growth expenditure requirements, whilst enabling substantial shareholder returns.

Across FY21-23, FEX returned $65m (~50% of NPAT/~31% of current market cap) to shareholders through fully franked dividends. In FY24, the board chose not to declare a final dividend, to preserve cash to fund the company's substantial growth pipeline.

Hedge book de-risks cash flow volatility

FEX's hedge book comprises the purchase of cash-settled swap contracts facilitated by Macquarie Bank (MQG, not rated). Hedging has typically covered around 50% of Iron Ridge production, at a fixed price referencing the monthly average Platts TSI 62% Index (converted into AUD). We expect FEX will continue to assess hedging opportunities, considering each mining operation's individual offtake and fixed margin arrangements.

Currently, FEX's hedge book covers 50kt/month at a fixed price of A$150/dmt, over the three months ending December 2024; and 20kt/month at a fixed price of A$152/dmt from January to June 2025.

Timeline & value catalysts

- **Iron Ridge exploration, MRE & mine plan updates**: An updated Mineral Resource Estimate is scheduled for release in the current quarter, following encouraging November 2024 drill results. We expect additional announcements around further exploration and mine optimisation works which could support a potential LOM extension beyond FY27.
- **Shine ramp-up & mine plan updates:** Ramp-up has commenced, with Stage 1 planned to average 100kt/month. FEX are assessing additional stages, which could present the opportunity to extend the mine's life.
- **Beebyn-W11 approvals & development updates:** Receipt of regulatory approvals is anticipated in the current quarter. Commencement of site works is targeted for December 2024 and first production Q3 FY25.
- **Expanded partnership with SMC:** We expect that successful demonstration of Beebyn-W11 mining will provide FEX the opportunity to negotiate further, more favourable agreements to mine additional deposits at SMC's 300Mt high-grade Weld Range iron ore Project.
- **Third-party logistics contract awards:** We expect intermittent announcements regarding the award of new third party haulage and/or port services contracts with Mid-West customers. Our earnings forecasts and valuation does not factor in additional third party contract wins.

Unique market position; trading at a discount to nearest peers

FEX is unique in that it is a vertically integrated miner, bulk haulage and port services provider servicing in-house and third party customers. Therefore, there are no direct competitors with the same service offering.

The below table highlights earnings multiples from iron ore miners and logistics providers, showing that FEX is trading at a material discount compared with its 'nearest' peers.

Table 1 - FEX comps

		EV	PER x			EV/EBITDA			
		$m	FY25	FY26	FY27	FY25	FY26	FY27	Notes:
Iron ore 'pure-play'									
Champion Iron (CIA)		3,511	12.0	8.4	7.6	5.7	4.6	4.5	BP est., Mar year end
Fortescue (FMG)		64,330	16.5	16.1	19.3	7.2	6.8	7.6	BP est.
Logistics / Diversified									
Dalrymple Bay Inf. (DBI)	Port services	3,402	18.0	17.1	17.1	11.8	11.2	10.4	VA cons., Dec year-end
MLG Oz (MLG)	Bulk haulage / mining services	156	7.6	5.4	4.0	2.5	2.2	2.0	Bloomberg cons., Dec year-end
Qube Holdings (QUB)	Integrated logistics	9,192	26.7	23.8	21.6	13.9	12.2	11.4	VA cons.
Fenix Resources (FEX)	**Miner / integrated logistics**	**179**	**6.4**	**4.5**	**5.6**	**2.3**	**1.5**	**1.7**	**BP estimates**

SOURCE: VISIBLE ALPHA, BLOOMBERG & BELL POTTER SECURITIES ESTIMATES

Valuation & financials assumptions

Risked, sum of the parts valuation: $0.41/sh

Our valuation is based on:

- Discounted cash flow models of Iron Ridge, Shine, and Beebyn-W11 ($NPV_{8\%}$, real);
- Discounted cash flow models of Newhaul Road Logistics and Newhaul Port Logistics ($NPV_{8\%}$, real); and
- An allowance for FEX's corporate overhead expenses.

Table 2 - FEX valuation

Valuation period	Current		+12 months		+24 months	
	A$m	A$/sh	A$m	A$/sh	A$m	A$/sh
Iron ore operations	$182m	$0.24	$181m	$0.23	$143m	$0.18
Logistics	$124m	$0.17	$107m	$0.14	$75m	$0.09
Total value of operating assets	**$306m**	**$0.41**	**$288m**	**$0.36**	**$218m**	**$0.28**
Corporate & admin	-$38m	($0.05)	-$41m	($0.05)	-$44m	($0.06)
Enterprise value	**$269m**	**$0.36**	**$248m**	**$0.31**	**$174m**	**$0.22**
Net debt / (cash)	-$30m	$0.04	-$73m	$0.09	-$128m	$0.16
Equity value	**$299m**	**$0.40**	**$321m**	**$0.41**	**$302m**	**$0.38**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Iron ore price scenarios: Sensitivity & spot leverage

FEX sells several grades of iron ore from its operations in the Mid-West Region of Western Australia. As such, the following sensitivity and break-even analysis can only provide a rough guide to earnings outcomes. The analysis references benchmark 62% Fe index price from which we calculate FEX's realised prices.

Note: Under each scenario, iron ore prices are flexed over the forecast period before returning to our long run estimates in FY28.

Table 3 – Iron ore sensitivity & spot price leverage

	62% Fe Index			EBITDA A$m			EPS Acps			FCF A$m			Val'n
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	A$/sh
-5%	87	80	78	47	52	41	1	0	-1	-15	28	9	0.26
-10%	91	85	82	58	74	62	2	2	1	-6	44	23	0.31
-15%	94	90	87	68	95	83	3	4	3	3	60	38	0.36
Base	**98**	**94**	**91**	**79**	**117**	**103**	**4.6**	**6**	**5**	**12**	**76**	**51**	**0.41**
+5%	102	99	96	90	136	117	6	8	7	21	89	61	0.45
+10%	105	104	100	101	153	135	7	10	8	30	101	73	0.49
+15%	109	108	105	111	173	153	8	12	10	39	116	86	0.54
Spot	**105**	**106**	**106**	**115**	**188**	**184**	**8**	**14**	**13**	**44**	**126**	**109**	**0.58**
Flat forever													
US$70/t													-0.01
US$90/t													0.43
US$110/t													0.82

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Table 4 – Iron ore price sensitivity & spot price leverage

	62% Fe Index			EV/ EBITDA x			PE x			FCF yield %			Val'n vs share
	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	FY25	FY26	FY27	Price %
-5%	87	80	78	3.8	3.4	4.3	21.9	-197.4	-24.4	-7%	14%	4%	-10%
-10%	91	85	82	3.1	2.4	2.9	12.1	14.1	29.8	-3%	21%	11%	7%
-15%	94	90	87	2.6	1.9	2.1	8.3	6.8	9.3	2%	29%	18%	24%
Base	**98**	**94**	**91**	**2.3**	**1.5**	**1.7**	**6.4**	**4.5**	**5.6**	**6%**	**36%**	**25%**	**41%**
+5%	102	99	96	2.0	1.3	1.5	5.1	3.5	4.4	10%	43%	29%	55%
+10%	105	104	100	1.8	1.2	1.3	4.3	2.9	3.4	14%	48%	35%	69%
+15%	109	108	105	1.6	1.0	1.2	3.7	2.4	2.8	19%	55%	41%	86%
Spot	**105**	**106**	**106**	**1.5**	**1.0**	**1.0**	**3.5**	**2.1**	**2.2**	**21%**	**60%**	**52%**	**100%**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Iron ore prices & outlook

Figure 1 - Spot iron ore prices US$/t

SOURCE: BLOOMBERG & BELL POTTER SECURITIES ESTIMATES

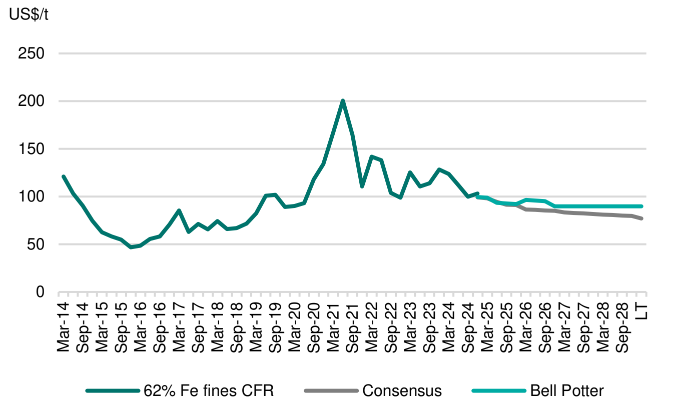
Bell Potter Securities' iron ore price outlook

Table 5 - Bell Potter Securities iron ore price outlook (62% Fe CFR China)

	2022a	2023a	2024e	2025e	2026e	2027e	LTe (real)
62% Fe CFR China	121	120	109	96	99	96	90

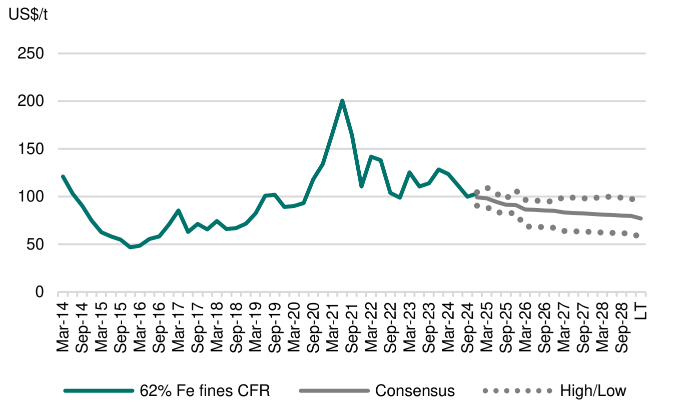
SOURCE: FASTMARKETS & BELL POTTER SECURITIES ESTIMATES

Figure 2 - Bell Potter vs Consensus outlook (real)



SOURCE: FASTMARKETS, BELL POTTER SECURITIES & CONSENSUS ECONOMICS

Figure 3 - Consensus range (real)



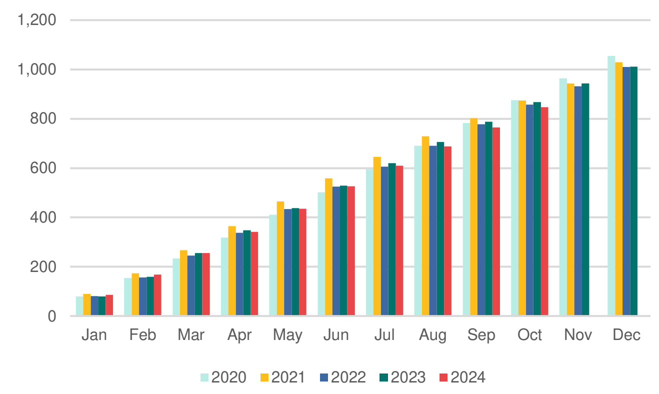
SOURCE: FASTMARKETS, BELL POTTER SECURITIES & CONSENSUS ECONOMICS

Short term market dynamics: Changing seasons

We see upside risks to iron ore prices into 2025, with China's seasonal steelmaking activity strengthening into March-May and risks to supply (grades and volumes).

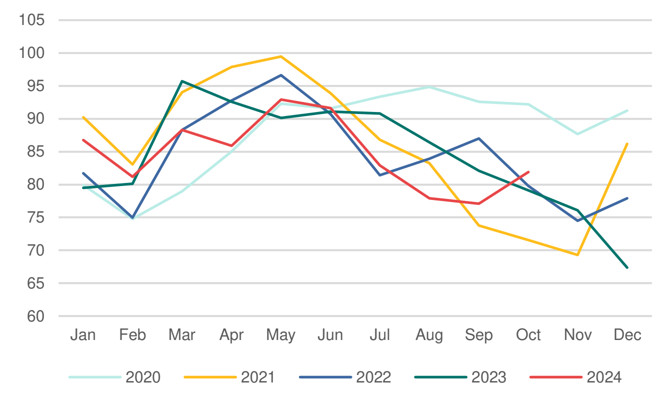
- **China's seasonal activity picks up in the March quarter:** Iron ore prices have maintained relative strength despite China's crude steel production trending lower than recent years (Figure 7). Iron ore purchasing activity typically picks up ahead of peak steel production (March-May, post Chinese New Year) (Table 4).
- **Recent quarterlies have highlighted grade issues among major producers:** Pilbara producers are facing declining production grades. Rio Tinto Ltd (RIO, not rated) recently noted that lower-grade "SP10" production is "expected to remain elevated until replacement projects are delivered" and that it is reviewing its future product strategy. The decline in grade appears consistent across the Pilbara producers and effectively tempers supply.
- **Seasonal risks to Pilbara supply:** Iron ore exports from Port Hedland typically drop in the March quarter as mining operations and shipments are disrupted by the cyclone/wet season.

Figure 4 - China crude steel production (cumulative)



SOURCE: BLOOMBERG (IISICHIN INDEX)

Figure 5 - China crude steel production seasonality



SOURCE: BLOOMBERG (IISICHIN INDEX), BELL POTTER SECURITIES

Table 6 – Quarterly iron ore prices & movements

IO 62% Fe CFR China	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Average change	Ups (Av. up)	Downs (Av. down)
MarQ	147	120	64	46	85	72	77	85	159	129	117	118			
JunQ	126	99	58	55	62	63	95	90	194	131	108	106			
SepQ	132	89	57	57	71	62	101	116	164	100	111	95			
DecQ	135	74	47	70	64	70	86	127	105	95	122	96			
Q-on-Q Chg %	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**			
MarQ	20%	-11%	-14%	-2%	21%	12%	10%	-1%	25%	22%	23%	-3%	**9%**	**7 (19%)**	**5 (-6%)**
JunQ	-14%	-18%	-9%	18%	-27%	-13%	23%	6%	22%	2%	-8%	-10%	**-2%**	**5 (14%)**	**7 (-14%)**
SepQ	5%	-10%	-3%	4%	15%	-1%	6%	29%	-16%	-24%	3%	-10%	**0%**	**6 (10%)**	**6 (-11%)**
DecQ	2%	-16%	-16%	23%	-10%	13%	-15%	10%	-36%	-5%	10%	1%	**-3%**	**6 (10%)**	**6 (-16%)**

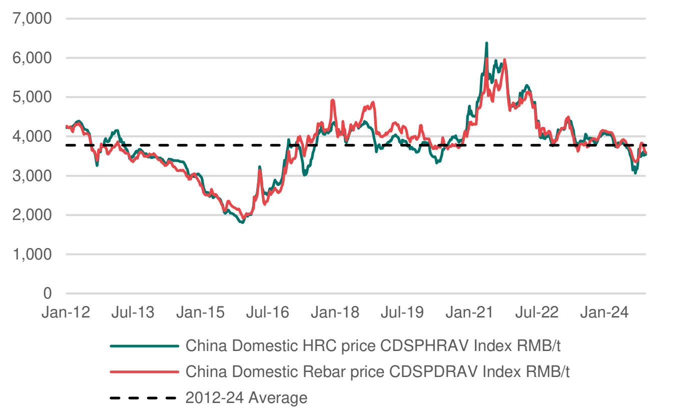
SOURCE: D

MARKET OBSERVATIONS: CHINA PRODUCTION, STEEL PRICES & PROFITABILITY

- **Chinese steel production marginally weaker:** While calendar 2024 year-to-date Chinese steel production is tracking marginally behind recent years, it is still annualising a strong number of around 1Bt (Figure 6).
- **Steel prices have improved:** Chinese domestic steel prices have recovered in recent weeks (Figure 8) and steel inventories are now relatively low (Figure 9).

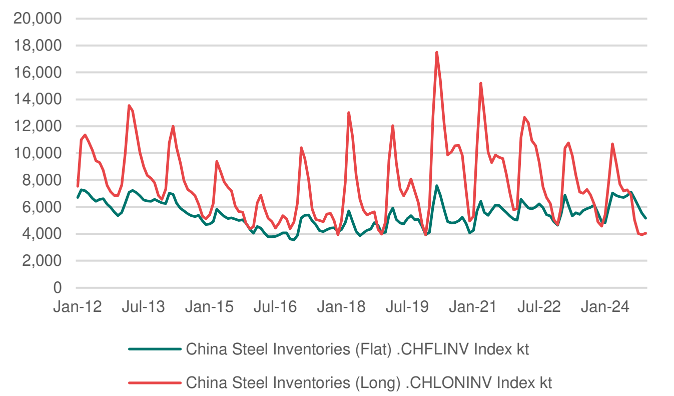
- **China's steel mill profitability has improved:** Both the Bloomberg profitability index and our calculated steel price margin over raw materials costs have materially improved in recent months (Figures 10 and 11).
- **Iron ore port inventories are still relatively high (Figure 12):** Though there are anecdotal reports that some of this inventory lift is due to increased in-country blending by major iron ore producers.
- **China has exported its steel inventories lower (Figure 13):** China's steel exports are now at historically high levels.

Figure 6 - China's domestic steel price (weekly) RMB/t



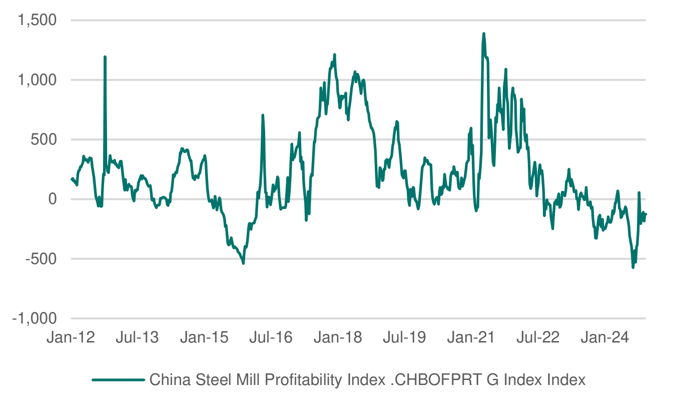
SOURCE: BLOOMBERG

Figure 7 - China steel inventories



SOURCE: BLOOMBERG

Figure 8 - Bloomberg steel mill profitability index (weekly)

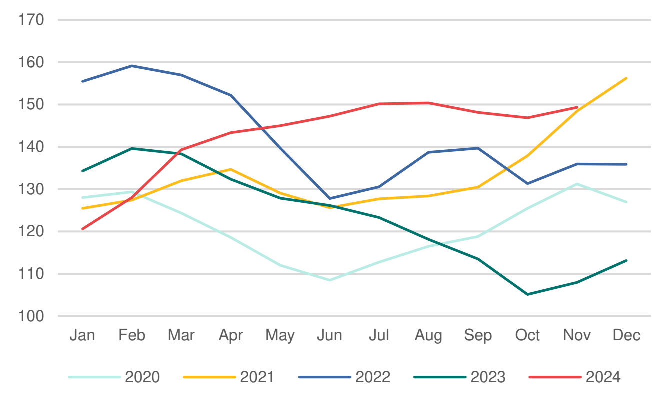


SOURCE: BLOOMBERG

Figure 9 - Steel margin above raw materials US$/t (weekly)

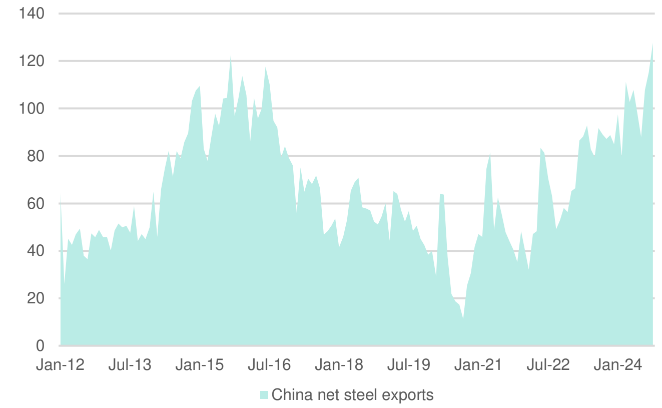
SOURCE: BLOOMBERG, FASTMARKETS, BELL POTTER SECURITIES

Figure 10 - China iron ore port inventories Mt



SOURCE: BLOOMBERG

Figure 11 - China monthly steel net exports Mtpa (monthly)



SOURCE: BLOOMBERG, FASTMARKETS, BELL POTTER SECURITIES

Key questions in iron ore markets

THE IRON ORE MARKET IS BEARISH, ISN'T IT?

It is hard to be bullish long term (see below). However, there is potential for short term price spikes (likely early 2025) considering recent price strength in an environment where the market appears adequately supplied (no major disruptions) and China's property sector has been a big headwind. Consensus Economics surveys show the market is expecting 62% Fe CFR China prices to average ~US$95/t in 2025, then in the low US$90s/t out to 2028 (LT real US$81/t). The spot price is US$106/t (03/12/2024).

HASN'T CHINA'S STEEL PRODUCTION PLATEAUED/PEAKED?

Yes, likely. However, China's demand is likely to become more diversified, and therefore potentially less risky, over time. IISA data suggests that China's crude steel production has plateaued above 1,000Mtpa since 2020. This relatively flat production level has been despite weak property sector demand. BHP estimates that the construction industry now accounts for 24% of China's steel demand (42% in 2010); the machinery sector 30% (20% in 2010) and infrastructure sector 17% (13% in 2010). China now exports around 100Mtpa finished steel goods.

WON'T SIMANDOU OVER-SUPPLY THE IRON ORE MARKET?

Maybe. Though it will take a while (years to ramp up) and it could also be argued to displace existing mine depletion. Simandou has the potential to add 120Mtpa, or around 8% of current supply, to the seaborne iron ore market by mid-2028. First production from RIO's Simandou project (Blocks 3 & 4) is expected in 2025, with a 2.5-year ramp-up to 60Mtpa rates. Rail and port infrastructure is being developed to ultimately support total production of 120Mtpa, which includes capacity for RIO's subsidiary and the developers of Blocks 1 & 2 (Winning Consortium Simandou). This 120Mtpa high grade (66.5% Fe) supply could support 75-80Mtpa crude steel production.

WHAT DO THE “BIG-5” HAVE PANNED IN THE WAY OF IRON ORE EXPANSIONS?

Note: We refer to the “Big-5” as the key suppliers into the seaborne iron ore trade: RIO, Vale, BHP, FMG, and Hancock Prospecting. Mineral Resources is another important source of iron ore supply.

Guidance from the listed iron ore majors suggests relatively flat near-term (2025/FY25) production levels:

- **Rio Tinto (RIO, not rated):** Guiding to 2024 Pilbara iron ore shipments of 323-338Mt (mid 331Mt), flat on 2023 levels of 332Mt.

- **Vale (VALE3, not rated):** Guiding to 2024 iron ore shipments of 310-320Mt (mid 315Mt), up on 2023 levels of 293Mt.
- **BHP (BHP, not rated):** Guiding to FY25 Western Australia Iron Ore shipments of 282-294Mt (mid 288Mt), flat on FY24 levels of 288Mt.
- **Fortescue (FMG, Hold TP$17.58/sh):** Guiding to FY25 iron ore shipments of 190-200Mt (mid 195Mt, includes Iron Bridge), flat on FY24 levels of 192Mt.

MIN are adding material new capacity with the Onslow Iron project, potentially increasing Australia's iron ore shipments by 35Mtpa (or around 5%).

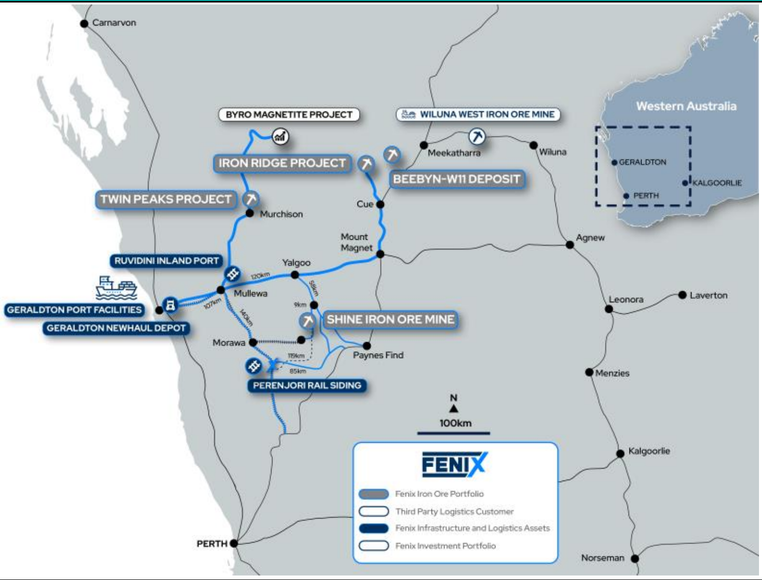
- **Hancock Prospecting (Roy Hill):** Producing at rates of 60Mtpa, with approval to increase to 70Mtpa.
- **Mineral Resources (MIN, Buy TP$66.00/sh):** MIN shipped around 18Mt iron ore in FY24. With the introduction of the 35Mtpa Onslow Iron project, less the wind-down of operations in the Yilgarn (7.5Mt in FY24), production should increase to mid-40sMt over the next few years. MIN recently shelved plans to expand Onslow production to 50Mtpa.

CAN INDIA'S STEEL INDUSTRY GROWTH OFFSET IRON ORE SUPPLY GROWTH?

Not really. India is now the second largest crude steel producer globally, but at around 150Mtpa, is only 14% the size of China. Reports suggest India's steel production will grow to 200Mtpa by 2030 (CAGR 5.25%), which would require an additional 80Mt of 62% Fe iron ore. However, India also has its own domestic iron ore supply (as does China) which is expected to grow (unlike China's), and this supply is relatively high grade (also unlike China's domestic iron ore).

Asset portfolio summary

Figure 12 - Asset portfolio



SOURCE: COMPANY DATA

Iron ore mining operations

Table 7 - Iron ore assets

	Iron Ridge	Shine	Beebwyn-W11
FEX equity	100%	100%	10Mt Right to mine agreement
Location	400km north-east of Geraldton	300km east of Geraldton	20km east of Iron Ridge mine
JV partners	-	-	Sinosteel Midwest Corporation (owner)
Resource	6.6Mt at 65.1% Fe	15.1Mt at 58.2% Fe	21.4Mt at 61.1% Fe
Reserve	4.1Mt at 64.8% Fe	-	10Mt at 62.2% Fe
Project stage	Producing	Producing	First production expected Q3 FY25
FY25 sales (BP est.)	1.29Mdmt	0.5Mt	0.4Mt
FY25 EBITDA (BP est.)	$34m	$14m	$16m (attributable to FEX)
Steady state sales wmt (BP est.)	1.4Mtpa	1.2Mtpa	1.6Mtpa
Product	Lump & fines DSO	Lump & fines DSO	Lump & fines DSO

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Newhaul Road Logistics (100% FEX)

State of the art trucking fleet (expanding to +70 x 200 tonne quad road trains); fully equipped Geraldton Port depot; Ruvidini inland port and rail siding; and the Perenjori rail siding.

Newhaul Port Logistics (100% FEX)

Sheds 4, 5, and 13 at Geraldton Port, catering for ~440kt bulk commodity storage and over 5Mtpa throughput without cross contamination. Fully owned truck unloader and connection to the Mid-West Port Authority's rail unloader and ship-loader.

We expect FEX will continue to leverage its mining and logistics expertise through the development of a multi-commodity portfolio of mining assets throughout the Mid-West region.

Iron Ridge (100% FEX): High grade tonnes

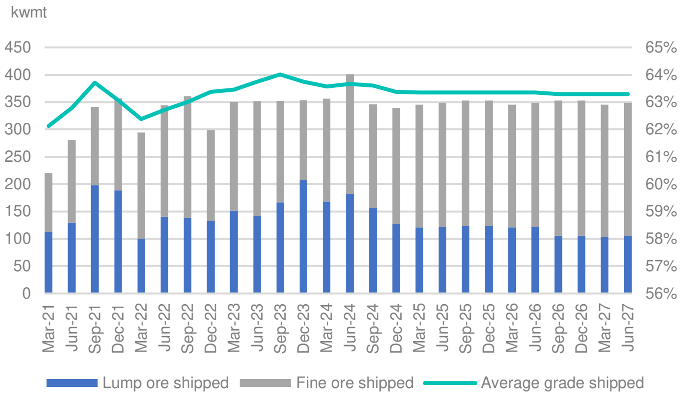
The Iron Ridge mine is located 400km north-west of Geraldton in the Mid-West region of Western Australia. The operation comprises a single open pit, utilising drill and blast/truck and excavator mining and simple crushing and screening to produce DSO products. Mining commenced in 2020, and currently produces 1.4Mwmtpa in steady state. At 30 June 2024, Iron Ridge held 3Mt Reserves (5Mt Resources), sufficient to support a mine life to the end of FY27 on our production outlook.

Iron Ridge produces high-grade lump (~64% Fe) and fines (~63% Fe) DSO, with sales typically averaging a 5-10% premium to the 62% Fe CFR benchmark price.

Newhaul Road Logistics trucks Iron Ridge ore ~500km to Newhaul Port Logistics' assets in Geraldton, where it is stored, ship-loaded and exported to end customers.

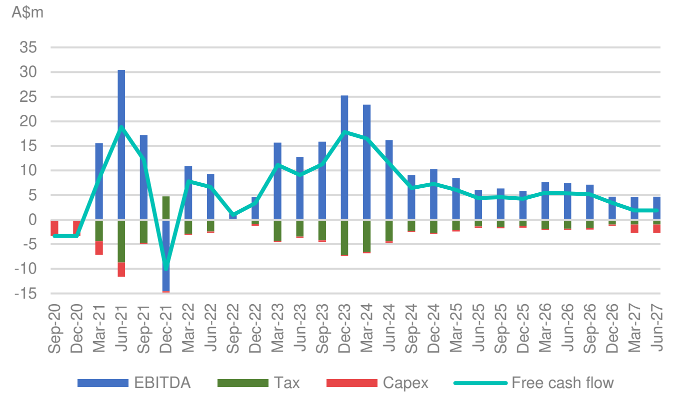
Since commencement of mining in 2020, FEX have maintained robust margins through sustainable cost management in a highly inflationary period across the mining industry. Iron Ridge C1 cash costs have decreased from A$93/wmt to A$78/wmt. In FY24, Iron Ridge shipped 1.5Mt of lump (49% of sales) and fines (51% of sales) at an overall C1 cash cost of A$77.9/wmt FOB, supporting a C1 operating margin of A$79/dmt.

Figure 13 – Iron Ridge production & sales profile (historical & BP est.)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 14 - Iron Ridge free cash flow profile (BP est.)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

EXPLORATION UPSIDE: POTENTIAL TO EXTEND MINE LIFE BEYOND FY27

In November 2024, FEX released findings from an exploration and geotechnical drill program at Iron Ridge. The results showed significant, high-grade intersections including: 163m at 66% Fe from 138m (EXDD002). An updated Mineral Resources Estimate is expected to be completed in the current quarter. FEX will undertake further drilling of high priority targets in 2H FY25. On current Reserves and our production outlook, mining will continue until the end of FY27. However, we believe the latest drill results and pending MRE update could support a LOM extension; we model production at the current 1.4Mtpa rate until the end of FY29.

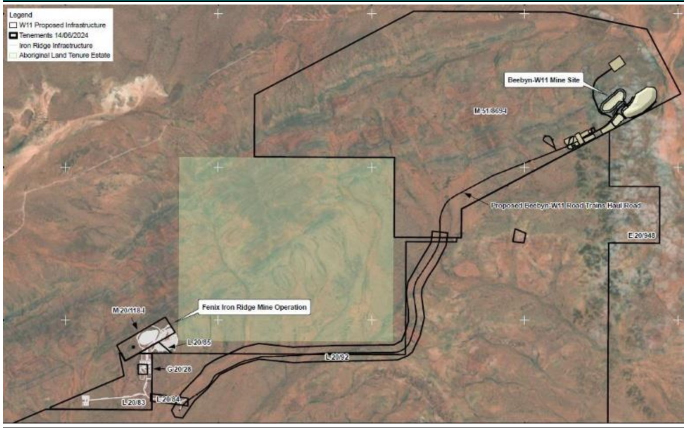
Beebyn-W11 (10Mdmt Right to Mine)

In October 2023, FEX secured the exclusive right to mine 10Mdmt iron ore at the Beebwyn-W11 deposit, located 20km north-east of its Iron Ridge mine.

Figure 15 - Beebyn-W11 location

SOURCE: COMPANY DATA

Figure 16 – Beebyn-W11-proximity to Iron Ridge mine



SOURCE: COMPANY DATA

TRANSFORMATIONAL PARTNERSHIP; POTENTIAL TO UNLOCK OVER 300MT FE

The Beebyn-W11 deposit forms part of the Weld Range Project owned by Sinosteel Midwest Corporation (SMC), an entity wholly controlled by the world's largest steelmaker, Chinese state-owned China Baowu Steel Group. SMC have delineated a +300Mt iron ore Resource across its extensive tenement holding, sufficient to underpin over 25 years of production. In 2011, SMC paused project activities pending clarification around a timeline for the development of additional rail and port infrastructure.

This partnership presents FEX with a transformational long-term opportunity, to leverage its fully integrated mining and logistics capabilities to unlock SMC's vast, high-grade iron ore deposits in the region. We expect intermittent updates regarding the monetisation of these Resources.

10MT RIGHT TO MINE: FEX TO DEVELOP & OPERATE; PROFIT SHARE ROYALTY

Under the Right to Mine agreement, FEX paid SMC upfront consideration of $5m. Deferred consideration includes a $5m cash payment upon receipt of mining approvals; a fixed $2.00/t base royalty payment; and a variable profit share royalty based on a portion of notional profit generated throughout the life of the 10Mdmt agreement. The structure of the profit share means that FEX will receive a margin (for the logistics and marketing components), irrespective of the underlying iron ore price.

FEX is solely responsible for the development, mining, transport, marketing and funding of development capital expenditure. However, it will recover 50% of the capital cost (capped at $12.5m plus interest) through an initial reduction in the profit share payable to SMC.

The proximity of Beebyn-W11 to FEX's Iron Ridge operation enables the use of existing site infrastructure (roads, camp etc), minimising capital expenditure requirements.

FEASIBILITY STUDY: 1.25 MTPA 62% FE DSO; $78/T C1 CASH COSTS

Beebyn-W11 holds a Resource of 21.5Mt at 61.3% Fe. A July 2024 Feasibility Study outlined a maiden Ore Reserve of 10Mt at ~62.2% Fe; the Reserve tonnage is limited by the Right to Mine agreement. We model a 15Mt ore inventory (ie. we expect the agreement will be extended beyond the current 10Mdmt).

Table 8 - Beebyn-W11 Mineral Resource Estimate

50% Fe cut-off grade	Mt	Fe %	SiO2 %	Al2O3 %	LOI
Resources					
Measured	13.2	61.8%	3.7%	2.7%	2.9%
Indicated	7.3	60.3%	4.7%	2.6%	3.7%
Inferred	0.9	56.4%	7.8%	5.6%	4.5%
Total	**21.4**	**61.1%**	**4.2%**	**2.8%**	**3.2%**
Reserves (Limited by 10Mt Right to Mine Agreement)					
Proven	8.3	62.5%	3.4%	3.0%	2.3%
Probable	1.7	61.1%	4.5%	3.4%	2.4%
Total	**10.0**	**62.2%**	**3.6%**	**3.1%**	**2.3%**

SOURCE: COMPANY DATA

The FS outlined compelling project economics over a seven year mine life, including 1.5Mdmtpa production at an average C1 cash cost of A$78/wmt. The operation will host a single open-pit, utilising drill and blast/truck and excavator mining and simple crushing and screening to produce DSO products.

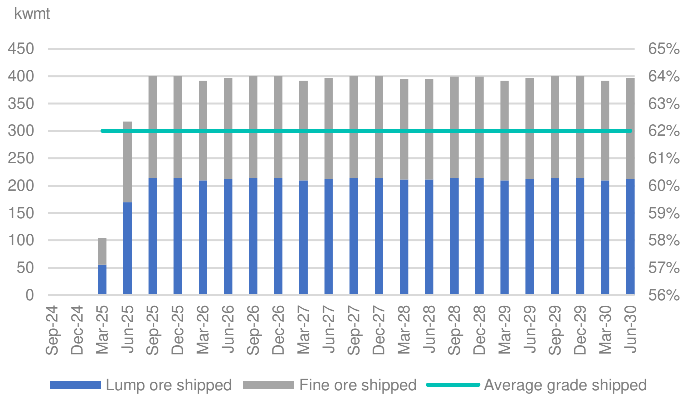
FEX are progressing several workstreams and approvals processes, targeting first production in Q3 FY25. Construction is expected to commence in the current quarter at a development cost of $26m, including $3m of haul road sealing costs to be incurred after first production. We model ramp up to steady state production in Q1 FY26.

Table 9 - Beebyn W11 July 2024 Feasibility Study versus Bell Potter estimates (FEX share)

	FEX FS July 2024	Bell Potter estimate	Comment
Physicals			
Total mineral inventory (Mt)	20.5	20.5	
Ore Reserve - limited by RTM (Mdmt)	10.0	15.0	BP assume RTM is extended
Total ore mined (Mdmt) / LOM (years)	10 / 6.7 years	15 / 10.3 years	BP assume RTM is extended
Processing capacity (Mdmt)	1.5	1.5	
Annual production rate (Mdmt)	1.5	1.5	
Average strip ratio (waste:ore)	2.2:1	2.2:1	
Financials			
Total upfront capex - inc. contingency ($m)	25.9	25.9	
Average C1 cash cost ($/wmt)	77.5	75.5	
62% Fe benchmark - AUDUSD	US$100/t - 0.65	US$90/t - 0.70	BP outlook long term, real
Annual EBITDA ($m)	47.9	22.0	
NPV ($m)	105 (NPV10, post-tax)	98 (NPV8, post tax)	

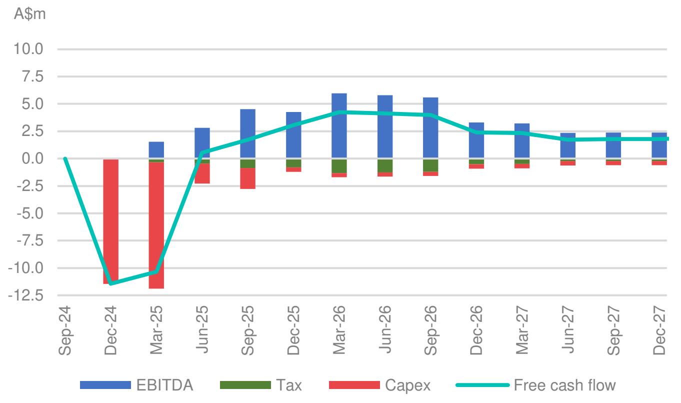
SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 17 – Beebyn-W11 production & sales profile (BP est.)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 18 – Beebyn-W11 free cash flow profile (BP est.)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Shine (100% FEX): Ramping

Shine is located 230km east of Geraldton in the Mid-West region of Western Australia.

Figure 19 - Shine location

SOURCE: COMPANY DATA

Figure 20 - Shine shovel-ready mine

SOURCE: COMPANY DATA

PREVIOUS OWNER INVESTED OVER $25M IN MINE & SITE INFRASTRUCTURE

In 2014, Mount Gibson Iron acquired Shine's iron ore mining and development rights. The company expanded the Resource base, completed economic studies and received all required mining approvals. In March 2021, mining operations commenced following a $25m capital investment in mine and site infrastructure. In October 2021, having produced just 300kwmt lump and fines, MGX suspended operations due to an increase in third-party haulage and shipping costs and a deterioration in iron ore prices. In July 2023, FEX acquired Shine's iron ore mining and development rights as part of the acquisition of MGX's Mid-West iron ore assets.

Table 10 - Shine Mineral Resource Estimate (at 30 June 2024)

50% Fe cut-off grade	Mt	Fe %	SiO2 %	Al2O3 %	P %
Hematite (above 50% Fe)					
Measured	4.30	59.3%	9.1%	1.7%	0.1%
Indicated	5.10	58.0%	10.5%	1.4%	0.1%
Inferred	0.50	56.4%	12.6%	1.6%	0.1%
Total	**9.90**	**58.5%**	**10.0%**	**1.5%**	**0.1%**
Magnetite (above 50% Fe)					
Measured	0.80	58.6%	8.6%	0.9%	0.1%
Indicated	1.20	58.8%	7.7%	0.9%	0.1%
Inferred	3.10	56.9%	9.1%	1.1%	0.1%
Total	**5.10**	**57.6%**	**8.7%**	**1.0%**	**0.1%**
Resources (total)					
Measured	5.10	59.2%	8.98%	1.60%	0.08%
Indicated	6.30	58.1%	9.97%	1.27%	0.07%
Inferred	3.60	26.9%	9.58%	1.18%	0.06%
Total	**15.10**	**58.2%**	**9.54%**	**1.36%**	**0.07%**

SOURCE: COMPANY DATA

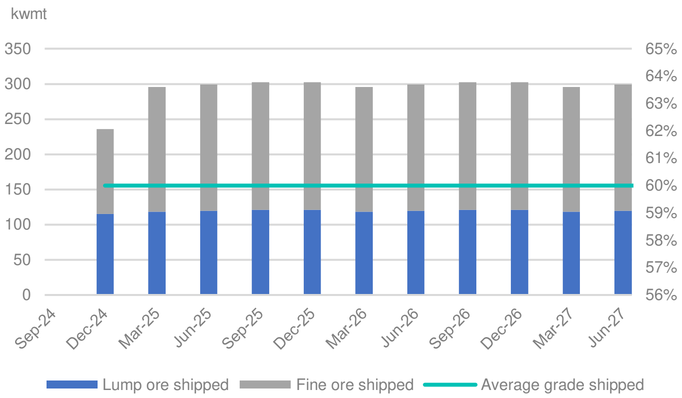
STAGE 1: 100KT/MONTH PRODUCTION FROM DECEMBER 2024

In July 2024, following a comprehensive review, FEX's board approved Shine's recommissioning. Given existing critical infrastructure, development capital was estimated at a modest $7.4m and focused on camp and access road upgrades.

Stage 1 will target 100kt/month production across FY25-26. Drill and blast/truck and excavator mining and simple crushing and screening will produce a 60% Fe hematite DSO at C1 cash costs of A$67.50/wmt. FEX will conduct further optimisation work to assess additional stages. Subject to approvals, the mine life has the potential to be extended to include mining of the remaining hematite resource base (~7Mt); we conservatively model a mine life until the end of FY29.

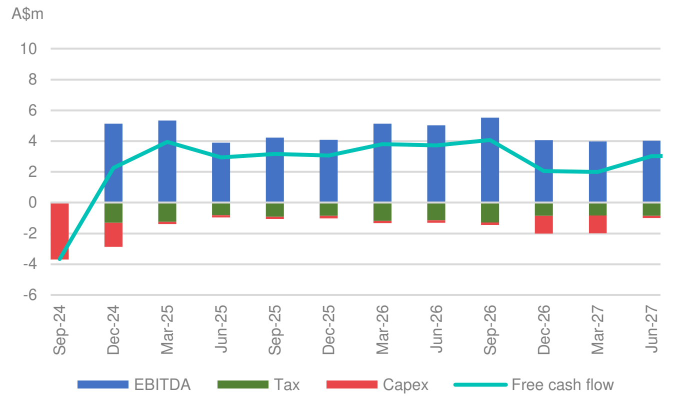
Consistent with FEX's other operations, the company will leverage its haulage and port businesses to maximise margins. Given Shine is located 300km from Geraldton Port, compared with 500km for Iron Ridge, haulage costs will be lower. Opportunities for further synergies will be assessed, including product blending with high quality Iron Ridge ore.

Figure 21 – Shine production & sales profile (BP est.)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Figure 22 – Shine free cash flow profile (BP est.)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Logistics: Driving value in the Mid-West

Mid-West: High growth market requiring logistics solutions

In 2023, $4.5b of sales revenue was generated across several bulk, base, and precious commodities mined throughout Western Australia's Mid-West. S&P Capital IQ have categorised over 100 mining projects situated in the region, ranging from advanced exploration to operating (excluding inactive mines).

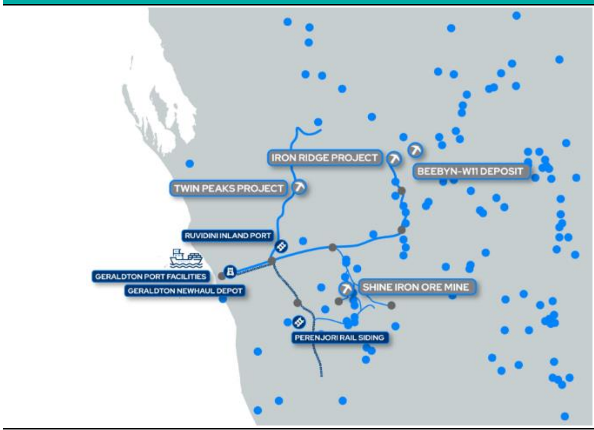
FEX's haulage and port businesses provide the capabilities to unlock many assets that would otherwise remain unfeasible without the availability of third-party logistics solutions. Its logistics streams diversify revenue beyond iron ore, leveraging the company to Mid-West mining output and supporting margins through potential periods of weaker iron ore prices.

Figure 23 – Mid-West region sales value by commodity (2023)

Commodity	Value (A$m)
Gold	2,094.85
Iron Ore	1,389.09
Copper	349.03
Zinc and Lead	266.79
Mineral Sands	264.30
Silver	43.13
Manganese and Talc	41.69
Other	5.33
Mid West Total	**4,454.21**

SOURCE: WESTERN AUSTRALIA DEPARTMENT OF ENERGY, MINES, INDUSTRY REGULATION AND SAFETY (DEMIRS)

Figure 24 – Mid-west region mining operations



SOURCE: S&P CAPITAL IQ & FEX

MINE PROJECTS SHOWN HAVE BEEN CATEGORISED UNDER THE FOLLOWING DEVELOPMENT STAGES BY S&P CAPITAL IQ: ADVANCED EXPLORATION, COMMISSIONING, CONSTRUCTION STARTED, EXPANSION, EXPLORATION, FEASIBILITY, FEASIBILITY COMPLETE, OPERATING, PREFEASIBILITY, AND PRE-PRODUCTION. A (THIS EXCLUDES CLOSED MINES, MINES ON CARE AND MAINTENANCE, INACTIVE MINES, REHAB MINES, OR PROPERTIES WITH UNKNOWN STATUS).

Newhaul Road Logistics (100% FEX): Unlocking the Mid-West

In 2019, FEX formed a 50:50 joint venture with trucking provider, Newhaul Pty Ltd. In June 2022, FEX consolidated 100% ownership of Fenix Newhaul (now Newhaul Road Logistics). Newhaul Road Logistics provisions the haulage of bulk commodities mined throughout WA's Mid-West. The business services in-house and third party contracts; currently 100% of tonnes hauled are exported through FEX's wholly owned Newhaul Port Logistics business.

MARKET-LEADING FLEET, INFRASTRUCTURE & DRIVER RETENTION

Newhaul Road Logistics operates state-of-the-art technology, fleet and facilities to provide a safe, efficient, high margin, tier one haulage service. The business comprises:

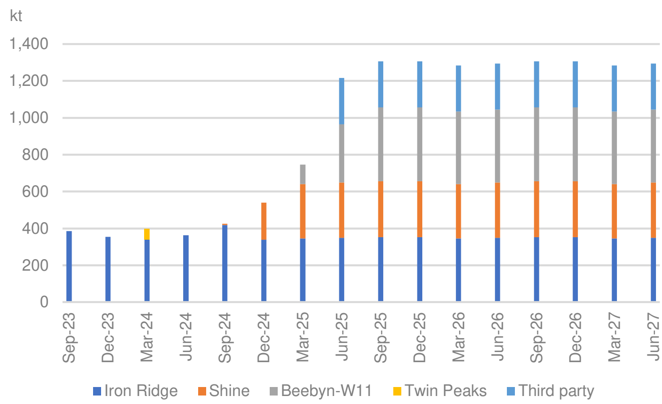
- **State of the art haulage fleet**
  - Expanding to over 70 x 200-tonne quad road trains.
  - All trucks fitted with advanced technology to enhance driver safety, and reduce attrition and fuel costs.

- **40Ha depot in Geraldton**
  - Fleet monitoring and communications centre: Manned 24/7 for real time GPS and visual monitoring of the operating haulage fleet.
  - Driver training centre: High tech driver education and training centre, including a 'first of its kind' truck cockpit simulator. The Fenix Kickstart Academy offers a 2-year fully paid traineeship, resulting in the award of a Cert III in Driving Operations Logistics.
  - Fully equipped servicing bays, truck refuelling and wash facility.
  - Driver wellness centre: Hyperbaric oxygen chamber, infrared sauna, CAROL bike, O2 oxygen chair and recovery massage chair. Employees are encouraged to maintain a healthy lifestyle, leading to reduced fatigue, improved safety and productivity, and staff retention.
- **Ruvidini inland port and rail siding (located 100km east of Geraldton)**
  - Accessible by road or rail; the rail siding connection provides access to the Mid-West Rail network.
  - Used for storage of various bulk materials prior to haulage to Geraldton port. Provides the ability to store and blend products, moderate shipping timing and reduce port bottlenecks.
- **Perenjori rail siding (located 175km southeast of Geraldton)**

Figure 25 – Loading a 200t quad road train at Iron Ridge

SOURCE: FEX

Figure 26 – Newhaul Road Logistics haulage outlook (BP est.)



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Newhaul Port Logistics (100% FEX): Export facilitator

In 2020, FEX secured Shed 13 at the Geraldton Port. In June 2023, the company acquired Sheds 4 and 5 through the acquisition of MGX's Mid-West iron ore assets.

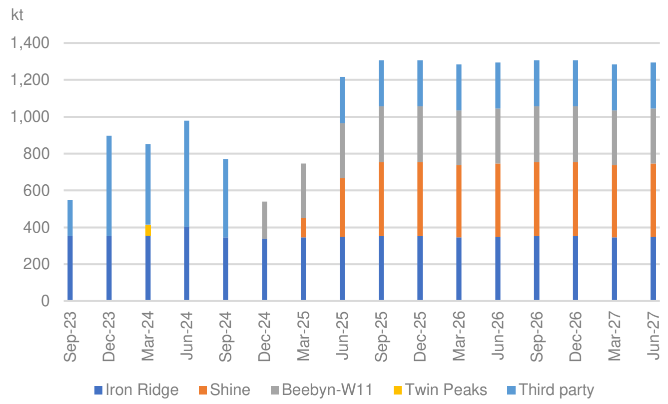
FEX controls the largest storage and throughput position at Geraldton Port, catering for 440kt bulk materials storage capacity (sufficient to load six panamax vessels) and export throughput capacity of over 5Mtpa, without cross contamination. The sheds are connected to FEX's wholly owned truck unloader, and the Mid-West Port Authority's rail unloader and ship loaders.

Newport Port Logistics facilitates the export of all in-house iron ore production, and currently 100% of third party bulk commodities hauled through Newhaul Road Logistics. Throughout FY25, we expect throughput to grow to 5Mtpa, on ramp up of Shine and Beebyn-W11, and increase in third-party tonnes (including Gold Valley).

Figure 27 – Newhaul Geraldton Port assets

SOURCE: COMPANY DATA

Figure 28 – Newhaul port profile: Historical & BP est. (quarterly)



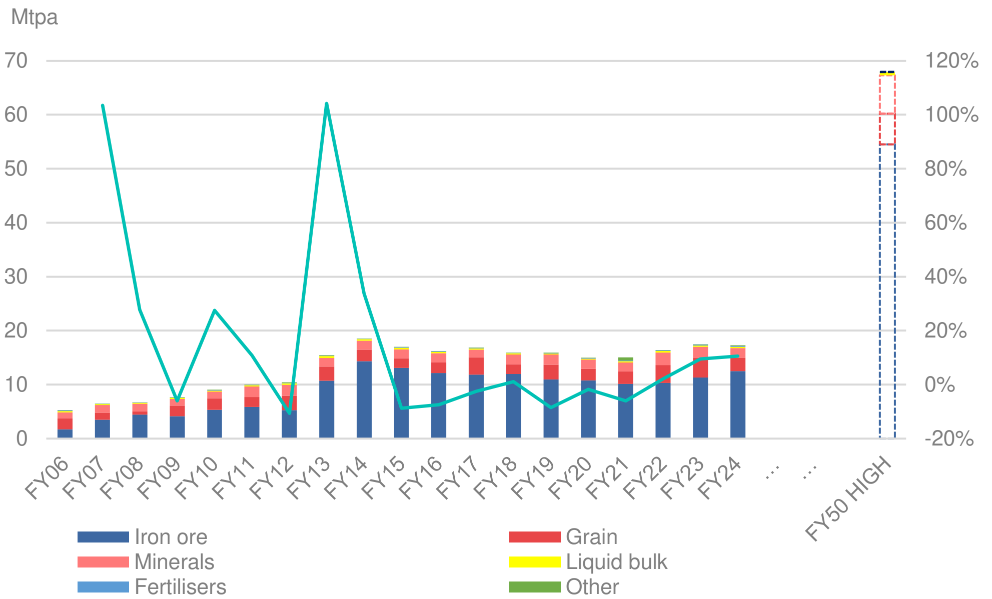
SOURCE: COMPANY DATA

FEX LEVERAGED TO $350M GOVERNMENT FUNDED PORT UPGRADE

The Mid West Port Authority is a Western Australian state owned enterprise charged with overseeing operations at Geraldton Port. The port is a highly strategic regional hub; the authority's high growth case (moderate growth plus contestable projects) forecasts total iron ore throughput to grow from 17Mt in FY24, to up to 78Mtpa by 2050.

To modernise the port and support the anticipated growth, the Western Australian government has committed $350m through the Geraldton Port Maximisation Project (PMaxP). PmaxP will develop the required infrastructure to grow the port's export throughput capacity to 25Mtpa by 2026.

Figure 29 - Geraldton port historical & projected throughput (high case)



SOURCE: MID-WEST PORT AUTHORITY

GOLD VALLEY CONTRACT: ESTIMATED +$70M REVENUE OVER THREE YEARS

In March 2024, FEX and Gold Valley Iron Ore Pty Ltd (not listed) executed a binding agreement for FEX to provide haulage, storage and port services from Gold Valley's Mid-West iron ore operations.

Under the terms, FEX will provide logistics services for 3Mt, or a three year period, with the date commencing upon recommissioning of the Ruvidini Rail Siding. The terms include an option to extend the contract tonnage or timeframe; FEX expect to earn around $70m revenue over the life of the contract.

FEX has utilised $1.4m upfront cash consideration to recommission the Ruvidini inland port and rail siding.; the upfront cash will be offset against future fees payable by Gold Valley.

We do not include any unannounced third party logistics contracts in our modelling. All future contract awards present upside to our valuation and forecasts.

Fenix Resources (FEX)

Company description

Fenix Resources is unlocking stranded mining assets across the Mid-West region of Western Australia, through three wholly owned business pillars: (1) Iron ore mining; (2) bulk commodity haulage (Newhaul Road Logistics); and (3) port services (Newhaul Port Logistics). The company's internal iron ore production is growing to 4Mtpa through its Iron Ridge (100% FEX, operating), Beebyn-W11 (10Mt Right to Mine agreement, in development), and Shine (100% FEX, operating) mining operations. FEX's logistics streams provision bulk commodity haulage and port services for in-house and third-party customers. The group controls the largest storage and throughput position (440kt and over 5Mtpa, respectively) at the strategic and fast growing Geraldton Port.

Investment view – Buy, Target price $0.41/sh

We initiate coverage with a Buy recommendation. FEX's portfolio of low-capital mining assets and integrated logistics networks should continue to underpin robust cash flows, funding growth expenditure requirements and shareholder returns. FEX is trading on 2.3x our EV/FY25 EBITDA forecast, well below its nearest peers.

Valuation: Risked, sum of the parts

Our valuation is based on:

- Discounted cash flow models of Iron Ridge, Shine, and Beebyn-W11 (NPV 8%, real);
- Discounted cash flow models of Newhaul Road Logistics and Newhaul Port Logistics (NPV 8%, real); and
- An allowance for FEX's corporate overhead expenses.

Appendix 1: Capital Structure

Capital structure

Table 11 - Capital structure	
Share price	$0.29/sh
Shares on issue	721m
Market capitalisation	**$209m**
Net debt/(cash)	-$37m
Enterprise value	**$172m**
Diluted	
Performance rights & options	25m
Shares on issue (diluted)	746m
Assumed cash from options	$0m
Market capitalisation (diluted)	**$216m**
Net debt (diluted)	-$37m
Enterprise value (diluted)	**$179m**

SOURCE: IRESS & BELL POTTER SECURITIES ESTIMATES

Major shareholders

Table 12 - Major shareholders		
Mount Gibson Iron	73m	**10%**
Craig Mitchell (Director)	55m	8%
Garry Plowright (Director)	25m	3%
John Welborn (Chairman)	21m	3%
Other	547m	76%
Total	**721m**	**100%**
Free float	**547m**	**76%**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Appendix 2: Board & management

Table 13 - Board and key management

Name	Position	Appointed to current position
John Welborn	Executive Chairman	Nov-21
Garry Plowright	Non-Executive Director	Jan-21
Craig Mitchell	Non-Executive Director	Sep-22
Shannon Coates	Non-Executive Director	Jul-24
Stuart Ausmeier	Chief Financial Officer	Sep-22

SOURCE: COMPANY DATA

John Welborn – Executive Chairman

Mr Welborn is a champion for responsible and sustainable mining development with a broad range of experience in driving exceptional growth in businesses across a range of industries.

Mr Welborn is a Chartered Accountant with a Commerce degree from UWA, a Fellow of the Institute of Chartered Accountants in Australia, and a member of the Australian Institute of Mining and Metallurgy.

Craig Mitchell – Executive Director

Mr Mitchell founded Mitchell Corp in 1997 which became one of Australia's largest bulk haulage businesses before its sale to Toll Group in 2011. Mr Mitchell was awarded the 2006 Ernst and Young Western Australian Entrepreneur of the Year.

In 2019, founded trucking and logistics company Newhaul, which formed a joint venture with Fenix Resources and was 100% acquired by Fenix Resources in July 2022.

Garry Plowright – Non-Executive Director

Mr Plowright is an experienced executive with over 25 years' experience in finance, commercial and technical development within the mining and exploration industry.

Mr Plowright has held global operational and corporate roles with Gindalbie Metals Ltd, Mt Edon Gold Ltd, Pacmin Mining, Atlas Iron Ltd, Tigris Gold (South Korea) and Westland Titanium (New Zealand)

Shannon Coates – Non-Executive Director

Ms Coates has over 30 years' experience in corporate law and compliance. She was most recently Managing Director of Source Governance, a national governance service provider, and has provided governance and corporate advisory services to boards and various committees across a variety of industries, including oil & gas, resources, manufacturing, and technology.

Ms Coates is a qualified lawyer, Chartered Secretary, and graduate of the AICD's Company Directors course. She is also currently non-executive director to Bellevue Gold Limited, a West Australian ASX 200 gold producer, and Chairs Bellevue's Nomination and Remuneration Committee.

Stuart Ausmeier – Chief Financial Officer

Mr Ausmeier is a Chartered Accountant and Chartered Financial Analyst with over 20 years' finance experience in mining and finance. Background includes strategic advisory roles and execution of complex debt and equity capital market transactions.

Previously, Mr Ausmeier held senior finance roles with an ASX-listed global engineering company where he was most recently Group Treasurer.

SOURCE: FEX WEBSITE

Appendix 3: Company timeline

Table 14 - Fenix Resources company timeline

Date	Event
Aug-24	First production at Shine
Jul-24	Beebyn-W11 feasibility study and 10Mt maiden Ore Reserve released
Jul-24	Board approves restart of mining at Shine
Mar-24	Fenix enters $70m haulage and logistics contract entered with Gold Valley
Oct-23	Mr John Welborn appointed Executive Chairman, Mr Craig Mitchell appointed as Non-Executive Director
Oct-23	Fenix acquires 10Mt right to mine Sinosteel Midwest Corporation's Beebyn-W11 deposit
Jul-23	Completion of acquisition of Mt Gibson's Mid-West iron ore and port assets, including Shine iron ore mine, 2 sheds at Geraldton Port and two Mid-West rail sidings
Jul-22	Completion of acquisition of 100% of Fenix-Newhaul
Jun-22	Fenix consolidates 100% ownership of Fenix-Newhaul
Nov-21	Fenix appoints Mr John Welborn appointed as Non-Executive Chairman
Sep-21	Fenix declares a maiden fully franked dividend of 5.25cps
Jul-21	Fenix enters maiden iron ore hedging arrangements
Mar-21	Iron Ridge reaches steady state production of 1.25Mtpa
Feb-21	First shipment of Iron Ridge DSO
Dec-20	Production commences at Iron Ridge
Oct-20	Iron Ridge haulage contract executed with Fenix Newhaul joint venture
Oct-20	Fenix purchases Geraldton Port infrastructure from Sinosteel, including a truck unloading facility and 32,000m3 storage shed
Oct-20	Fenix executes binding offtake terms sheet with Sinosteel for remaining 50% of Iron Ridge production
Sep-20	Iron Ridge mine development commences
Sep-20	Board makes a Final Investment Decision to proceed with development of the Iron Ridge mine
Aug-20	Atlas Iron elected as marketing agent for 50% of Iron Ridge production
Aug-20	Fenix receives state approval for Stage 1 Mining Proposal and Mine Closure Plan at Iron Ridge
Nov-19	Iron Ridge feasibility study: 1.25Mtpa for 6 years; C1 costs of $76.86/dmt; average annual EBITDA $16.4m
Aug-19	Iron Ridge MRE upgraded to 10.5Mt at 64.2% Fe
May-19	Fenix signs joint cooperation agreement with Geraldton Port
May-19	Fenix and Minehaul form 50:50 JV; Mr Craig Mitchell appointed Chairman and CEO of JV company
Dec-18	Commencement of maiden Iron Ridge drilling program
Nov-18	Completion of Prometheus Mining acquisition
Sep-18	Emergent Resources changes name to Fenix Resources
May-18	Emergent Resources announces acquisition of 100% of Prometheus Mining, owner of the Iron Ridge Project

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Investment risks

Risks

Risk to materials sector equities include, but are not limited to:

- **Commodity price and exchange rate fluctuations.** The future earnings and valuations of exploration, development and operating energy and industrial development assets and companies are subject to fluctuations in underlying commodity prices (energy and other) and foreign currency exchange rates.
- **Infrastructure access.** Energy projects are reliant upon access to processing/treatment and pipeline infrastructure. Access to infrastructure is often subject to contractual agreements, permits and capacity allocations. Agreements are typically long-term in nature. Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, development and costs of goods sold can fluctuate and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy, building/construction materials and labour markets. Energy companies are also exposed to costs associated with future land rehabilitation.
- **Reserve and Resource risks.** Future earnings forecasts and valuations rely on accuracy of Reserve estimation, the ability to extract the underlying Reserve and the potential for Reserve life extensions.
- **Sovereign risks.** Energy companies' assets are subject to the sovereign risk of the country and state of location and may also be exposed to the sovereign risks of major offtake customers.
- **Regulatory changes.** Changes to the regulation of infrastructure, taxation, carbon abatement and environmental management (among other things) can impact the earnings and valuations of energy companies.
- **Environmental risks.** Energy companies are exposed to risks associated with environmental degradation as a result of their exploration and production processes. Fossil fuel producers may be partially exposed to the environmental risks of end markets including the electricity generation sector.
- **Operating and development risks.** Energy companies' assets are subject to risks associated with their operation and development. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety (OH&S) risks.** Energy and industrial development companies are exposed to OH&S risks.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **Impact of pandemic infection such as Coronavirus disease (COVID-19):** This may have an adverse impact on the macro economic factors such as energy demand and oil/gas pricing.

Fenix Resources Ltd
as at 3 December 2024

Recommendation	Buy
Price	$0.29
Target (12 months)	$0.41

Table 15 - Financial summary

Date		3/12/24
Price	A$/sh	0.29
Valuation	A$/sh	0.41

Bell Potter Securities

James Williamson (jwilliamson@bellpotter.com.au, +61 3 9235 1692)

PROFIT AND LOSS

Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
Revenue	$m	201	265	370	559	541
Expenses	$m	(155)	(192)	(291)	(442)	(438)
EBITDA	**$m**	**46**	**73**	**79**	**117**	**103**
Depreciation & amortisation	$m	(15)	(24)	(33)	(52)	(52)
EBIT	$m	31	49	46	65	51
Net interest expense	$m	8	(0)	(1)	(1)	0
Profit before tax	$m	39	49	45	64	52
Tax expense	$m	(9)	(15)	(14)	(19)	(15)
NPAT (reported)	**$m**	**29**	**34**	**32**	**45**	**36**
NPAT (adjusted)	**$m**	**29**	**34**	**32**	**45**	**36**

CASH FLOW STATEMENT

Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
OPERATING CASH FLOW						
Receipts from customers	$m	193	259	365	553	535
Payments in the course of operations	$m	(148)	(182)	(294)	(437)	(438)
Tax paid	$m	(30)	(10)	(14)	(16)	(20)
Net interest expense	$m	1	2	(2)	(1)	(0)
Other	$m	(0)	0	-	-	-
Operating cash flow	**$m**	**16**	**70**	**56**	**99**	**77**
INVESTING CASH FLOW						
Capex	$m	(4)	(26)	(43)	(23)	(26)
Other	$m	(10)	(14)	-	-	-
Investing cash flow	**$m**	**(14)**	**(40)**	**(43)**	**(23)**	**(26)**
Free cash flow	*$m*	*3*	*30*	*12*	*76*	*51*
FINANCING CASH FLOW						
Debt proceeds/(repayments)	$m	-	(12)	-	-	-
Dividends paid	$m	(28)	(14)	-	(8)	(13)
Proceeds share issues (net, incl. options)	$m	-	-	-	-	-
Other	$m	-	(2)	-	-	-
Financing cash flow	$m	**(28)**	**(29)**	**-**	**(8)**	**(13)**
Change in cash	**$m**	**(26)**	**1**	**12**	**68**	**39**

BALANCE SHEET

Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
ASSETS						
Cash	$m	76	77	89	157	196
Receivables	$m	14	22	27	34	40
Inventories	$m	8	7	7	7	7
Capital assets	$m	59	128	139	109	83
Other assets	$m	30	32	32	33	33
Total assets	**$m**	**187**	**267**	**295**	**341**	**360**
LIABILITIES						
Creditors	$m	21	31	28	33	33
Borrowings	$m	21	35	35	35	35
Other liabilities	$m	20	35	35	38	34
Total liabilities	**$m**	**62**	**100**	**97**	**106**	**101**
NET ASSETS	**$m**	**125**	**166**	**198**	**235**	**258**
Share capital	$m	70	86	86	86	86
Reserves	$m	1	4	4	4	4
Retained earnings	$m	54	76	108	144	168
Non-controlling interest	$m	-	-	-	-	-
SHAREHOLDER EQUITY	**$m**	**125**	**166**	**198**	**235**	**258**
Weighted average shares	m	572	691	695	695	695

FINANCIAL RATIOS

Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
VALUATION						
EPS (adjusted)	Ac/sh	5.1	4.9	4.6	6.5	5.2
EPS growth (Acps)	%	-50%	-5%	-6%	41%	-19%
PER	x	5.7x	6.0x	6.4x	4.5x	5.6x
DPS	Ac/sh	2.0	-	1.2	1.8	1.3
Franking	%	100%	-	100%	100%	100%
Yield	%	6.9%	0.0%	4.1%	6.2%	4.5%
FCF/share	Ac/sh	0.4	4.3	1.8	10.9	7.4
FCF yield	%	2%	15%	6%	38%	25%
EV/EBITDA	x	3.3x	2.4x	2.3x	1.5x	1.7x
LIQUIDITY & LEVERAGE						
Net debt / (cash)	$m	(55)	(42)	(55)	(122)	(161)
Net debt / Equity	%	-79%	-49%	-63%	-142%	-187%
Net debt / Net debt + Equity	%	-377%	-96%	-172%	340%	216%
Net debt / EBITDA	x	-1.0x	-0.6x	-0.7x	-1.0x	-1.6x
EBITDA / net int expense	x	551.3x	290.3x	82.1x	212.5x	-280.4x
PROFITABILITY RATIOS						
EBITDA margin	%	27%	28%	21%	21%	19%
EBIT margin	%	19%	18%	13%	12%	9%
Return on assets	%	17%	15%	11%	14%	10%
Return on equity	%	25%	23%	17%	21%	15%

ASSUMPTIONS - Prices (nominal)

Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
Iron ore 62% Fe index CFR China	US$/dmt	110	120	98	94	91
WA to China freight (panamax)	US$/t	21.13	18.15	18.13	17.00	17.00
AUD/USD	US$/A$	0.67	0.66	0.68	0.70	0.70

Sales & unit costs

Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
Iron Ridge	kwmt	1,362	1,463	1,379	1,400	1,400
Shine	kwmt	-	-	831	1,200	1,200
Beebyn-W11	kwmt	-	-	422	1,590	1,590
Total iron ore sales	**kwmt**	**1,362**	**1,463**	**2,632**	**4,190**	**4,190**
Average realised price (CFR)	US$/dt CFR	112	127	98	95	91
C1 cash cost (FOB)	US$/wt FOB	55	51	51	51	51
AISC	US$/wt CFR	87	81	79	78	78
Average realised price (CFR)	A$/dt CFR	167	194	143	135	131
C1 cash cost (FOB)	A$/wt FOB	82	78	74	73	73
AISC	A$/wt CFR	129	124	115	112	111
Newhaul Road Logistics - Tonnes hauled	**kwmt**	**-**	**1,502**	**2,927**	**5,190**	**5,190**
Newhaul Port Services - Port throughput	**kwmt**	**-**	**3,276**	**3,271**	**5,190**	**5,190**

VALUATION

Valuation period	Current		+12 months		+24 months	
NPV 8%, real	**A$m**	**A$/sh**	**A$m**	**A$/sh**	**A$m**	**A$/sh**
Iron ore operations	182	0.24	181	0.23	143	0.18
Logistics	124	0.17	107	0.14	75	0.09
Total value of operating assets	**306**	**0.41**	**288**	**0.36**	**218**	**0.28**
Corporate & admin	(38)	(0.05)	(41)	(0.05)	(44)	(0.06)
Enterprise value	**269**	**0.36**	**248**	**0.31**	**174**	**0.22**
Net debt / (cash)	(30)	0.04	(73)	0.09	(128)	0.16
Equity value	**299**	**0.40**	**321**	**0.41**	**302**	**0.38**

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

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