

15 November 2023

Engineering Study Phase Advancing to Schedule

NEED TO KNOW

- Development schedule progresses for the 1000tpa small scale production/demonstration plant (SSP)
- A\$3m grant from WA Government confirmed
- Engineering design on schedule

Project development phase gains traction: FYI's proposed SSP at Kwinana has advanced on schedule, with anticipated study completion in early CY2024. The workstreams underway aim to outline critical engineering solutions for the 1000tpa SSP flowsheet after long duration product testing trials completed earlier this year showed improved operating efficiency through FYI's pilot plant. The study is a key milestone and de-risking catalyst in the project's development plan.

A\$3m grant from WA Government boosts support for SSP: In recognition of the potential and importance of the HPA project for the state, the WA Government awarded a \$3m grant to be used for progressing the SSP. These grants are aimed at accelerating the advancement of projects where innovation is leading further investment to stimulate jobs and growth in new markets.

Rare earths feasibility study due 2QCY24: The JV with Arafura to jointly develop the Minhub mineral sands processing facility in Darwin, including downstream HREO separation options, is well advanced and working towards completion of the Feasibility Study during 2QCY24. The Minhub project is complementary to FYI's strategy of developing producing assets of critical minerals exposed to high-tech applications.

Investment Thesis – Highest-Quality HPA Focus

100%-owned, right place: FYI's HPA project is 100%-owned, enabling a high degree of flexibility in its development, partnerships and funding. It is situated in WA, a Tier-1 mining and processing jurisdiction.

Globally significant: With a targeted production of 10ktpa, FYI's HPA plant will be globally significant with a wide range of potential customers. FYI is implementing a phased path to production with an initial 1ktpa demonstration plant to further de-risk and optimise the commercialisation phase, demonstrate the value-add, deliver significant project data and produce commercial scale of product for prospective customers' supply chain qualification.

HPA is a crucial application in batteries: The current decarbonisation and electrification themes support strong demand and pricing fundamentals for HPA as a critical component in batteries. FYI's targeted 'Five Nines' product will be the highest-quality HPA available to the market.

Management – experience counts: FYI's board and management have broad experience in large project development and operations, having held senior positions with companies including Rio Tinto, Tianqi, Shell and Newmont.

Valuation – A\$0.43 Per Share (Unchanged)

Our sum-of-the-parts valuation of A\$0.43 per share is driven by our risked NPV valuation for the HPA project. We see significant upside from the current share price as FYI first successfully funds and then develops the project.

Risks

The key valuation risk is funding. FYI is looking at funding the project with a mix of debt, strategic investment, government loans and equity capital. We assume the SSP will require funding in FY24, supported by an equity raise. Other key risks relate to timely execution and construction of the projects.

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Equities Research Australia

Metals and Mining

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FYI is an ASX-listed company developing its Cadoux Kaolin HPA project in WA (100% interest), comprising the Cadoux mine and proposed HPA refinery at Kwinana. FYI aims to be a single-source integrated producer of high-quality HPA with supply provenance wholly from a Tier-1 mining jurisdiction.

<https://fyiresources.com.au/>

Valuation	A\$0.43 (unchanged)
Current price	A\$0.09
Market cap	A\$33m
Cash on hand	A\$7.5m (30 September 2023)

Upcoming Catalysts and Newsflow

Period	
4QCY23	SSP capex and opex estimates
4QCY23	Receipt of first tranche of WA Government grant

Share Price (A\$) – 1 Year



Source: FactSet, MST Access.

FINANCIAL SUMMARY FYI RESOURCES LTD. Year End 30 June

FYI RESOURCES LIMITED							FYI.AX					
MARKET DATA							12-Month Relative Performance vs S&P/ASX Metals & Mining					
Share Price	A\$/sh											
52 week low/high	A\$/sh	0.06 - 0.19										
Valuation	A\$/sh	0.43										
Market Cap (A\$m)	A\$m	33										
Net Cash / (Debt) (A\$m)	A\$m	9										
Enterprise Value (A\$m)	A\$m	24										
Shares on Issue	m	367										
Options/Performance shares	m	5										
Other Equity	m	1,307										
Potential Diluted Shares on Issue	m	1,678										
INVESTMENT FUNDAMENTALS							Profit & Loss (A\$m)					
		Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e		Jun-22	Jun-23	Jun-24e	Jun-25e	Jun-26e
Reported NPAT	A\$m	(4)	(4)	(4)	18	(19)	Sales	-	-	-	40	41
Underlying NPAT	A\$m	(4)	(4)	(4)	18	(19)	Expenses	(4)	(5)	(4)	(14)	(14)
EPS Reported (undiluted)	¢ps	(1.2¢)	(1.1¢)	(1.2¢)	1.7¢	(1.2¢)	EBITDA	(4)	(5)	(4)	26	27
EPS Underlying (undiluted)	¢ps	(1.2¢)	(1.1¢)	(1.2¢)	1.7¢	(1.2¢)	D&A	(1)	(1)	(1)	(1)	(54)
P/E Reported (undiluted)	x	n/m	n/m	n/m	n/m	n/m	EBIT	(5)	(6)	(5)	25	(28)
P/E Underlying (undiluted)	x	n/m	n/m	n/m	n/m	n/m	Interest	0	0	0	-	8
Operating Cash Flow / Share	A\$	(0.00)	(0.00)	(0.00)	0.01	0.02	Tax	1	1	-	(8)	-
Price / Operating Cash Flow	x	n/m	n/m	n/m	7.4	4.1	Underlying NPAT	(4)	(4)	(4)	18	(19)
Free Cash Flow / Share	A\$	(0.01)	(0.01)	(0.09)	0.01	(0.18)	Exceptionals	-	-	-	-	-
Price / Free Cash Flow	x	(11.0)	(9.8)	(1.0)	8.0	(0.5)	Reported Profit	(4)	(4)	(4)	18	(19)
Free Cash Flow Yield	%	-9.1%	-10.2%	-101.7%	12.5%	-200.0%	Balance Sheet (A\$m)					
Book Value / Share	A\$	0.05	0.03	0.07	0.12	0.11	Cash	12	8	10	342	40
Price / Book	x	1.97	2.57	1.25	0.74	0.80	Receivables	1	1	1	3	3
NTA / Share	A\$	0.05	0.03	0.07	0.12	0.11	Inventory	-	-	-	2	2
Price / NTA	x	1.97	2.57	1.25	0.74	0.80	PP&E	-	-	32	34	320
Year End Shares	m	366	367	367	1,678	1,678	Exploration	4	4	4	4	4
Market Cap (spot)	A\$m	33	33	33	151	151	Other	1	-	-	-	-
Net Cash / (Debt)	A\$m	12	8	(10)	165	(137)	Assets	17	13	47	385	369
Enterprise Value	A\$m	21	25	43	(14)	288	Creditors	0	0	0	3	3
EV / EBITDA	x	n/m	n/m	n/m	0.9x	0.9x	Debt	-	-	20	177	177
Net Debt / Enterprise Value		(0.5)	(0.3)	0.4	(6.8)	5.6	Other	-	-	-	-	-
PRODUCTION AND PRICING							Liabilities					
HPA Production	kt	-	-	-	1.0	1.0	Equity	17	13	26	205	189
HPA Price (US\$/t)	US\$/t	-	-	-	27,737	28,430	Cashflow (A\$m)					
AUDUSD	:	-	-	-	0.70	0.70	Cash From Operations	(2)	(2)	(2)	28	29
							Interest	1	1	-	(8)	-
							Tax	0	0	0	-	8
							Net Cash From Operations	(1)	(1)	(2)	21	37
							Capex	-	-	(31)	(1)	(338)
							Exploration	(2)	(3)	(2)	(2)	(2)
							Investments & Other	-	-	1	1	1
							Free Cash Flow	(3)	(3)	(34)	19	(302)
							Equity	6	-	15	157	-
							Borrowings	-	-	20	157	-
							Dividend	-	-	-	-	-
							Net Increase / (Decrease) in Cash	3	(3)	1	332	(302)

Source: FYI; MST Estimates

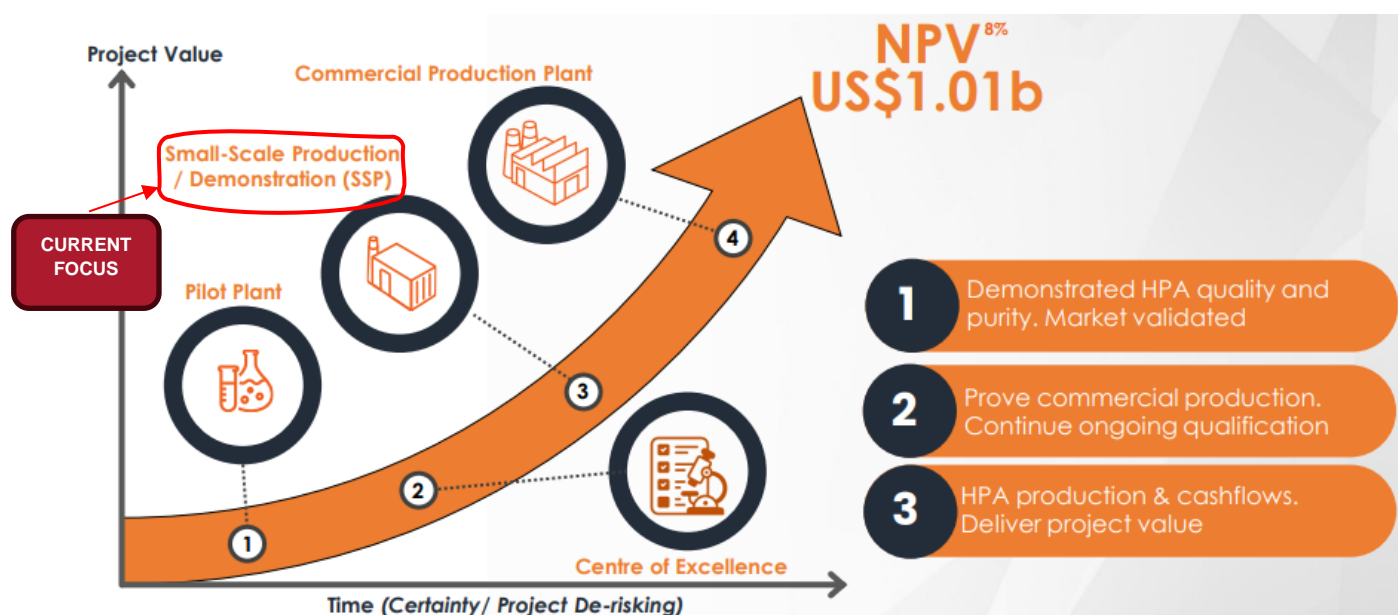
HPA Project: Strong Progress and Momentum

Recent events demonstrate continued progress

FYI has continued to advance key development milestones at the company's 100%-owned high-purity alumina (HPA) project situated in Western Australia. We highlight the following achievements, which we believe indicate the increasing momentum behind the project:

- \$3m WA Government Investment Attraction grant, awarded to recognise the HPA project's potential
- engineering services provider appointed to the HPA project, with the engineering study progressing well
- further customer engagement activities to support end-product value and define product marketing.

Figure 1: HPA project development strategy



Source: FYI

\$3m WA Government grant awarded

In recognition of the potential and importance of the HPA project in WA, as well as the sensible process innovations being proposed to establish a high-quality long-life project in Kwinana, the WA Government awarded a \$3m grant to FYI which it can use to progress the SSP. FYI notes that the Investment Attraction Fund (IAF), the program under which the grant was secured, is aimed at accelerating the advancement of projects where innovation is leading further investment to stimulate jobs and growth in new markets which can provide economic diversification in the region.

In the September quarter, final negotiations continued to agree project milestones under grant funding drawdowns and FYI notes that a final agreement is with the WA Director General awaiting sign-off.

The IAF grant enhances FYI's efforts to develop a small-scale HPA production plant, with the company required to match the funding, aligning with the government's objectives of driving innovation and expanding economic opportunities within the state.

The payment schedule depends on FYI attaining certain milestones and, if achieved, will see funds paid to FYI as follows:

- CY2023 – A\$900,000
- CY2024 – A\$1,050,000
- CY2025 – A\$900,000
- CY2026 – A\$150,000

The substantial government funding further supports FYI's progress in the HPA sector.

SSP engineering study takes shape

FYI appointed Perth-based engineering services group Control and Thermal Engineering (CTE) in July 2023 to lead the engineering work plan for the HPA project's proposed SSP plant in Kwinana. FYI has since reported solid progress over the September quarter in advancing the engineering study which is scheduled for completion by 2Q2024. The SSP represents a key de-risking milestone ahead of the broader strategy to establish a commercial scale production plant (see Figure 2).

The appointment of CTE signals the more focused, innovative approach being undertaken by FYI after the prior JV with Alcoa was terminated earlier in 2023, clearing the way for scope changes to pursue an optimised strategy with revised engineering solutions in targeting the delivery of the proposed 1000tpa SSP.

Specifically, FYI is focused on delivering quality product specification requirements that will drive the integration of additional HPA process infrastructure into the flowsheet. This will position the HPA project with high-value end-markets and quality offtake partners. The redesign work to be completed by CTE will include updated estimates for capex and opex (building upon the detailed work previously completed), and management has indicated that it expects these estimates to reflect expected efficiency gains from design optimisation, and that the redesign will drive quality and purity performance.

Capex and opex numbers for the SSP are expected to be delivered in 4QCY23.

In the September quarterly report, FYI reported that development workstreams under the engagement with CTE are progressing in line with the scheduled completion during 3QFY24. Key workstream objectives highlighted included:

- finalising engineering solutions for the HPA flowsheet design
- adapting the proposed flowsheet design for the expected modular expansion of the SSP (1,000tpa) towards full development of the commercial scale plant (10,000tpa).

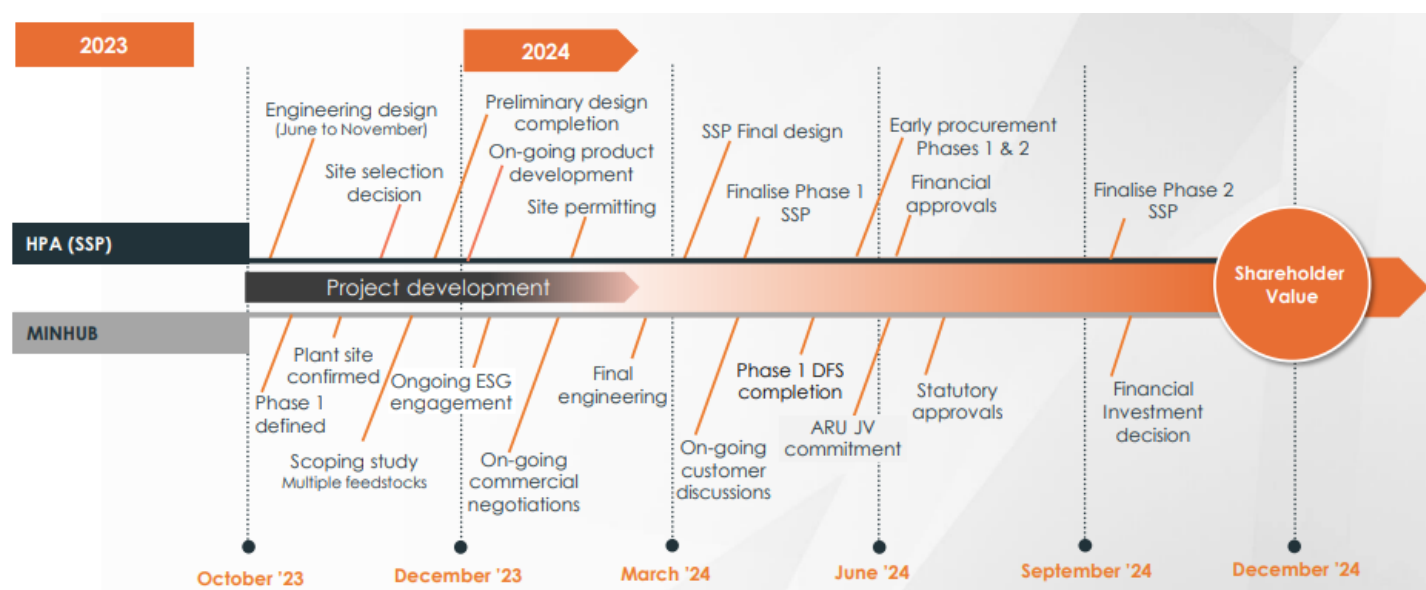
Other CTE progress reported by FYI included schedule improvements aimed at 'more productive project delivery'. This reflects the strong potential for optimisation of the development plan, with FYI in control and working with counterparties who align with FYI on the huge potential of the project.

As demonstrated in the 2021 DFS, FYI has established an innovative process flowsheet supported by extensive pilot plant trials to produce ultra-high quality HPA which is likely to be in demand across multiple high-value applications. HPA's high-quality elements include:

- product purity (>99.99% Al₂O₃)
- low deleterious material
- low-cost production.

FYI's strategic development plan presents a strong business case for a resilient project which can leverage the opaque market for HPA, an important yet overlooked material in the energy transition infrastructure and other decarbonisation investments.

Figure 2: Project development plan: FYI's HPA (SSP) and Minhub



Source: FYI.

Customer engagement continues

FYI has developed a product marketing strategy to prioritise its current potential key customers and to attract new offtake parties. Customer insights with respect to product development are being utilised to improve FYI's end-product and to increase the value of the HPA project.

FYI is looking to address product development further following discussions with various newly introduced potential customers.

Robust cash and receivables position; strong cost control

At the end of the September quarter, FYI had cash of \$7.5m (nil debt) and has received a \$1.2m R&D rebate for expenses incurred at the HPA project after the end of the quarter.

In addition, FYI has A\$3m receivable from the WA Government grant, with A\$1.95m of this receivable before the end of CY24. Cash and receivables total ~\$11.7m.

FYI has exhibited strong cost control, having incurred less than A\$1m in corporate costs per quarter over the last 4 quarters.

FYI remains well funded to advance the current scope of works proposed. Our current valuation anticipates that FYI will look to fund the SSP in FY24 and that this will require a mix of debt and equity. Our anticipated capex of the SSP is A\$30m with FYI raising A\$35m to cover additional working capital.

We await further updates on capex which we expect by the end of CY23.

Rare Earths Project – Minhub Makes Progress

FYI has expanded its critical minerals strategy into the rare earths sector through a binding Heads of Agreement that provides for the staged acquisition of 100% of Minhub Operations Pty Ltd (MOPL). MOPL is collaborating with potential suppliers of rare earth-rich mineral sands concentrate to provide a midstream processing solution via offtake of such concentrate, including from the heavy rare earth-rich Gippsland and Murray Basins. FYI and MOPL are working towards having a Minhub rare earths separation feasibility study completed in 2QCY24.

Separately, MOPL and Arafura Rare Earths Limited (ASX:ARU) have signed a non-binding Co-operation Agreement to investigate the joint development of the Minhub Mineral Sands Processing facility in the Northern Territory, Australia (the Minhub Project).

Minhub Project update

Current Minhub Project status

FYI has noted that the Minhub Project status includes:

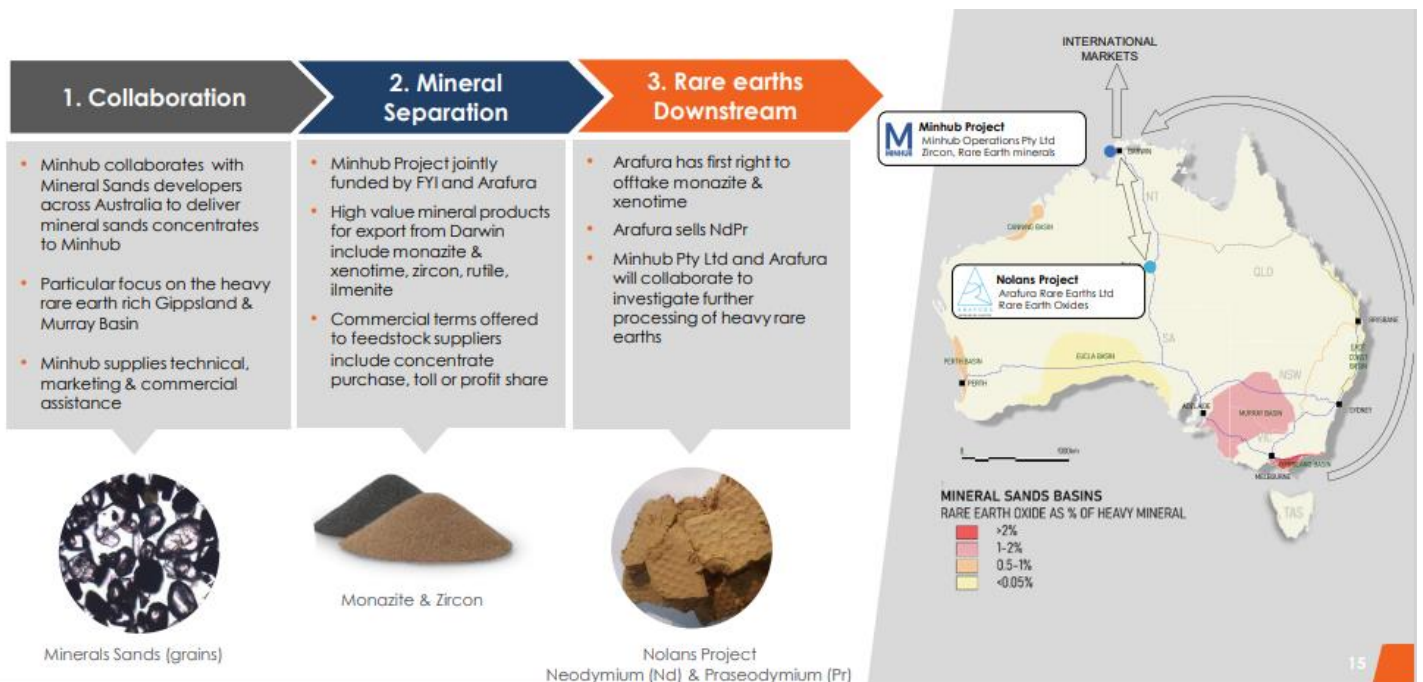
- well advanced engineering
- well developed existing relationships with stakeholders including potential upstream concentrate suppliers
- a feasibility study that is underway, led by IHC Mining.

IHC Mining appointed to lead initial testwork at Minhub

A feasibility study (FS) has now commenced for Minhub with the appointment of IHC Mining, which is leading the study for the Minhub Project. As part of the FS, IHC continued to advance various workstreams over the September quarter including assessment of third-party feedstock options and advancement of the flowsheet design to support project economics (capex, opex etc) and detailed engineering. The study will include metallurgical test work for 3 identified potential mineral sands feedstock suppliers. FYI has flagged that the current FS is scheduled for completion in March 2024.

FYI has approached the opportunity at Minhub with a clear strategy to partner with capable counterparties in order to execute effectively on advancing the project. We believe Minhub looks like a good addition to FYI’s project portfolio and the outcome of the feasibility study will firm up this opportunity for investors in coming months.

Figure 3: Minhub commercial framework



Source: FYI.

Recapping Our Investment Thesis: Globally Significant; High-Quality Product

100%-owned project – Western Australia (WA): a Tier-1 jurisdiction

FYI's 100% owned HPA project is located in WA, one of the world's safest jurisdictions in which to operate a mine and mineral processing facility, owing to its established regulations, strong infrastructure, security of tenure and supportive state and federal governments. WA is home to some of Australia's largest mining and energy developments.

Owning 100% of the project is a strong strategic advantage, allowing flexibility with funding options, ownership structures, joint ventures, customer relationships and management of development.

Globally significant project – staged production plan

FYI's HPA project aims to be a globally significant facility producing 10,000tpa of high quality HPA. The project will be a staged process with an initial small-scale plant (SSP) producing 1,000tpa of high-quality HPA.

Small-scale plant sets up FYI for staged production towards full-scale plant

FYI's HPA process has been proven at a pilot plant scale. The SSP will allow a staged and scalable development approach. This plant is designed to demonstrate the value-add of the product, whilst also potentially delivering significant project data, process optimisation and testing for final product development. The SSP will produce bulk samples for prospective customers' testing and qualification, and is a major step towards realising the project's value as outlined in the Definitive Feasibility Study.

Full-scale plant DFS shows globally significant project

FYI released an updated DFS in 2021 for its HPA project. Key project metrics include:

- project NPV of US\$1.01b
- annual EBITDA of US\$186m
- 2,537kt aluminium oxide (Al₂O₃) Mineral Resource and 796kt Al₂O₃ Ore Reserve
- mining licence granted with key transport and power infrastructure in place
- modelled mine life of 25 years with annual targeted production of 10ktpa of HPA (8.5ktpa 4N HPA & 1.5ktpa 5N HPA)
- pre-production capex of US\$202m
- 100% ownership giving funding flexibility, including the potential introduction of a strategic partner
- substantial potential for Mineral Resource and Ore Reserve growth, leading to further potential mine life extension and hence HPA production.

Sought-after commodity – decarbonisation and electrification: strong ESG credentials

The current decarbonisation and electrification thematics support strong demand and pricing fundamentals for HPA as a critical component in batteries. FYI's targeted 99.999% (5N) and 99.99% (4N) pure product will be among the highest-quality HPA available to the market.

HPA is a crystalline white powder made from almost pure aluminium oxide (Al₂O₃) and is primarily sought after for the unique combination of its properties and characteristics, which include low friction, high wear resistance, hardness, thermal and electrical insulating abilities, resistance to corrosion, and broad chemical compatibility. Traditional applications include light-emitting diodes (LEDs), artificial sapphire glass screens (used in televisions, tablets, smartphone screens, electronics and aeronautics) and plasma screens.

HPA is now a critical component in the lithium-ion battery (LIB) and other high-energy-density battery architectures. HPA can be used to coat separators in LIBs, which act as a partition between the anode and cathode in the battery cell. Ideal specification requirements for separators include maintaining thermal stability, while allowing the flow of electrolyte ions. HPA-coated separators significantly improve separator performance, especially for maintaining thermal stability under very high operating temperature environments, ultimately reducing the risk of battery fires.

HPA is a crucial element in the decarbonisation and electrification thematic. FYI has made significant efforts during the development of its HPA project strategy to address ESG issues and ensure that the project is highly sustainable with a low carbon footprint.

A certified ESG rating is critical from a customer perspective to provide assurance in the provenance and auditing of the supply chain for the HPA material from mine to market.

Right management in place – experience counts

FYI's strategy is to rapidly fund and develop the HPA project and take advantage of strong demand for this product and a dwindling supply outlook. FYI's management is experienced in project development and global operations and has strong on-the-ground experience and established relationships with government, suppliers and the community. The Board and CEO are backed by a team with engineering, chemical engineering, process control, geological, product marketing and financial expertise with up to 45 years' experience in their field.

Rare earth sector option – aligns with critical minerals strategy

While continuing to advance its core HPA project, FYI plans to leverage its development experience, ESG platform and capital base into the rare earths sector to strengthen the company's broader critical minerals production objectives and establish sustainable supply chains for critical mineral products that are essential in decarbonisation and electrification.

FYI has expanded its critical minerals strategy, signing a binding heads of agreement with Minhub Operations Pty Ltd (MOPL) which outlines the staged acquisition of 100% of MOPL, as well as a non-binding Co-operation Agreement with Arafura to collaborate in the joint development of Minhub.

Recent events

- February 2023 – FYI resumes full control of HPA project – terminates Alcoa Joint Development
- April 2023 – FYI achieves 15% increase in output in pilot run
- May 2023 – FYI announces SSP for 1,000tpa production; achieves > 99.995% HPA
- May 2023 – FYI enters the downstream rare earths sector, signing agreement with Arafura
- July 2023 – FYI conditionally awarded A\$3m WA Government grant, subject to final agreement on key terms
- July 2023 – Engineering services provider appointed to HPA project
- August 2023 – IHC Mining appointed to deliver REE Minhub studies
- November 2023 – A\$3m WA Government grant confirmed

Upcoming events

- CY23 – SSP costings, capex and timelines
- CY23 – Receipt of first tranche of WA Government grant
- 2HCY23 – Scoping Study – Minhub REE
- 1QCY24 – Final engineering – Minhub REE
- 2QCY24 – Final design – SSP

Valuation: DCF-Driven A\$0.43 (Unchanged)

SOTP valuation largely driven by the HPA project

Methodology – risked NPV of A\$0.43/share

We value FYI using a sum-of-the-parts (SOTP) methodology. Our base-case, risked NPV-based valuation for FYI is A\$0.43/share on a fully diluted basis (see Figure 4). The most material component of our overall FYI valuation is the HPA project, which we value using a risked DCF.

We have given the Minhub operations a high-level valuation of A\$20m or A\$0.01 per share. The company's next step is to complete a Feasibility Study for the Minhub project early in CY2024, with the goal of developing Minhub in parallel with Arafura's Nolans Project. We will monitor the progress of the Minhub Project and adjust our valuation accordingly upon the release of the feasibility study; however, at this stage we see it as an option.

We believe FYI shares are currently trading at a substantial discount to fair value based on our assessment of the fundamental value of the flagship HPA project.

Figure 4: FYI valuation summary

NPV OF PROJECTS	A\$M Valuation (Unrisked 100% Ownership)	Ownership %	Risk Probability	A\$M Risked Valuation	Equity Value A\$/Share Fully Diluted	Valuation Methodology
High Purity Alumina Project	1,439	100%	50%	719	0.43	Risked Project NPV
Rare Earths Project	20	100%	Option Value	20	0.01	MST Estimate
ENTERPRISE NPV	1,459			739	0.44	
Add: Cash	9	100%	100%	9	0.01	As at 31 March 2023
EQUITY VALUE PRE SG&A	1,467			748	0.45	
SG&A	(30)	100%	100%	-30	-0.02	NPV of Corporate Costs
EQUITY VALUE	1,437			718	0.43	

Source: FYI, MST estimates.

HPA project valuation

Base-case for HPA project component: DCF

We apply a risk-weighted discounted cash flow (DCF) analysis, which represents the primary value driver for the company. The project is well advanced, with an updated DFS completed and pilot plants showing the consistent production of high-quality HPA.

We have risked the project at 50% given the need to fully fund over A\$300m of capex and to fully ramp up to 10,000tpa of production. A key to enhancing the valuation is for FYI to de-risk the project through such steps as delivering the demonstration plant and engaging strategic partners and/or offtake arrangements.

The DFS outlines a robust project with a 25-year mine life.

Key assumptions for HPA DCF valuation

Our base-case NPV valuation is built upon a mine plan which aligns with the recently published updated DFS and assumes 100% ownership of the project. Key headline assumptions in our valuation (see Figure 5) are:

- construction of the demonstration plant in FY2024–5; first production in FY2025
- demonstration plant production of 1,000tpa of HPA
- construction of the full commercial plant in FY2026–7; first full year of production in FY2028
- demonstration plant rolling into the full commercial plant – capex is the combined cost of both
- A\$314m pre-production capex
- 50/50 debt/equity to fund the project – we have taken the additional shares into the fully diluted share count. Our assumed equity raising price is A\$0.12.

Figure 5: Key assumptions for our valuation of the HPA project

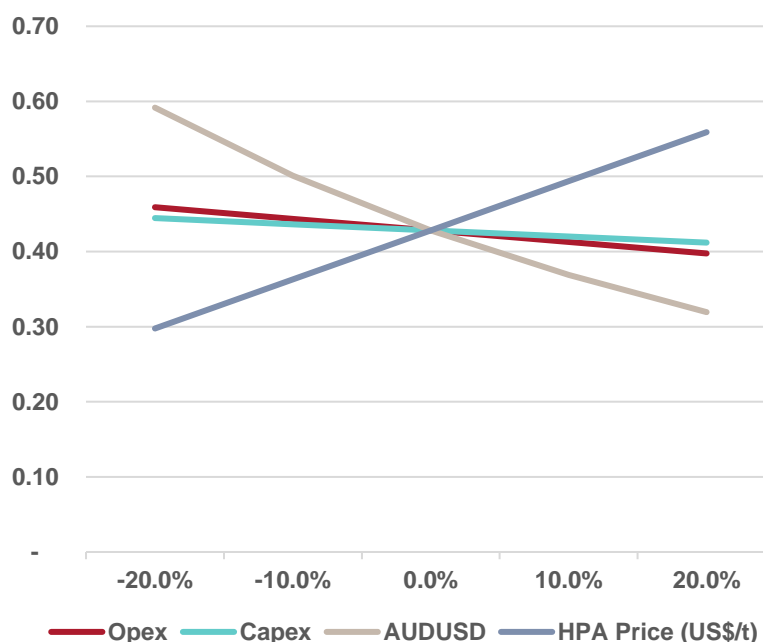
Assumptions	
PROJECT ASSUMPTIONS	
Project Ownership (%)	100%
Grade (% Al ₂ O ₃)	25.9%
Average Production (ktpa)	10
Mine Life (years)	25
Capex (A\$m, real)	314
COST & FINANCING ASSUMPTIONS	
Discount Rate (%)	10%
Inflation Rate (%)	2.5%
AISC (A\$/lb)	8,881
Debt / Equity Ratio	50/50
PRICING & EXCHANGE RATE ASSUMPTIONS	
AUDUSD	0.70
HPA Price (US\$/t) escalated with inflation	26,400
Corporate Tax Rate (%)	30.0%

Source: MST estimates.

Key sensitivities: commodity prices, forex, costs, discount rate

The key sensitivities for our valuation are HPA prices, operating costs, capital costs and the AUD/USD exchange rate. Figure 6 illustrates how our base-case valuation changes from a variation in these assumptions.

Figure 6: Key sensitivities for our valuation



Source: MST estimates.

Positive catalysts for the share price and valuation

We believe that FYI has significant potential for further share price and valuation upside and highlight a number of key milestones/catalysts which may deliver this upside over the near term.

Development of the SSP

Over the remainder of CY2023 and into CY2024, the SSP will be planned with costs and capex announced to the market by the end of CY2023 and a clear pathway to delivery of first larger-scale production of HPA.

Construction of the SSP

The delivery of the SSP will be a step towards de-risking of the project, and will allow the company to begin testing the product with customers.

Customer acceptance of product

The production of significant levels of HPA from the SSP and delivery to customers for acceptance testing will be a key de-risking event for the project as well.

Funding options for the HPA project

With capex for the 10,000tpa plant of US\$202m, FYI will be seeking a number of funding options including a strategic partner, offtake funding, government grants and low-interest loans, export credit finance and commercial banks. Any non-equity-related funding progress would be a positive for the share price and a de-risking event for our valuation.

Early project delivery

The early commencement of the projects relative to the currently outlined timeline of development would provide earlier cash flows and reflect positively on the management team, which would likely increase the valuation.

HPA market

The HPA market is aligned with the decarbonisation and electrification thematic. Further positive developments in the market and pricing would be a positive for FYI.

Capital and operating cost optimisation

Capital and operating cost savings would have a positive impact on margins, cash flows and the valuation and would be a positive reflection on the company's management team.

Downstream opportunities

An examples include developing HPA-doped carbon coatings material on carbon (graphite) anodes for application, FYI has a range of opportunities that can be considered, which could potentially provide upside.

Minhub operations development

The rare earths Minhub is a key strategic option for FYI; further development and increasing information flow into the market will allow more substantiation of the project and valuation guidelines.

Risks to the share price and valuation

There are general risks inherent to any mining development, as well as the project-specific risks identified below. We believe these risks are offset by:

- the company's operations in a Tier-1 jurisdiction with beneficial access to existing critical infrastructure
- the simple technical aspects of the mining/processing
- strong ESG fundamentals
- strong market fundamentals
- development of a rare earths minhub.

Concentrated commodity exposure

The asset base has a concentrated product exposure, which exposes the company to price risk.

Delays to or lack of development of SSP

The delivery of the SSP will be step towards de-risking of the project and begin the testing of the product with customers. Any delay or cancellation of the project will add further risk to FYI's capacity to deliver a full project to the market and customer acceptance of the product.

Funding risk for the project

Funding is the key step to development of the project. Any delays or funding issues pose a key risk to this development.

Project delivery delay

Any later-than-expected commencement of the projects relative to the currently outlined timeline of development would delay cash flows and reflect negatively on the management team, which would likely decrease the valuation.

Commercially unproven process

Although FYI has been able to produce very high-quality HPA at its pilot plant, the acid leach HPA process is still unproven on a commercial scale for production of the high-purity 4N product.

Price decreases in key commodities

The valuation is sensitive to the underlying commodity price of HPA. Price decreases would have a negative effect on the valuation and share price.

Capital and operating cost increases

Capital and operating cost increases would have a negative impact on margins, cash flows and the valuation and would be a negative reflection on the company's management team.

Appendix 1: Resources and Reserves Definition

Figure 7: A quick definition of a Resource and a Reserve

A **Mineral Resource** is a concentration or occurrence of material of intrinsic economic interest in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. Mineral Resources are sub-divided, in order of increasing geological confidence, into the categories of Inferred, Indicated and Measured.

- An **Inferred Mineral Resource** is the part of a Mineral Resource for which quantity, grade (or quality) and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological or grade continuity.
- An **Indicated Resource** is simply an economic mineral occurrence that has been sampled (from locations such as outcrops, trenches, pits and drill holes) to a point where an estimate has been made, at a reasonable level of confidence.
- A **Measured Resource** is an Indicated Resource that has undergone enough further sampling that a 'competent person' (defined by the norms of the relevant mining code, usually a geologist) has declared it to be an acceptable estimate, at a high degree of confidence.

A **Mineral Reserve** is the economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource.

- A **Probable Mineral Reserve** is the economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource. It includes diluting material and allowances for losses which may occur when the material is mined. A Probable Mineral Reserve has a lower level of confidence than a Proved Mineral Reserve but is of sufficient quality to serve as the basis for a decision on the development of a deposit.
- A **Proved Mineral Reserve** is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which occur when the material is mined.

Source: Industry

Methodology & Disclosures

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