

28 January 2025

Fenix Resources Ltd (FEX)

On growth path to 4Mtpa

FEX is now producing from two iron ore mines with maiden sales of 241kt this quarter from the recently restarted Shine Mine, adding to Iron Ridge's 353kt. The current annualized production rate of ~2.5Mtpa will grow further to 4Mtpa with a third iron ore mine, Beebyn-W11, expected to commence in mid-2025. A significant increase in Iron Ridge's Resource to 13.4Mt (prev. 4.8Mt) creates opportunities to extend mine life at this foundational asset, while FEX continues to investigate opportunities for further growth and the development of new mines which can utilise and leverage the group's mining, logistics and port services solutions in Western Australia's Mid-West region (Fig. 1). BUY, TP revised to A\$0.40/sh (prev. A\$0.42/sh) on cost and AUD iron ore price revisions.

Iron Ridge Mine – consistent performance (Fig. 2)

- Six iron ore shipments totalling 353k wmt (Petra 350kt) at ARP of US\$106/dmt (Petra US\$112/dmt). C1 cash costs A\$79.9/wmt FOB (Petra A\$76/wmt FOB). Despite good cost control, margins are ~50% lower than 12 months ago due to the decline in iron ore prices (Fig. 3).

Shine Mine - maiden sales from recent restart (Fig. 4)

- Successfully commissioned on budget (A\$7m) and ahead of schedule (mining commenced August 2024).
- Four iron ore shipments totalling 241kt (Petra 175kt) at ARP of US\$80/dmt (Petra US\$96/dmt). Sales commenced with remnant low grade stockpiles left behind by previous operator Mount Gibson; future grade profile and ARP expected to improve going ahead.
- C1 cash costs A\$86.90/wmt FOB (Petra A\$62/wmt FOB). Higher costs driven by waste stripping in the early mine development period. FEX indicates that Stage 1 cash costs for Shine production will fall and average A\$67.50/wmt (vs A\$86.90/wmt in Dec. Q'24).

Beebyn-W11

- MACA selected as preferred mining contractor; final approvals to mine expected later this quarter.

Business development

- Cash as at end Dec. Q of A\$57m (Sep. Q A\$72m) post deployment of A\$30m largely in growth capex, tax & royalty payments, debt repayments. Newhaul continued to expand its fleet as part of the planned ramp up of production at Shine, as well as planned developments at Beebyn-W11, Ruvidini Inland Port and in anticipation of securing additional third-party haulage contracts.

Key Dates Ahead

- Mar. Q'25 – Beebyn-W11 final mining approval.
- Jun. Q'25 – Beebyn-W11 maiden production/sales.
- 2H 2025 – Iron Ridge – mine plan update.

BUY

Share Price: A\$0.275

Target Price: A\$0.40

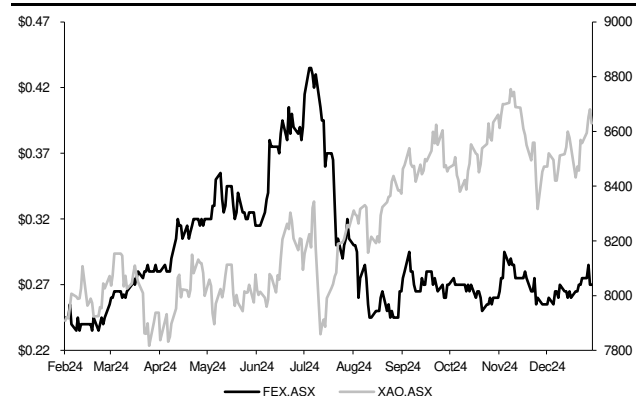
Company Data

Shares – ordinary (M)	741.1
Dilution (M)	53.9
Total (fully diluted) (M)	795
Market capitalisation (\$M)	204
12 month low/high (\$)	0.23/ 0.45
Average monthly turnover (\$M)	8.3
GICS Industry	Metals & Mining

Financial Summary (fully diluted/normalised)

Year End June	FY24A	FY25F	FY26F	FY27F	FY28F
Revenue (\$M)	259.2	358.0	576.9	442.4	317.4
Costs (\$M)	-191.8	-294.2	-485.9	-389.6	-302.7
EBITDA (\$M)	67.4	63.8	90.9	52.8	14.7
NPAT (\$M)	33.6	29.7	41.1	22.5	3.4
EPS (cps)	4.9	4.1	5.5	3.0	0.5
EPS growth (%)	-50%	-16%	36%	-45%	-85%
PER (x)	5.6	6.8	5.0	9.0	60.0
Op. Cashflow (\$M)	59.6	29.1	60.3	51.2	20.7
OCFPS (cps)	8.6	4.0	8.1	6.9	2.8
POCFPS (x)	3.2	6.9	3.4	4.0	9.8
Enterprise Value (\$M)	169	186	164	158	162
EV / EBITDA (x)	2.5	2.9	1.8	3.0	11.0
Payout ratio (%)	na	32%	29%	43%	126%
Dividends (cps)	0.0	1.3	1.6	1.3	0.6
Yield (%)	na	5%	6%	5%	2%
Franking (%)	100%	100%	100%	100%	100%

FEX – performance over one year



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

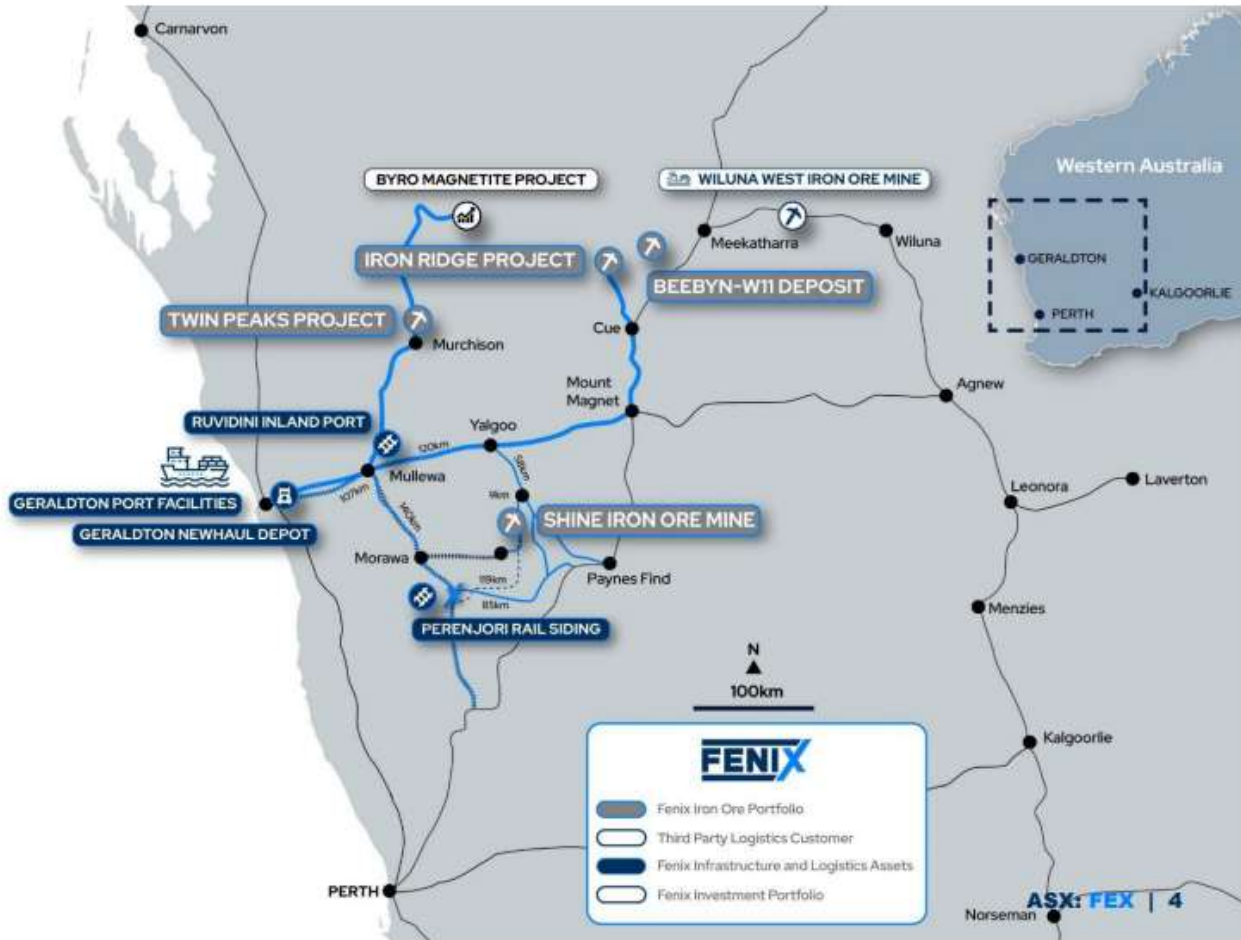
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Analysis

Fenix Resources (FEX)							
Year End June							
			Share price (A\$)				0.275
			Issued Shares (m)				741
			Market Cap (A\$m)				204
			Options/Rights (m)				53.9 (incl. 12.5m Options to MGX)
			Dilution (m)				0
			Fully Diluted no. of Shares (m)				795
P&L Statement (A\$m)							
Revenue	259.2	358.0	576.9	442.4	317.4	312.8	
Costs	(191.8)	(294.2)	(485.9)	(389.6)	(302.7)	(300.8)	
EBITDA	67.4	63.8	90.9	52.8	14.7	12.0	
Depreciation & Amortisation	(24.4)	(25.0)	(30.0)	(20.0)	(10.0)	(5.0)	
Operating profit	43.0	38.8	60.9	32.8	4.7	7.0	
NOI	5.8	6.0	0.0	0.0	0.0	0.0	
EBIT	49	45	61	33	5	7	
Interest income	2.0	2.3	2.1	3.1	3.2	3.1	
Interest expense	(2.3)	(4.7)	(4.3)	(3.7)	(3.1)	(3.1)	
Tax expense	(15.0)	(12.7)	(17.6)	(9.7)	(1.5)	(2.1)	
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	
Reported NPAT	33.6	29.7	41.1	22.5	3.4	4.9	
EPS Reported (A\$)	4.9	4.1	5.5	3.0	0.5	0.7	
DPS - Declared (A\$)	0.0	1.3	1.6	1.3	0.6	0.9	
Avg. no. of shares (m)	691	731	741	741	741	741	
YE no. of shares (m)	721	741	741	741	741	741	
Cash Flow Statement (A\$m)							
EBITDA	67.4	63.8	90.9	52.8	14.7	12.0	
Investment in working capital	11.9	(22.0)	(13.0)	8.0	7.4	0.3	
Tax expense	(19.7)	(12.7)	(17.6)	(9.7)	(1.5)	(2.1)	
Operating Cash Flow	59.6	29.1	60.3	51.2	20.7	10.2	
Capex (growth)	(30)	(38)	(15)	(25)	(10)	(5)	
Exploration	(6)	(2)	(2)	(2)	(2)	(2)	
Capex (sustaining)	(4)	(6)	(8)	(7)	(6)	(6)	
Investing Cash Flow	(40)	(45)	(25)	(34)	(18)	(13)	
Net interest received / (paid)	(0.3)	(2.4)	(2.2)	(0.7)	0.1	0.0	
Debt drawdown / (repayment)	20.6	10.0	10.0	0.0	0.0	0.0	
Dividends	(13.7)	(4.8)	(10.7)	(10.7)	(7.0)	(5.3)	
Equity raised / (repaid)	21.6	0.0	0.0	0.0	0.0	0.0	
Financing Cash Flow	28.2	2.8	(2.9)	(11.4)	(6.8)	(5.3)	
Minority interest / Other	(47.0)	6.0	0.0	0.0	0.0	0.0	
Inc/(Dec) in Cash	0.7	(7.3)	32.3	5.8	(4.1)	(8.1)	
Balance Sheet (A\$m)							
Cash & Equivalents	77.0	69.7	102.1	107.9	103.8	95.7	
Receivables	22.4	32.2	51.9	39.8	28.6	28.2	
Inventories	7.5	14.3	23.1	17.7	12.7	12.5	
Other Current Assets	0.7	0.7	0.7	0.7	0.7	0.7	
PPE and Explo/Dev.	128	148	143	157	165	173	
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	0.0	
Other Non Current Assets	31.2	31.2	31.2	31.2	31.2	31.2	
Total Assets	267	296	352	354	342	341	
Payables and other CL	39.9	39.4	55.9	45.4	33.9	34.6	
Short Term Debt / Lease Liabilities	13.3	13.3	13.3	13.3	13.3	13.3	
Long Term Debt/Lease Liabilities	28.6	38.6	48.6	48.6	48.6	48.6	
Other Non Current Liabilities	7.3	7.3	7.3	7.3	7.3	7.3	
Non-controlling interest (NCI)	0.0	0.0	0.0	0.0	0.0	0.0	
Total Liabilities incl NCI	89.1	98.6	125.1	114.6	103.1	103.8	
Equity	178	198	227	240	239	238	
Total Liabilities and Equity	267	296	352	354	342	341	
Ratios							
P/E (x)	5.6	6.8	5.0	9.0	60.0	41.2	
Debt/Equity	23.6%	26.3%	27.3%	25.8%	25.9%	26.1%	
ROE (%)	18.9%	15.8%	19.3%	9.7%	1.4%	2.1%	
Iron ore price & FX							
Iron ore (US\$/dmt, 62% Fe, CFR)	120	101	95	90	90	90	
ARP (US\$/dmt, CFR)	126	100	94	88	86	86	
FEX premium / (discount)	5.1%	-1.0%	-0.6%	-2.1%	-4.5%	-4.5%	
AUD:USD	0.66	0.65	0.66	0.68	0.69	0.70	
FEX ARP (A\$/dmt, CFR)	193	155	143	131	125	123	
Iron ore shipped (k wmt)							
Group	1,522	2,290	4,100	3,400	2,700	2,700	
...Iron Ridge	1,463	1,399	1,400	700	0	0	
...Beebyn-W11 (Right to Mine)	0	60	1,500	1,500	1,500	1,500	
...Shine	0	831	1,200	1,200	1,200	1,200	
...Twin Peaks (Ore Purchase)	59	0	0	0	0	0	
Costs (A\$/dmt, CFR)							
Mining / processing /site	26	30	29	31	34	34	
Road haulage / Port	55	49	45	39	39	39	
C1 costs	82	80	73	70	73	73	
Shipping	28	30	30	30	29	29	
Royalties & Profit Sharing	19	18	17	15	15	15	
Other	1	2	2	2	2	2	
AISC	130	129	122	117	119	118	
C1 costs (US\$/dmt)	54	52	48	48	50	51	
AISC (US\$/dmt, CFR)	85	84	81	79	82	83	
AISC margin (US\$/dmt, CFR)	41	17	14	9	4	3	
AISC margin (%)	21%	11%	10%	7%	3%	3%	
Valuation							
Iron Ridge mine inventory NPV8 (3.6M wmt)						(A\$m)	(A\$/sh)
Beebyn-W11 mine inventory NPV8 (10.0M wmt)						113	0.15
Shine mine inventory NPV8 (7.4M wmt)						22	0.03
Twin Peak 0.5Mt Ore Purchase Agreement (nominal)						12	0.02
Total iron ore mine inventory NPV8 (21.6M wmt)						4.5	0.01
Iron ore Resource outside of inventory (17.3 wmt)						152	0.21
Port and rail assets						30	0.04
Fleet & haulage infrastructure						30	0.04
Third party haulage & logistics contracts						40	0.05
Corporate						17	0.02
Hedge book NPV8						(15)	(0.02)
Enterprise value						1.7	0.00
Net cash / (debt) (FY26F)						255	0.34
Equity value						40	0.05
						295	0.40

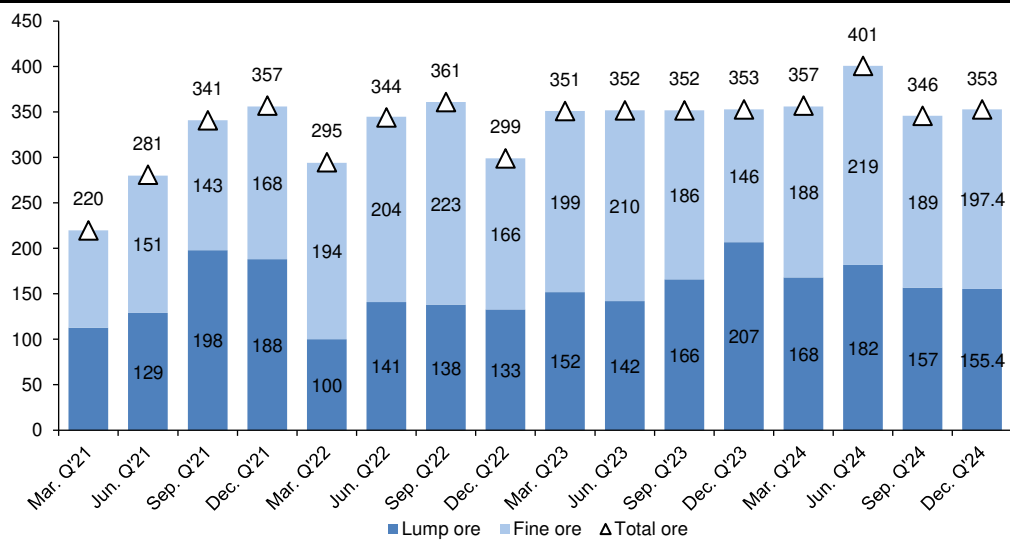
Source: Petra Capital

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



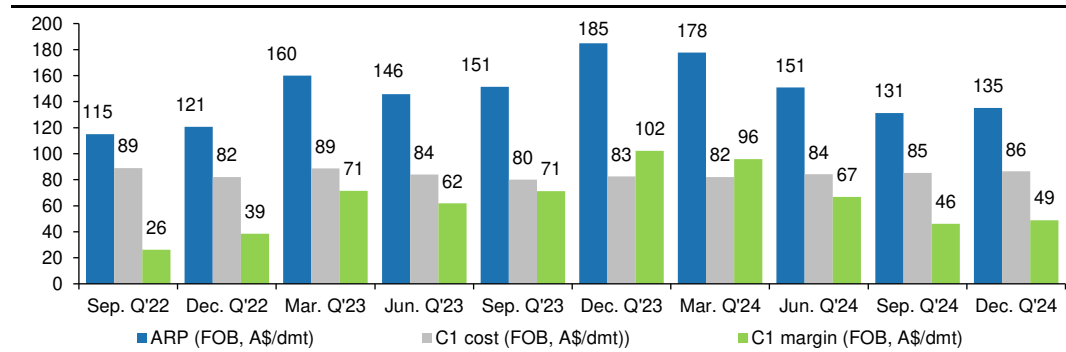
Source: Company

Figure 2: Iron Ridge - quarterly iron ore sales ('000wmt), Mar. Q'21 – Dec. Q'24



Source: Company, compiled by Petra Capital

Figure 3: Iron Ridge – quarterly received price, C1 costs and C1 margin (FOB, A\$/dmt)



Source: Company. Compiled by Petra Capital

Figure 4: FEX's 100% owned Shine Iron Ore Mine – January 2025



Source: Company

- Modelling updated for Dec. Q'24 actuals, updated Resource at Iron Ridge, updated hedge book.
- Start of production/first sales at Beebyn-W11 moved out by a quarter to Jun. Q'24.
- Upward revision to AUD received price (weaker FX) offset by upwardly revised cost profile. Net impact is a 7% fall in valuation, and a 5% fall in TP to A\$0.40/sh (var. due to revised no. of shares).

Figure 5: Summary of Changes (FY25F-FY27F)

		FY25F			FY26F			FY27F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	358.0	383.7	-6.7%	576.9	573.7	0.6%	442.4	445.7	-0.7%
EBITDA	A\$m	63.8	76.9	-17.0%	90.9	100.5	-9.5%	52.8	58.9	-10.2%
EBIT	A\$m	44.8	57.9	-22.6%	60.9	70.5	-13.6%	32.8	38.9	-15.5%
NPAT	A\$m	29.7	38.9	-23.5%	40.2	47.1	-14.5%	21.2	25.7	-17.4%
EPS	A\$/sh	4.1	5.3	-23.8%	5.4	6.4	-15.2%	2.9	3.5	-18.0%
DPS	A\$/sh	1.3	1.7	-24.1%	1.6	1.8	-15.2%	1.2	1.5	-18.0%
Valuation	A\$m	295	317	-6.9%						
Price target	A\$/sh	0.40	0.42	-5.1%						
Iron ore sales	kwmt	2,300	2,546	-10%	4,100	4,189	-2%	3,400	3,489	-3%
China 62% Fe (CFR)	US\$/dmt	101	100	1%	95	95	0%	90	90	0%
ARP (CFR)	US\$/dmt	100	101	0%	94	94	0%	88	88	0%
ARP (CFR)	A\$/dmt	155	150	3%	143	139	3%	131	128	2%
AISC (CFR)	A\$/dmt	129	121	6%	122	116	5%	117	113	3%

Source: Petra Capital forecasts.



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