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# Fenix Resources Ltd (FEX)

## Q2 FY25: Rise & Shine

**Recommendation**

**Buy** (unchanged)

**Price**

**\$0.27**

**Target (12 months)**

**\$0.41** (unchanged)

**Sector**

Materials

**Expected Return**

Capital growth	52%
Dividend yield	5%
Total expected return	57%

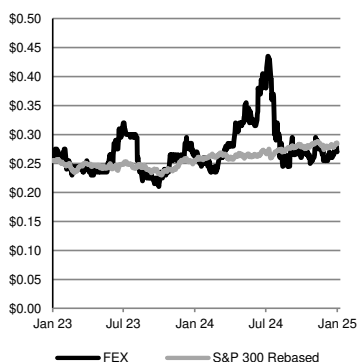
**Company Data & Ratios**

Enterprise value	\$185m
Market cap	\$200m
Issued capital	741m
Free float	74%
Avg. daily val. (52wk)	\$607k
12 month price range	\$0.235-0.45

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	0.26	0.27	0.27
Absolute (%)	3.8	1.9	1.9
Rel market (%)	0.0	0.8	-10.9

**Absolute Price**



SOURCE: IRESS

### Group production nearly doubles as Shine ramps-up

FEX reported group production of 702kwt (BP est. 540kwt), nearly double the prior quarter as Shine ramped-up. Group shipments of 594kwt included the sale of initial low-grade mined ore and residual stockpiles at Shine, leading to group realised pricing of US\$95/dmt CFR (8% discount to the 62% Fe index). Pricing and cost improvements will flow through as mining progresses into higher grade areas. At 31 December 2024 FEX held cash of \$56.9m following \$8.3m in quarterly net capex on growth initiatives, and excluding \$14.4m received post quarter-end for December 2024 shipments.

### Advancing on several fronts; weaker A\$ a tailwind

FEX continues to progress its growth pipeline towards +4Mtpa iron ore production (expected in FY26). Receipt of a final mining approval at Beebyn-W11 is expected in the current quarter; successful development and mining of the deposit could be a catalyst for a larger mining agreement with the project owner, Sinosteel Midwest Corporation, under improved fiscal terms for FEX. We estimate Iron Ridge's upgraded (Dec-24) Mineral Resource Estimate (13.4Mt at 64.9% Fe) could support an increased Ore Reserve and mine life extension to ~FY29 (currently ~mid-FY27). Favourable exploration outcomes at its newly acquired Beebynganna Hills Project should result in further low-capital development optionality.

We have lowered our near-term A\$/US\$ FX outlook; our long-term forecast (0.70) is unchanged. The weaker A\$ outlook provides a substantial earnings tailwind.

EPS changes in this report are: FY25 +21%; FY26 +51%; and FY27 +15%.

### Investment view – Buy, Target price \$0.41

FEX will continue to grow its portfolio of low-capital mining assets and leverage its integrated logistics networks to underpin robust cash flows, funding further growth expenditure requirements and shareholder returns. The company holds the largest storage position at the highly strategic and fast-growing Geraldton Port. We believe FEX will continue to pursue inorganic growth opportunities in Mid-West WA.

**Earnings Forecast**

Year ending 30 June	2024a	2025e	2026e	2027e
Sales (A\$m)	265	399	616	562
EBITDA (A\$m)	73	89	149	111
NPAT (reported) (A\$m)	34	38	68	42
NPAT (adjusted) (A\$m)	34	38	68	42
EPS (adjusted) (cps)	4.9	5.5	9.7	6.0
EPS growth (%)	-5%	13%	76%	-38%
PER (x)	5.5x	4.9x	2.8x	4.5x
FCF Yield (%)	16%	12%	45%	23%
EV/EBITDA (x)	2.5x	2.1x	1.2x	1.7x
Dividend (cps)	-	1.3	1.4	1.5
Yield (%)	0%	5%	5%	6%
Franking (%)	-	1.0	1.0	1.0
ROE (%)	23%	21%	29%	15%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Q2 FY25: Rise & Shine

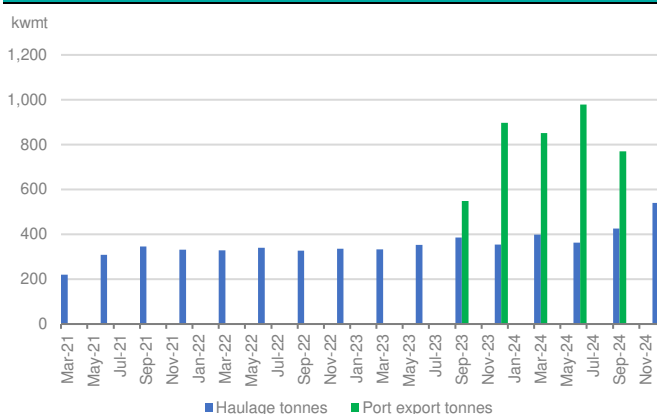
**Table 1 - Quarterly summary**

	Dec-23 (actual)	Mar-24 (actual)	Jun-24 (actual)	Sep-24 (actual)	Dec-24 (actual)	QonQ	Dec-24 (BP est.)	Actual vs BP est.	1H FY25 (actual)
<b>Group iron ore production kwmt</b>	<b>299</b>	<b>332</b>	<b>367</b>	<b>359</b>	<b>702</b>	<b>95%</b>	<b>540</b>	<b>30%</b>	<b>1,061</b>
<b>Sales by asset</b>									
Iron Ridge kwmt	353	357	401	346	<b>353</b>	2%	339	4%	699
Average grade Fe	63.7%	63.6%	63.7%	63.6%	<b>63.9%</b>	0%	63.4%	1%	
Shine kwmt				0	<b>241</b>	na	236	2%	241
Average grade Fe				63.6%	<b>63.9%</b>	0%	60.0%	6%	
<b>Group sales kwmt</b>	<b>353</b>	<b>357</b>	<b>401</b>	<b>346</b>	<b>594</b>	<b>72%</b>	<b>575</b>	<b>3%</b>	<b>940</b>
<b>Group average grade Fe</b>	<b>63.7%</b>	<b>63.6%</b>	<b>63.7%</b>	<b>63.6%</b>	<b>61.1%</b>	<b>-4%</b>	<b>62.0%</b>	<b>-1%</b>	
<b>Realised pricing &amp; unit costs</b>									
Platts 62% CFR US\$/dmt	128	124	112	100	<b>103</b>	3%	105	-2%	
Average realised CFR price US\$/dmt	138	136	119	106	<b>95</b>	-11%	107	-11%	
Average realised CFR price A\$/dmt	212	206	180	159	<b>146</b>	-8%	164	-11%	
Average premium / (discount)	7%	10%	6%	7%	<b>-8%</b>	na	2%	na	
Average freight cost US\$/dmt	-18	-19	-19	-19	<b>-18</b>	-3%	-18.0	0%	
C1 cash cost (FOB) A\$/wmt	78	78	80	79	<b>80</b>	1%	76	5%	
C1 operating margin (exc. hedging/QP adj)	102	95	65	46	<b>49</b>	7%	64	-24%	
<b>Haulage</b>									
FEX kwmt	355	399	363	426	<b>604</b>	42%	540	12%	515
Third party kwmt	0	0	0	0	<b>0</b>	na	0	na	0
<b>Total tonnes hauled</b>	<b>355</b>	<b>399</b>	<b>363</b>	<b>426</b>	<b>604</b>	<b>42%</b>	<b>540</b>	<b>12%</b>	<b>515</b>
<b>Port services</b>									
FEX shipments kwmt	353	416	401	346	<b>594</b>	72%	540	10%	470
Third party shipments kwmt	544	436	578	424	<b>0</b>	-100%	0	0%	212
<b>Total shipments kwmt</b>	<b>898</b>	<b>852</b>	<b>979</b>	<b>770</b>	<b>594</b>	<b>-23%</b>	<b>540</b>	<b>10%</b>	<b>682</b>
<b>Cash balance A\$m</b>	<b>63</b>	<b>88</b>	<b>77</b>	<b>72</b>	<b>57</b>				

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 1 – Iron ore total sales (quarterly)**


SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 2 – Haulage & port exports tonnes total (quarterly)**


SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Key observations from the quarterly

**Production, sales & unit costs:** Production nearly doubles as Shine ramps-up

- **Iron Ridge:** Produced 353kt at an average grade of 63.9% Fe. Realised an average price of US\$106/dmt CFR (A\$162/dmt), a 3% premium to the 62% Fe benchmark index. Despite inflationary headwinds, C1 cash costs (FOB) were contained to A\$79.9/wmt as fixed haulage costs were shared with Shine.
- **Shine:** Successfully recommissioned and accelerated shipments ahead of schedule. Initial average realised CFR price of US\$80/dmt driven by sales of residual low-grade stockpiles and initial mining tonnes; the grade profile is expected to increase as mining progresses. Initial C1 cash costs of A\$86.90 were elevated due to early mine development and higher strip ratio; FEX expect these costs will average the feasibility costs of A\$67.50 over the life of mine. C1 operating margin of \$4/dmt highlights the potential of the operation to generate cash flow, particularly as the mine ramps-up. Marketing agreement signed with Swiss-based EP Resources Ltd, covering all production over a 12-month period.
- **Beebyn-W11:** Final approvals expected to be received in the current quarter, with mining operations expected to commence in CY25, increasing group production to around 4Mtpa.

**Logistics:** Ruvidini Inland Port operationally complete

- **Haulage:** Progressed the acquisition of additional fleet and infrastructure at its Geraldton depot to cater for the substantial increase in its iron ore production (Shine and Beebyn-W11).
- **Port services:** No third-party tonnes were exported due to the completion of the CuFe Ltd contract.
- **Ruvidini Inland Port:** Development now operationally complete. The commencement of the third-party Gold Valley logistics contract is expected in the June 2024 quarter. We estimate FEX will haul and export around 250kt/quarter across three years; the company expect to generate ~\$70m revenue over the period.

**Financials & balance sheet:** Strong cash balance to deliver on growth opportunities

- At 31 December 2024, FEX held \$56.9m cash (\$72m at 30 September 2024).
- Net operating cash margin of \$17m, which excludes sales receipts of \$14.4m received in early January 2025 for December 2024 shipments.
- Large cash outflows included taxes and royalties of \$11.6m, net capital expenditure of \$8.3m (primarily on Newhaul expansions and port upgrades), and Newhaul debt repayments of \$6.1m.
- FEX has extended its hedge position, comprising cash-settled swap contracts at a fixed price referencing the monthly average Platts TSI 62% Index (converted into AUD). Currently, its hedge book covers:
  1. 80kt/month at A\$154.45/t from January-June 2025; and
  2. 30kt/month at A\$154.77/t from July-December 2025.

**OTHER RECENT NEWSFLOW****Updated Iron Ridge Mineral Resource Estimate: 13.4Mt at 64.9% Fe**

In early December 2024, FEX announced an updated MRE at its Iron Ridge Project of 13.4Mt at 64.9% Fe; an increase of 8.5Mt and includes 4.3Mt in the higher confidence Indicated category.

The company plan to incorporate the data into an updated Ore Reserve estimate, and undertake further exploration work to inform future mine planning work aimed at extending Iron Ridge's mine life (currently 2.5 years at a 1.4Mtpa production rate).

**Acquisition of two early-stage Weld Range iron ore projects**

In December 2024, FEX announced the acquisition of the Beebynganna Hills Iron Ore Project (E 51/1681) and, subject to grant, the Beebyn North exploration tenement (E 51/2245).

- Beebynganna Hills is located ~18km from Iron Ridge, and 13km from Beebyn-W11. The transaction is subject to customary conditions precedent. Historical exploration across the site identified multiple zones of high-grade hematite mineralisation.  
Under the binding terms with Spartan Resources (SPR), FEX will pay an upfront A\$250,000 cash and a milestone A\$1m payment upon the sale of 1Mt iron ore from the E51/1681 tenement. FEX will hold the iron ore and ferrous mineral rights only.
- The Beebyn North exploration tenement (E 51/2245), located 14km from Beebyn-W11. Historical exploration shows rock chip samples grading up to 63% Fe.

Favourable exploration results could see FEX leverage its existing infrastructure to grow its iron ore production beyond 4Mtpa (from mid-2025) across potential low-capital developments.

**Increased strategic investment in Athena Resources (AHN, not rated)**

In early December 2024, following an entitlement offer, FEX increased its interest in AHN to 580m, or 29% of AHN shares on issue.

AHN own the high grade Byro Magnetite Project, located 340km north-east of Geraldton. Byro's FE1 deposit holds a MRE of 29.3Mt at 24.7% Fe. A May 2024 scoping study outlined a project NPV<sub>8</sub> of \$194m, IRR of 32% and upfront capex of \$111m.

**CFO transition**

FEX announced the appointment of Mr Chris Hunt as CFO, effective 20 January 2025. Current CFO Mr Stuart Ausmeier will assist with the transition and step down from the role effective March 2025.

# Fenix Resources summary

**Table 2 - Iron ore operating assets**

	Iron Ridge	Shine	Beebryn-W11
FEX equity	100%	100%	10Mt Right to Mine agreement (RTM)
Location	400km north-east of Geraldton	300km east of Geraldton	20km east of Iron Ridge
JV partners	-	-	Sinosteel Midwest Corporation (owner)
Resource	13.4Mt at 64.9% Fe	15.1Mt at 58.2% Fe	21.4Mt at 61.1% Fe
Reserve	2.9Mt at 64.8% Fe	-	10Mt at 62.2% Fe (limited by RTM)
Project stage	Producing	Producing	First production expected current quarter
FY25 sales (BP est.)	1.29Mdmmt	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

**Table 3 – Logistics business**
**Newhaul Road Logistics**

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

**Newhaul Port Logistics**

- 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.

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Table 4 - Balance sheet summary**

Share price	\$0.27
Shares on issue	741m
Options in the money & rights	0m
<b>Diluted market cap</b>	<b>\$208m</b>
Cash (31-Dec-24)	\$57m
Debt inc. leases (30-Jun-24)	\$42m
<b>Net debt inc. leases</b>	<b>-\$15m</b>
Options in the money	\$0m
<b>Enterprise value (diluted)</b>	<b>\$193m</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Look out for...

- **Iron Ridge exploration, MRE & mine plan updates:** Following an upgraded December 2024 MRE (13.4Mt at 64.9% Fe), we expect further news flow regarding an updated Ore Reserve estimate and mine planning work aimed at extending Iron Ridge's mine life (currently ~mid-FY27 at a 1.4Mtpa production rate).
- **Shine ramp-up & mine plan updates:** Ramp-up has commenced, with Stage 1 planned to average 100kt/month production. FEX are assessing additional stages, which could present the opportunity to extend the mine's life.
- **Beebyn-W11 approvals & development updates:** Final approvals expected to be received in the current quarter, with mining operations expected to commence in CY25 increasing group production to around 4Mtpa.
- **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 high-grade, 300Mt 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 do not factor in unannounced third party contract wins.
- **Inorganic growth opportunities:** We expect FEX to pursue further inorganic growth opportunities throughout Western Australia's Mid-West region.

## Updated FX outlook; weaker A\$ an earnings tailwind

We have updated our near-term A\$/US\$ exchange rate outlook, as outlined in the table below. Our long term forecast (0.70) is unchanged.

The weaker A\$ provides FEX a substantial earnings tailwind.

**Table 5 - Updated A\$/US\$ FX outlook**

US\$/A\$	Dec-24	Jun-25	Dec-25	Jun-26	Dec-26	Jun-27	Dec-27	LT (real)
New	0.66	0.62	0.62	0.64	0.66	0.68	0.70	0.70
Previous		0.70	0.70	0.70	0.70	0.70	0.70	0.70
Change		-11%	-11%	-9%	-6%	-3%	0%	0.00

SOURCE: IRESS AND BELL POTTER SECURITIES ESTIMATES

## Changes to estimates & valuation

Earnings changes in this report are the net result of:

- Incorporating the December 2024 quarterly production report;
- Incorporating our updated A\$/US\$ exchange rate outlook; and
- Other minor adjustments.

**Table 6 - Changes to earnings estimates**

Year ending 30 June	Previous			New			Change		
	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e
<b>Benchmark coal prices</b>									
Iron ore 62% Fe index CFR China US\$/t	98	94	91	99	94	91	1%	0%	0%
WA to China freight (panamax) US\$/t	18	17	17	18	17	17	0%	0%	0%
AUD/USD	0.68	0.70	0.70	0.64	0.63	0.67	-6%	-10%	-4%
<b>Volumes</b>									
Iron ore sales (Mwmt)	2.63	4.19	4.19	2.65	4.19	4.19	1%	0%	0%
Haulage tonnes (Mwmt)	2.93	5.19	5.19	2.99	5.19	5.19	2%	0%	0%
Port throughput (Mwmt)	3.27	5.19	5.19	3.32	5.19	5.19	2%	0%	0%
<b>Financials</b>									
Revenue (A\$m)	370	559	541	399	616	562	8%	10%	4%
EBITDA (A\$m)	79	117	103	89	149	111	12%	28%	7%
NPAT (reported) (A\$m)	32	45	36	38	68	42	21%	51%	15%
NPAT (adjusted) (A\$m)	32	45	36	38	68	42	21%	51%	15%
EPS (adjusted) (cps)	4.6	6.5	5.2	5.5	9.7	6.0	21%	51%	15%
Dividend (cps)	1.2	1.8	1.3	1.3	1.4	1.5	8%	-22%	15%
<b>Valuation (\$/sh)</b>	0.40	0.41	0.38	0.39	0.41	0.38	-3%	0%	0%

SOURCE: COMPANY DATA, FASTMARKETS, AND 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 7 – 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%	92	80	78	67	86	51	3	3	0	3	37	2	0.28
-10%	95	85	82	74	108	73	4	6	2	10	53	18	0.33
-15%	97	90	87	81	130	95	5	8	4	16	70	33	0.37
<b>Base</b>	<b>99</b>	<b>94</b>	<b>91</b>	<b>89</b>	<b>149</b>	<b>111</b>	<b>5.5</b>	<b>10</b>	<b>6</b>	<b>23</b>	<b>84</b>	<b>44</b>	<b>0.41</b>
+5%	102	99	96	96	167	130	6	12	8	29	96	57	0.45
+10%	104	104	100	103	183	148	7	13	10	35	108	69	0.48
+15%	107	108	105	111	202	167	8	15	12	42	122	82	0.52
<b>Spot</b>	<b>103</b>	<b>104</b>	<b>104</b>	<b>99</b>	<b>184</b>	<b>184</b>	<b>7</b>	<b>13</b>	<b>13</b>	<b>32</b>	<b>109</b>	<b>98</b>	<b>0.51</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

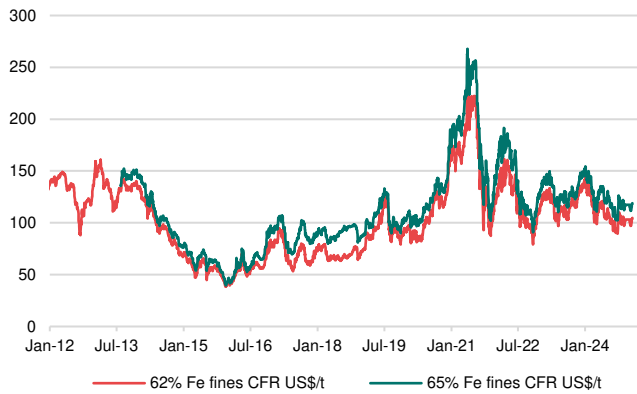
**Table 8 – Iron ore price sensitivity & spot price leverage**

	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%	92	80	78	2.8	2.2	3.6	8.1	8.2	-166.6	2%	18%	1%	4%
-10%	95	85	82	2.5	1.7	2.5	6.7	4.9	13.0	5%	27%	9%	22%
-15%	97	90	87	2.3	1.4	2.0	5.6	3.5	6.2	8%	35%	16%	37%
<b>Base</b>	<b>99</b>	<b>94</b>	<b>91</b>	<b>2.1</b>	<b>1.2</b>	<b>1.7</b>	<b>4.9</b>	<b>2.8</b>	<b>4.5</b>	<b>11%</b>	<b>42%</b>	<b>22%</b>	<b>52%</b>
+5%	102	99	96	1.9	1.1	1.4	4.3	2.3	3.4	14%	48%	28%	67%
+10%	104	104	100	1.8	1.0	1.2	3.9	2.1	2.8	18%	54%	35%	78%
+15%	107	108	105	1.7	0.9	1.1	3.5	1.8	2.3	21%	61%	41%	93%
<b>Spot</b>	<b>103</b>	<b>104</b>	<b>104</b>	<b>1.9</b>	<b>1.0</b>	<b>1.0</b>	<b>4.1</b>	<b>2.0</b>	<b>2.0</b>	<b>16%</b>	<b>55%</b>	<b>49%</b>	<b>89%</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Iron ore & related charts

**Figure 3 - Iron ore US\$/t CFR China**



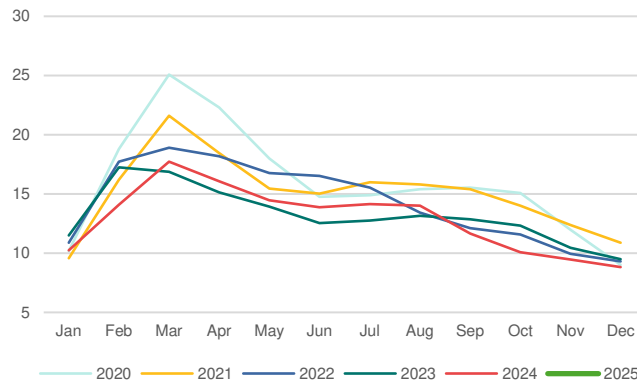
SOURCE: FASTMARKETS (MB-IRO-0008 & MB-IRO-0009)

**Figure 4 – Bloomberg China steel mill profitability index**



SOURCE: BLOOMBERG

**Figure 5 - China finished steel inventories Mt**



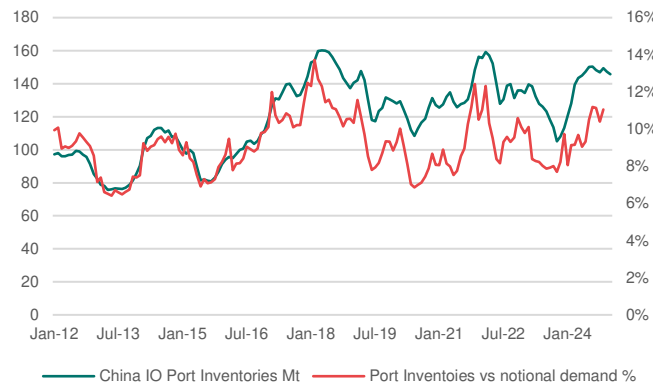
SOURCE: BLOOMBERG (.CHFLINV INDEX & .CHLONINV INDEX)

**Figure 6 - China's domestic steel price (weekly)**



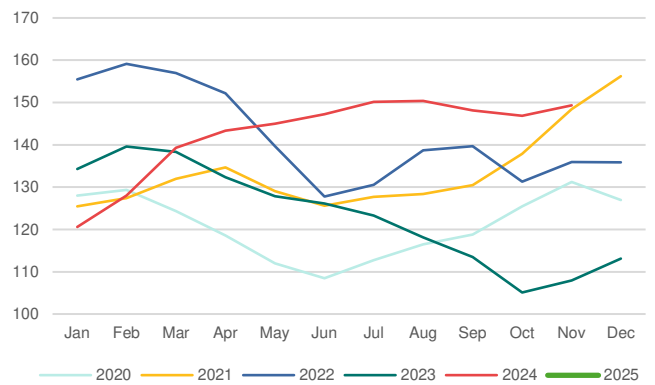
SOURCE: BLOOMBERG, BELL POTTER SECURITIES

**Figure 7 - China iron ore port inventories Mt**



SOURCE: BLOOMBERG (.CHFLINV INDEX & .CHLONINV INDEX)

**Figure 8 - China iron ore port inventories by month Mt**



SOURCE: BLOOMBERG (SIVCTOTL INDEX)



# 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 (Westmine); (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

FEX will continue to grow its portfolio of low-capital mining assets and leverage its integrated logistics networks to underpin robust cash flows, funding further growth expenditure requirements and shareholder returns. The company holds the largest storage position at the highly strategic and fast-growing Geraldton Port. We believe FEX will continue to pursue inorganic growth opportunities in Mid-West WA.

## 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.

# 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.

Table 9 - Financial summary

Date	23/01/25					Bell Potter Securities							
Price	A\$/sh	0.27				James Williamson (jwilliamson@bellpotter.com.au, +61 3 9235 1692)							
Valuation	A\$/sh	0.41											
<b>PROFIT AND LOSS</b>						<b>FINANCIAL RATIOS</b>							
Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e	Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
Revenue	\$m	201	265	399	616	562	<b>VALUATION</b>						
Expenses	\$m	(155)	(192)	(310)	(466)	(451)	EPS (adjusted)	Ac/sh	5.1	4.9	5.5	9.7	6.0
<b>EBITDA</b>	<b>\$m</b>	<b>46</b>	<b>73</b>	<b>89</b>	<b>149</b>	<b>111</b>	EPS growth (Acps)	%	-50%	-5%	13%	76%	-38%
Depreciation & amortisation	\$m	(15)	(24)	(33)	(52)	(52)	PER	x	5.3x	5.5x	4.9x	2.8x	4.5x
EBIT	\$m	31	49	56	97	59	DPS	Ac/sh	2.0	-	1.3	1.4	1.5
Net interest expense	\$m	8	(0)	(1)	(0)	1	Franking	%	100%	-	100%	100%	100%
Profit before tax	\$m	39	49	55	97	60	Yield	%	7.4%	0.0%	4.8%	5.2%	5.6%
Tax expense	\$m	(9)	(15)	(16)	(29)	(18)	FCF/share	Ac/sh	0.4	4.3	3.2	12.1	6.3
<b>NPAT (reported)</b>	<b>\$m</b>	<b>29</b>	<b>34</b>	<b>38</b>	<b>68</b>	<b>42</b>	FCF yield	%	2%	16%	12%	45%	23%
<b>NPAT (adjusted)</b>	<b>\$m</b>	<b>29</b>	<b>34</b>	<b>38</b>	<b>68</b>	<b>42</b>	EV/EBITDA	x	3.4x	2.5x	2.1x	1.2x	1.7x
<b>CASH FLOW STATEMENT</b>						<b>LIQUIDITY &amp; LEVERAGE</b>							
Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e	Net debt / (cash)	\$m	(55)	(42)	(65)	(140)	(174)
<b>OPERATING CASH FLOW</b>						Net debt / Equity	%	-79%	-49%	-75%	-162%	-201%	
Receipts from customers	\$m	193	259	390	610	558	Net debt / Net debt + Equity	%	-377%	-96%	-302%	262%	199%
Payments in the course of operations	\$m	(148)	(182)	(311)	(461)	(453)	Net debt / EBITDA	x	-1.0x	-0.6x	-0.7x	-0.9x	-1.6x
Tax paid	\$m	(30)	(10)	(11)	(28)	(24)	EBITDA / net int expense	x	551.3x	290.3x	86.7x	465.8x	-179.5x
Net interest expense	\$m	1	2	(2)	(1)	0	<b>PROFITABILITY RATIOS</b>						
Other	\$m	(0)	0	-	-	-	EBITDA margin	%	27%	28%	22%	24%	20%
<b>Operating cash flow</b>	<b>\$m</b>	<b>16</b>	<b>70</b>	<b>66</b>	<b>121</b>	<b>81</b>	EBIT margin	%	19%	18%	14%	16%	10%
<b>INVESTING CASH FLOW</b>						Return on assets	%	17%	15%	13%	20%	11%	
Capex	\$m	(4)	(26)	(43)	(37)	(37)	Return on equity	%	25%	23%	21%	29%	15%
Other	\$m	(10)	(14)	-	-	-	<b>ASSUMPTIONS - Prices (nominal)</b>						
<b>Investing cash flow</b>	<b>\$m</b>	<b>(14)</b>	<b>(40)</b>	<b>(43)</b>	<b>(37)</b>	<b>(37)</b>	Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
<i>Free cash flow</i>	<i>\$m</i>	<i>3</i>	<i>30</i>	<i>23</i>	<i>84</i>	<i>44</i>	Iron ore 62% Fe index CFR China	US\$/dmt	110	119.5	99	94	91
<b>FINANCING CASH FLOW</b>						WA to China freight (panamax)	US\$/t	21.13	18.15	18.13	17.00	17.00	
Debt proceeds/(repayments)	\$m	-	(12)	-	-	-	AUD/USD	US\$/A\$	0.67	0.66	0.64	0.63	0.67
Dividends paid	\$m	(28)	(14)	-	(9)	(10)	<b>Sales &amp; unit costs</b>						
Proceeds share issues (net, incl. options)	\$m	-	-	-	-	-	Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e
Other	\$m	-	(2)	-	-	-	Iron Ridge	kwmt	1,362	1,463	1,393	1,400	1,400
<b>Financing cash flow</b>	<b>\$m</b>	<b>(28)</b>	<b>(29)</b>	<b>-</b>	<b>(9)</b>	<b>(10)</b>	Shine	kwmt	-	-	836	1,200	1,200
<b>Change in cash</b>	<b>\$m</b>	<b>(26)</b>	<b>1</b>	<b>23</b>	<b>75</b>	<b>34</b>	Beebyn-W11	kwmt	-	-	422	1,590	1,590
<b>BALANCE SHEET</b>						<b>Total iron ore sales</b>	<b>kwmt</b>	<b>1,362</b>	<b>1,463</b>	<b>2,650</b>	<b>4,190</b>	<b>4,190</b>	
Year ending 30 June	Unit	2023a	2024a	2025e	2026e	2027e	Average realised price (CFR)	US\$/dt CFR	113	125	100	93	91
<b>ASSETS</b>						Average premium / (discount) to 62% index	%	3%	5%	1%	-1%	0%	
Cash	\$m	76	77	100	174	208	C1 cash cost (FOB)	US\$/wt FOB	55	51	47	46	49
Receivables	\$m	14	22	31	37	41	AISC	US\$/wt CFR	87	81	77	74	77
Inventories	\$m	8	7	7	7	7	Average realised price (CFR)	A\$/dt CFR	167	191	156	148	136
Capital assets	\$m	59	128	139	123	108	C1 cash cost (FOB)	A\$/wt FOB	82	78	74	73	73
Other assets	\$m	30	32	32	33	33	AISC	A\$/wt CFR	130	124	120	118	115
<b>Total assets</b>	<b>\$m</b>	<b>187</b>	<b>267</b>	<b>309</b>	<b>374</b>	<b>398</b>	<b>Newhaul Road Logistics - Tonnes hauled</b>	<b>kwmt</b>	<b>-</b>	<b>1,502</b>	<b>2,991</b>	<b>5,190</b>	<b>5,190</b>
<b>LIABILITIES</b>						<b>Newhaul Port Services - Port throughput</b>	<b>kwmt</b>	<b>-</b>	<b>3,276</b>	<b>3,324</b>	<b>5,190</b>	<b>5,190</b>	
Creditors	\$m	21	31	29	35	33	<b>VALUATION</b>						
Borrowings	\$m	21	35	35	35	35	Valuation period	Current	+12 months	+24 months			
Other liabilities	\$m	20	35	40	42	35	NPV 8% real	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh
<b>Total liabilities</b>	<b>\$m</b>	<b>62</b>	<b>100</b>	<b>104</b>	<b>111</b>	<b>103</b>	Iron ore operations	197	0.26	166	0.21	135	0.17
<b>NET ASSETS</b>	<b>\$m</b>	<b>125</b>	<b>166</b>	<b>205</b>	<b>263</b>	<b>295</b>	Logistics	127	0.16	102	0.13	68	0.09
Share capital	\$m	70	86	86	86	86	<b>Total value of operating assets</b>	<b>324</b>	<b>0.42</b>	<b>268</b>	<b>0.34</b>	<b>203</b>	<b>0.26</b>
Reserves	\$m	1	4	4	4	4	Corporate & admin	(38)	(0.05)	(41)	(0.05)	(44)	(0.06)
Retained earnings	\$m	54	76	114	173	205	<b>Enterprise value</b>	<b>286</b>	<b>0.37</b>	<b>228</b>	<b>0.29</b>	<b>159</b>	<b>0.20</b>
Non-controlling interest	\$m	-	-	-	-	-	Net debt / (cash)	(15)	0.02	(94)	0.12	(144)	0.18
<b>SHAREHOLDER EQUITY</b>	<b>\$m</b>	<b>125</b>	<b>166</b>	<b>205</b>	<b>263</b>	<b>295</b>	<b>Equity value</b>	<b>301</b>	<b>0.39</b>	<b>322</b>	<b>0.41</b>	<b>303</b>	<b>0.38</b>
Weighted average shares	m	572	691	695	695	695	SOURCE: BELL POTTER SECURITIES ESTIMATES						

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**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

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*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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