Flashnote

Marketing Communication (Connected Research)

PYX Resources#

BBG Ticker: PYX AO *Price: A$1.16/sh.* *Mkt Cap: A$498m* **BUY**

H1 Operations Update

Production Ramp Up Underway

PYX Resources (PYX AO) recently reported H1 2021 production results of 3,501t zircon which was up 25% YoY, while sales volumes were up 14% YoY to 3,250t. This discrepancy is simply related to the timing of shipments, and we expect the difference to be made up in H2 2021. With production capacity at Mandiri increased, we expect greater capacity utilisation in H2 of this year and further ramp up progress implying that this year's earnings will be back-weighted compounded by rising prices into H2 2021.

Zircon Price Increases Continue

A key factor in our investment case is the strong backdrop and outlook for zircon pricing. This year, PYX has increased prices by US$355/t in three instalments to US$1,750/t which is broadly in line with benchmarks for peers, although anecdotal reports suggest that prices in China have increased further since the company's last price increase. Prices are rising faster than we had forecast and we have increased our forecasts accordingly. Supply dropped by 15% to 1mnt zircon in 2020 as a result of COVID-19, and the recovery has been heavily disrupted by Rio Tinto's Richards Bay Minerals in South Africa where security concerns and violent protests have forced the company to declare force majeure and halt operations. With few projects globally able to fill the shortfall, PYX is extremely well-positioned to capitalise on rising prices given its heavy weighting to zircon output.

Fundraising Kickstarts Development Programme

The company recently raised US$8.4m (A$11.2m) which will enable the company to advance development of the Tisma project acquired earlier this year. An initial 24ktpa of zircon, modelled on the company's existing operations at Mandiri, but with low-cost, in-house mining from the start will enable the company to capitalise on rising zircon prices and strong demand from end users including those from technology companies which require the high quality low impurity zircon which PYX is able to produce.

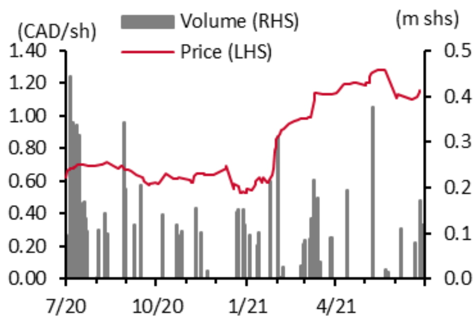
Target Price and Recommendation

Our risked DCF valuation produces an A$2.65/sh. target price, increased on the back of higher zircon prices sooner than previously anticipated as well as a modest change to our risk factor applied to Tisma as the recent financing gives greater certainty. **We reiterate our Buy recommendation and increase our target price to A$2.65/sh.**

Company Description

Zircon Production in Kalimantan, Indonesia.

One Year Price Performance



Price % chg	1mn	3mn	12mn
	4.5%	-2.9%	87.1%
12mn high/low			A$1.28/0.53

SOURCE: Eikon, as of 16 July 2021 close.

Market:	ASX
Shares in issue	482,881m
Target Price (p/sh.	2.65
Free float:	31%
Net cash (Dec 2021):	A$8.5m
Enterprise value:	A$490m

Major shareholders	
Phoenix Fund Solutions Ltd	21.5%
Cedrus Investors Ltd	21.1%
Takmur SPC Ltd	19.8%
Sino Ventures Ltd	2.6%

Oliver O'Donnell, CFA, Natural Resources
+44 (0)20 3617 5180 | oodonnell@vsacapital.com

Rising Output and Prices

PYX Resources announced production of 3,501t of zircon output in H1 2021, up 25% YoY. Within the period, quarterly production was 1,827t in Q1 2021 and 1,674t in Q2 2021, with Q2 impacted by Ramadan. This highlights a further advantage of the company's plan to transition to in-house mining enabling it to better schedule production around this seasonal event. It does mean, however, that the actual increase in the monthly output run rate that has been achieved has been masked and we expect this to be demonstrated more clearly in Q3 2021 with further increases to come in Q4 2021.

We had originally anticipated that a full year at the new capacity could have been achieved and so have adjusted our forecasts to reflect H1 realised output and achieving this run rate later in the year. Our new forecast is 9,500t of zircon output for 2021, which remains a significant step up from 2020. Future production forecasts are unchanged.

The major offsetting factor is the zircon price where the pace of price increases has outstripped our forecasts of US$1,450/t as an average for 2021F, rising to over US$2,200/t by 2023F. With PYX increasing prices by US$355/t in H1 2021 to US$1,750/t and anecdotal reports of transactions above US$2,000/t in China, we have brought forward our commodity price increase curve which, with volumes weighted to H2 2021, means PYX is set to benefit strongly, and the earnings impact of our adjusted production forecast is largely offset while the outlook for next year and onwards is substantially strengthened.

In the current setup, the reduction in output in combination with higher prices has relatively limited impact on our margin and earnings forecasts and underscores, in our view, the company's decision to transition to in-house mining from third party contractors.

Zircon Update

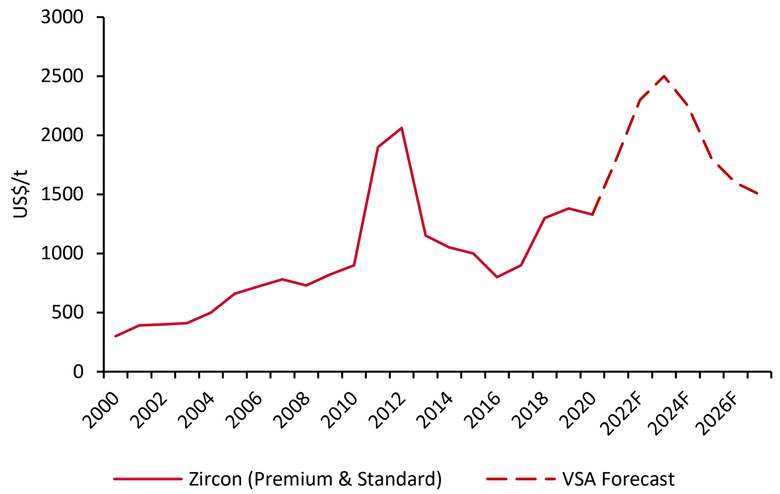
The price increases announced through the year by PYX in increments of US$75/t, US$70/t and US$210/t in March, May and June are in line with broader industry trends where demand has bounced back strongly in China and is now being supported by the RoW industrial reopening. On the supply side, COVID-19 related cuts which led to a 15% reduction in supply in 2020 to 1mnt of zircon have not been restored in full and supply shortages have led to price hikes.

Iluka reported a US$70/t increase in pricing earlier in the year while London-listed Kenmare Resources reported a "significant" price increase. Further announcements along these lines are expected, particularly in light of the latest announcement by Rio Tinto. Operational disruption has dogged the Richards Bay operation for a number of months and it is the largest mineral sands and beneficiation company in South Africa. In June 2021, Rio announced after months of operational disruption that it was declaring force majeure on customer contracts from Richards Bay Minerals. Security issues arising from protests by workers have meant that Rio does not believe that it can safely operate the assets. This has been further fuelled by the wider deterioration of the situation in South Africa and widespread rioting. The announcement of force majeure was followed up by the announcement that the proposed US$473m expansion at Zulti South would not go ahead. Originally, this zircon expansion was planned to go ahead once the wider Richards Bay Minerals operation had been normalised. The expansion has been repeatedly delayed since 2016, although estimates suggest that zircon output would be 80-90kt.

We note that Tronox and Iluka both reported strong Q1 2021 zircon data which confirms this with stronger sales volumes as customers of Rio sought product elsewhere. Iluka produced 70.1kt zircon, up 15% QoQ and 40% YoY although sales were down 12% QoQ, but up 250% YoY. Q1 is traditionally slower due to Chinese New Year so the QoQ sales decline is typical, but Iluka reported that it was a stronger period than expected. Tronox reported both stronger sales volumes and prices on both a QoQ and YoY basis with zircon revenues up 90% YoY and 31% QoQ to US$123m (volumes were not disclosed). However, the company is guiding to future 2021 zircon sales being above 2019 and 2020 levels but not as high as Q1 2021. Tronox expects higher zircon prices through the year. This highlights that despite the initial response from both companies, they are limited in how much further they can respond to Rio's force majeure with higher volumes.

Zulti South is one of the very few high volume zircon projects which had been projected to come online in the next few years meaning that PYX is in an enviable position of being able to increase production into a tight market with rising prices. One other aspect to note is that South African zircon produced by Rio is known to be high quality of 65.5% zircon or higher making it suitable for high tech applications such as semi-conductors and solar applications.

Zircon Price Chart, US$/t



SOURCE: *Iluka, VSA Capital Research.*

Changes to Earnings Estimates

The major two changes to our outlook are our stronger zircon pricing portfolio which in 2021F in revenue terms is offset by a more conservative production forecast. We expect PYX to be at the target run rate by year end to enable our production forecasts thereafter to remain unchanged.

VSA Commodity Price Forecasts

		2021	2022	2023	2024	2025	2026	2027
Zircon (Old)	USD/t	1,454	1,800	2,200	2,150	1,800	1,600	1,500
Zircon (New)	USD/t	1,800	2,300	2,500	2,250	1,800	1,600	1,500

SOURCE: *VSA Capital Research.*

In the current set-up, the interaction between volumes and prices is interesting and highlights the benefits of the proposed transition to in-house mining. It also demonstrates why our lower production forecast for 2021F should not be negatively perceived. Our production forecast is reduced from 18kt to 9.6kt, but is offset by an increase in our average price forecast from US$1,450/t to US$1,850/t, which when adjusted for the timing of sales, implies an average realised price of US$1,908/t zircon. This means that 2021F revenue is reduced 30% to US$26.2m, however, in future years production is unchanged and with the zircon rally which we forecast happening faster than expected, our price peak has been brought forward increasing our near-term earnings outlook.

The nature of the current cost structure means that higher prices are more beneficial than higher volumes and our model produces a higher earnings figure under the new production figures and price environment. Currently, PYX pays contract miners a mining fee which is linked to the value of contained zircon. As prices rise, PYX benefits from a two thirds / one third split, with the contractors retaining a third of the upside. Therefore, the higher prices add more to the bottom line than higher production at lower prices. Clearly, a combination of higher production and prices would be optimal and with additional development funds enabling the expansion work to be brought forward, this transition is partially derisked. To that end, PYX tapped the equity markets in July 2021 raising A$11.2m (US$8.4m) at a price of A$1.03/sh. via an issue of 10.9mn shares.

Earnings Changes, US$'000

	Revenue			EBITDA			Net Income			Capex		
	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg	Old	New	% Chg
2021F	26,181	18,416	-30%	2,675	3,604	35%	1,727	2,534	47%	(1,000)	(5,000)	400%
2022F	46,180	57,699	25%	13,640	20,963	54%	4,361	8,860	103%	(8,750)	(6,750)	-23%

SOURCE: *Company Data, VSA Capital Research.*

This highlights the benefits of the company's broader long-term strategy to transition to in-house mining and move from an operationally leveraged operator to a high margin cash flow generative producer. This underpins the transformation of group margins which will deliver strong earnings' growth, in our view with forecast EBITDA of US$3.6m in 2021F rising to US$69m in 2025F.

We have also updated our capex forecasts on the back of the A$11.2m (US$8.4m) fundraising. This will enable the Tisma development to be advanced and we expect some capital spending to be brought forward into 2021F as a result, although this is offset by reductions in future years.

The near-term investments are centred around further expansion of the company's Mandiri operations where production began in 2015, as well as the recently acquired greenfield Tisma deposit. Tisma will require modestly higher capex due to the need to build a plant rather than just additional equipment. However, Mandiri provides indicative estimates for much of the costs, and pre-production costs for Tisma are projected at US$15m, with the main cost items being US$3.5m for the mining equipment and US$3.5m for separation plant and equipment to give 24ktpa capacity which we expect to be operational in 2023F. Further expansions of the same increment are likely to be around US$10m per increment at both projects. We expect this growth outlook to drive further share price appreciation.

Operating Highlights Table, US$

	2019A	2020A	2021F	2022F	2023F	2024F	2025F
Zircon production, kt	4,966	6,555	9,651	23,039	30,499	49,478	60,997
Ilmenite production, kt	-	-	-	2,880	2,880	4,320	5,760
Rutile production, kt	-	-	-	3,219	3,219	4,828	6,437
Operating costs, per tonne zircon	1,111	1,156	1,349	1,551	835	487	474
Revenue	6,858,289	8,956,694	18,415,950	57,699,002	81,615,708	118,962,140	139,709,984
EBITDA	86,196	(1,213,403)	3,604,079	20,963,114	40,705,382	68,701,196	83,098,311
Operating Profit	9,797	(14,062,503)	3,419,034	13,841,228	49,967,495	89,351,452	100,362,401
Net Income	(58,386)	(13,820,603)	2,533,504	8,860,200	36,539,380	66,337,548	73,821,080
P/E, x	neg	neg	196.4x	56.2x	13.6x	7.5x	6.7x
EV/EBITDA, x	0.1x	neg	138.0x	23.7x	12.2x	7.2x	6.0x
Capex	(148,246)	(748,923)	(5,000,000)	(6,750,000)	(3,000,000)	(500,000)	(13,000,000)
FCF	245,695	(3,364,508)	(1,325,643)	2,431,875	38,065,301	71,638,478	66,045,419

SOURCE: *Company data, VSA Capital Research.*

Combined Potential for Strong Margins and Free Cash Flow Growth

Our investment case centres around PYX transitioning to low-cost, in-house mining and investing free cash flow in growth to gain market share and capitalise on an historic opportunity within the zircon market as mineral sands producers. We expect that at Mandiri the transition to in-house mining will take between 18months to two years before the full benefits of the switch are reflected in earnings. To keep the local community on side, the transition must be gradual from contract mining to in-house, although in all likelihood, many of the current contract miners will become part of the PYX team. In addition, at Mandiri, PYX is currently looking to connect the MSP to the grid which will play a further role in cost reductions. Management has guided that this requires a modest cost of less than US$100k and will take six months. It requires an agreement with the electricity company but no further permitting. PYX will be able to substantially reduce its diesel consumption as a result.

We anticipate that through an increase to c200ktpa zircon output by 2030F, PYX can achieve annual EBITDA in excess of US$200mpa, assuming that unit costs of around US$420/t are achieved as we expect. Given the minimal sustaining capital required once the modular expansions of production capacity are achieved, EBITDA is a strong proxy for free cash flow generation. We believe that each modular 24ktpa expansion drives EBITDA growth of US$28mpa based on our long run US$1,500/t zircon price forecast. This ability to deliver strong cash flow growth is the key to our investment case and we believe will be the major driver of future share price growth.

The transition to in-house mining will also have a significant and positive impact on PYX ESG credentials, in our view. Currently, by using contract miners, PYX has relatively less control over the activities and operating methods compared to in-house mining. PYX currently operates an Environmental Monitoring Plan, however, with wholly owned equipment and a directly employed workforce PYX will clearly be better able to directly enforce operating standards commensurate with a professional mining company.

Valuation

Our valuation of **PYX Resources (PYX NSX)** is based on a risked DCF valuation.

Our DCF valuation separates Mandiri and Tisma. Both are valued on an 11% WACC, suitable given the growth risks and jurisdiction. Our 15 year DCF implies that 50% of the resource will be exploited, we therefore apply a terminal value using a 2% growth rate to value the remaining portion of the resource. At Mandiri, which is an established producer, we do not apply a risk factor, however, with Tisma as a greenfield development asset we had applied a discount factor of 0.65x but adjust this to 0.7x on the back of the recent round of funding.

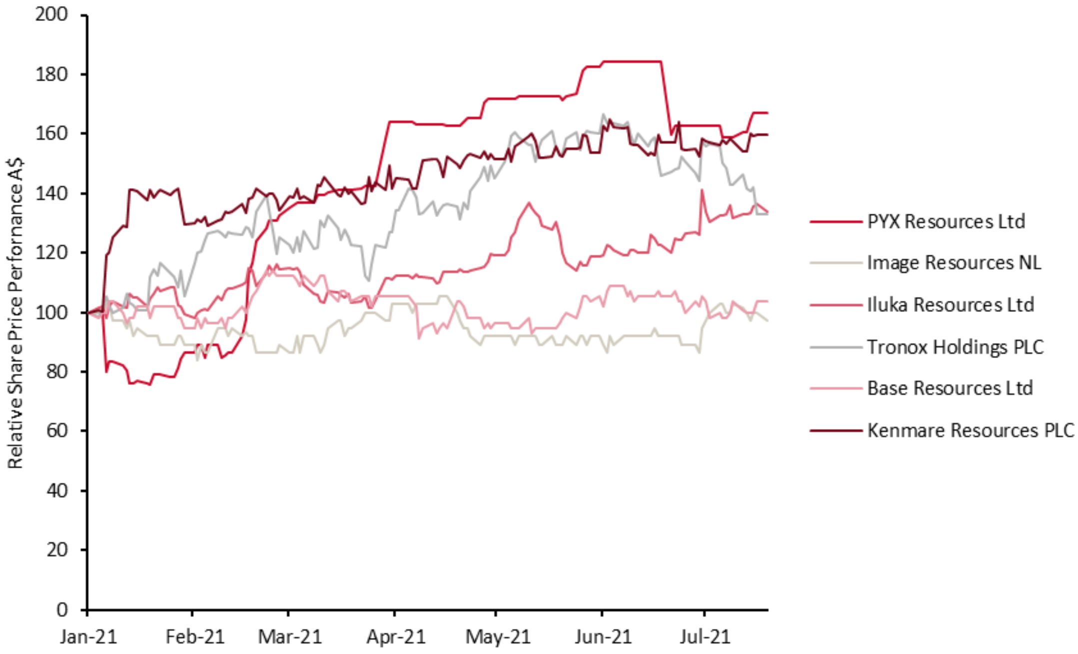
PYX is a top performer this year in the zircon and mineral sands space, up 67% YTD. This is in part due to the operationally leveraged nature of the business currently and the disproportionately positive impact on earnings of higher prices whilst the cost base is high. As the company transitions to low-cost, in-house mining, we believe that this will support the realisation of a higher future valuation. At that point, we expect PYX to have transitioned to being a producer with industry-leading margins across two of the highest grade zircon deposits in the world whilst having built up a strong marketing presence and track record of delivering high quality zircon. We do, however, highlight that PYX is uniquely placed in Indonesia, which previously acted as a swing producer in the last zircon boom and is not able to respond in the same way due to the low quality product typically produced by informal miners which does not meet the new export criteria.

Peer Group Comparison

Company Name	Price Close	Company Market Cap	Current EV	Resources (in situ THM)	Weighted Avg Assemblage Value	EV/Resources	% Value
	Lcl Ccy	US$ m	US$ m	Mt	US$	US$/t	
PYX Resources Ltd	**0.86**	**369**	**389**	**14.9**	**1,145**	**26.09**	**2.3%**
Strandline Resources Ltd	0.15	169	156	30.0	518	5.20	1.0%
Image Resources NL	0.13	133	108	16.1	405	6.67	1.6%
Iluka Resources Ltd	6.42	2717	2684	126.8	367	21.17	5.8%
Tronox Holdings PLC	18.67	2861	5562	74.4	345	74.76	21.7%
Base Resources Ltd	0.22	257	182	70.9	324	2.57	0.8%
Kenmare Resources PLC	6.13	673	734	182.0	224	4.04	1.8%
Sheffield Resources Ltd	0.24	85	76	407.3	176	0.19	0.1%
Diatreme Resources Ltd	0.02	42	39	4.7	575	8.23	1.4%
Astron Corp (Private)	n/a	n/a	-	182.8	554		0.0%
Iluka Sierra Rutile 2016	n/a	n/a	310	8.0	1,145	26.09	2.3%

SOURCE: *Company data, VSA Capital Research.*

Mineral Sands Relative Performance



***SOURCE:** eikon, VSA Capital Research.*

Our sum of the parts target price for PYX is A$2.65/sh. which implies 130% upside potential.

Valuation Summary

Division	Division NAV, US$'000	Division NAV, A$'000	Attributable NAV, A$mn	P/NAV	Fair Equity Value, A$mn
Mandiri	728,722,302	966,475,202	966,475,202	1.00	966,475,202
Tisma	181,894,790	241,239,774	241,239,774	0.70	168,867,842
Total NAV, A$mn					**1,135,343,044**
Consolidated Net Debt					(8,483)
Total Equity Value					**1,135,351,527**
# of shares					428,881,411
Current price, AUD/share					1.16
12-mo Target Price, AUD/share					**2.65**

***SOURCE:** Company data, VSA Capital Research.*

Risks

- **Commodity Prices**. The company is primarily exposed to the mineral sands market and unexpected changes to commodity prices are likely to affect our valuation. Prices are based on industry benchmarks and often through direct negotiation which reduces transparency.
- **Political Risk.** Located in Indonesia and operating as a foreign owner of a mining business, the company is subject to a higher than normal level of jurisdictional risk as mining laws change frequently.
- **Macro Risk.** The company may choose to sell into global markets in which case currency exposure could be a risk.
- **Execution Risk.** The potential for delays and operating issues are an inherent industry risk, this may include delays in receiving financing or hold ups to the completion of development milestones.
- **Financing Risk.** Access to financing is a perennial risk for junior natural resources companies.

Appendix 1: Financial Statements

Profit and Loss (US$), Dec Year End

Profit & Loss	2019A	2020A	2021F	2022F	2023F
Revenue	**6,858,289**	**8,956,694**	**18,415,950**	**57,699,002**	**81,615,708**
Cost of sales	(5,596,003)	(7,630,173)	(13,016,442)	(39,792,864)	(25,458,654)
Gross Profit	1,262,286	1,326,521	5,399,508	17,906,138	56,157,054
Corporate and administration expenses	(1,094,458)	(7,731,742)	(1,980,474)	(4,064,910)	(6,189,559)
Selling & Distribution Expenses	(260,831)	(492,248)	-	-	-
Foreign Exchange Loss	(11,659)	(29,376)	-	-	-
Listing Costs	-	(5,356,997)	-	-	-
Acquistion Costs	-	(1,889,237)	-	-	-
Other Income	-	-	-	-	-
(Loss)/profit before income tax	**9,797**	**(14,062,503)**	**3,419,034**	**13,841,228**	**49,967,495**
Finance Income	-	-	-	-	-
Finance costs	(57,091)	(20,961)	-	-	-
Net finance costs	**(57,091)**	**(20,961)**	**-**	**-**	**-**
Profit before taxation	(47,294)	(14,083,464)	3,419,034	13,841,228	49,967,495
Finance Income	-	-	-	-	-
Finance costs	**(57,091)**	**(20,961)**	**-**	**-**	**-**
Profit before taxation	(47,294)	(14,083,464)	3,419,034	13,841,228	49,967,495
Mining and income tax	(11,092)	262,861	(752,188)	(4,514,702)	(11,504,990)
Profit for the year	(58,386)	(13,820,603)	2,666,847	9,326,526	38,462,505
Non controlling interest	38,112	(1,045,162)	(133,342)	(466,326)	(1,923,125)
Attributable to equity holders of the company	**(96,498)**	**(12,775,441)**	**2,533,504**	**8,860,200**	**36,539,380**

SOURCE: *Company data, VSA Capital Research.*

Balance Sheet (US$), Dec Year End

Balance Sheet	2019A	2020A	2021F	2022F	2023F
Non-current Assets					
Property, Plant & Equipment	654,751	1,317,834	6,132,789	12,441,048	14,999,307
Pre-production Expenditure	-	-	-	-	-
Total Non-Current Assets	**751,968**	**1,736,101**	**6,551,056**	**12,859,315**	**15,417,574**
Current Assets					
Trade & Other Receivables	468,522	368,627	504,547	1,580,795	2,236,047
Available for sale investments	-	77,316	77,316	77,316	77,316
Cash and bank balances	93,071	3,509,395	8,482,822	12,087,481	45,830,672
Total Current Assets	**962,654**	**4,430,103**	**9,669,037**	**14,888,106**	**49,614,198**
Total Assets	**1,714,622**	**6,166,204**	**16,220,093**	**27,747,421**	**65,031,772**
Equity					
Share Capital	1,178	14,873,158	22,817,158	22,817,158	22,817,158
Exchange Reserve	-	2,782,451	2,782,451	2,782,451	2,782,451
Retained Earnings	(101,607)	(12,877,048)	(10,210,201)	(883,675)	37,578,830
Total Equity	**704,983**	**4,520,849**	**15,131,696**	**24,458,222**	**62,920,727**
Current Liabilities					
Obligations Under Finance Leases	40,797	1,780	1,780	1,780	1,780
Trade & Other Payables	456,459	1,626,802	1,069,845	3,270,646	2,092,492
Total Current Liabilities	**990,494**	**1,628,582**	**1,071,625**	**3,272,426**	**2,094,272**
Total Equity & Liabilities	**1,714,622**	**6,166,204**	**16,220,093**	**27,747,421**	**65,031,772**

SOURCE: *Company data, VSA Capital Research.*

Statement of Cash Flows (US$), Dec Year End

Cashflow Statement	2019A	2020A	2021F	2022F	2023F
Cash Flows From Operating Activities	-	-	-	-	-
Net income	**(58,386)**	**(13,820,603)**	**2,666,847**	**9,326,526**	**38,462,505**
Adjustments for:					
Depreciation	76,399	129,173	185,045	441,741	441,741
Share based payments	-	3,938,578	-	-	-
Loss on sale of available for sale investments	-	(102,560)	-	-	-
Impairment of available for sale investments	-	(41,100)	-	-	-
Impairment of exploration costs	-	(235,024)	-	-	-
Movements in working capital:	-	-	-	-	-
Decrease/(increase) in trade and other receivables	(388,804)	99,896	(135,920)	(1,076,248)	(655,252)
Decrease in trade and other payables	20,862	1,170,343	(556,957)	2,200,802	(1,178,154)
Change in working capital	(128,218)	1,167,347	(822,465)	586,392	(2,161,055)
Net cash generated by operating activities	**(110,205)**	**(2,086,711)**	**2,029,427**	**10,354,659**	**36,743,190**
Cash flows from investing activities					
Proceeds from sale of shares	-	-	-	-	-
Payment for property, plant and equipment	(148,246)	(784,923)	(5,000,000)	(6,750,000)	(3,000,000)
Payments for acquisitions, net of cash acquired	17,468	311	-	-	-
Other	1,500	(88,984)	-	-	-
Net cash (used in)/generated by investing activities	**(129,278)**	**(873,596)**	**(5,000,000)**	**(6,750,000)**	**(3,000,000)**
Cash flows from financing activities					
Proceeds from issue of share capital	444	9,378,600	8,400,000	-	-
Share issue costs	-	(2,618,065)	(420,000)	-	-
Net cash used in financing activities	**332,554**	**6,278,117**	**7,980,000**	**-**	**-**
Net increase in cash and cash equivalents	93,071	3,380,324	5,009,427	3,604,659	33,743,190
Cash and cash equivalents at the beginning of the year	**-**	**93,071**	**3,473,395**	**8,482,822**	**12,087,481**
Cash and cash equivalents at the end of the year	**93,071**	**3,473,395**	**8,482,822**	**12,087,481**	**45,830,672**

SOURCE: *Company data, VSA Capital Research.*

Disclaimer

Investment Analyst Certification

In our roles as Research Analysts for VSA Capital Limited. we hereby certify that the views about the companies and their securities discussed in this report are accurately expressed and that we have not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report.

Non-Independent Research

This is a marketing communication. It is non-independent research as it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Important Disclosures

This research report has been prepared by VSA Capital Limited. which is party to an agreement to be paid a fee as corporate finance advisors and arrangers with or has provided investment banking services to PYX Resources or has been party to such an agreement within the last twelve months. and is solely for and directed at persons who are Professional Clients as defined under Annex II of the Markets in Financial Instruments Directive. Directive 2004/39/EC. or as defined in the FCA Handbook. Persons who do not fall within the above category should return this research report to VSA Capital Limited. New Liverpool House. 15-17 Eldon Street. London EC2M 7LD. immediately.

This research report is not intended to be distributed or passed on. directly or indirectly. to any other class of persons. It is being supplied to you solely for your information and may not be reproduced. forwarded to any other person or published. in whole or in part. for any purpose. without out prior written consent.

This research report is exempt from the general restriction on the communication of invitations or inducements to enter into investment activity and has therefore not been approved by an authorised person. as would otherwise be required by Section 21 of the Financial Services and Markets Act 2000 (the "Act"). as amended by The Financial Services and Markets Act 2012.

Neither the information nor any opinion expressed constitutes an offer. or an invitation to make an offer. to buy or sell any securities or any options. futures or other derivatives related to such securities.

The information and opinions contained in this research report have been compiled or arrived at by VSA Capital Limited (the "Company") from sources believed to be reliable and in good faith but no representation or warranty. express or implied. is made as to their accuracy. completeness or correctness. All opinions and estimates contained in the research report constitute the Company's judgments as of the date of the report and are subject to change without notice. The information contained in the report is published for the assistance of those persons defined above but it is not to be relied upon as authoritative or taken in substitution for the exercise of the judgment of any reader.

The Company accepts no liability whatsoever for any direct or consequential loss arising from any use of the information contained herein. The company does not make any representation to any reader of the research report as to the suitability of any investment made in connection with this report and readers must satisfy themselves of the suitability in light of their own understanding. appraisal of risk and reward. objectives. experience and financial and operational resources.

The value of any companies or securities referred to in this research report may rise as well as fall and sums recovered may be less than those originally invested. Any references to past performance of any companies or investments referred to in this research report are not indicative of their future performance. The Company and/or its directors and/or employees may have long or short positions in the securities mentioned herein. or in options. futures and other derivative instruments based on these securities or commodities.

Not all of the products recommended or discussed in this research report may be regulated by the Financial Services and Markets Act 2000. as amended by The Financial Services and Markets Act 2012. and the rules made for the protection of investors by that Act will not apply to them. If you are in any doubt about the investment to which this report relates. you should consult a person authorised and regulated by the Financial Conduct Authority who specialises in advising on securities of the kind described.

The Company does and seeks to do business with the companies covered in its research reports. Thus. investors should be aware that the Company may have a conflict of interest that may affect the objectivity of this report. To view our policy on conflicts of interest and connected companies. please go to: http://www.vsacapital.com/policies/conflict-of-interest-policy.

VSA Capital acts as Corporate Broker to PYX Resources and is therefore classed as a connected company.

Investors should consider this report as only a single factor in making their investment decision.

The information in this report is not intended to be published or made available to any person in the United States of America (USA) or Canada or any jurisdiction where to do so would result in contravention of any applicable laws or regulations. Accordingly. if it is prohibited to make such information available in your jurisdiction or to you (by reason of your nationality. residence or otherwise) it is not directed at you.

Definition of Ratings

VSA Capital Limited uses the following stock rating system to describe its equity recommendations. Investors should carefully read the definitions of all ratings used in each research report. In addition. since the research report contains more complete information concerning the analyst's views. investors should carefully read the entire research report and not infer its contents from the rating alone. In any case. ratings (or research) should not be used or relied upon as investment advice. An investor's decision to buy or sell a stock or investment fund should depend on individual circumstances and other considerations.

VSA Capital Limited's recommendations are defined as follows:

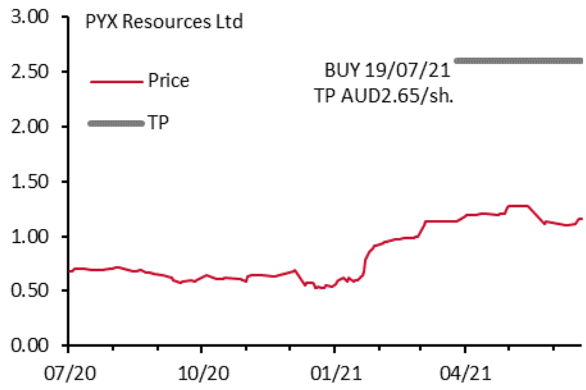
BUY: The stock is expected to increase by in excess of 10% in absolute terms over the next twelve months.
HOLD: The price of the stock is expected to move in a range between -10% and +10% in absolute terms over the next twelve months.
SELL: The stock is expected to decrease by in excess of 10% in absolute terms over the next twelve months.

In addition. on occasion. if the stock has the potential to increase by in excess of 10%. but on qualitative grounds rather than quantitative. a SPECULATIVE BUY may be used.

Distribution of VSA Capital Limited's Equities Recommendations

VSA Capital Limited must disclose in each research report the percentage of all securities rated by the member to which the member would assign a "BUY". "HOLD. or "SELL" rating. and also the proportion of relevant investments in each category issued by the issuers to which the firm supplied investment banking services during the previous twelve months. The said ratings are updated on a quarterly basis.

Recommendation and Target Price History



Valuation basis

Our valuation is derived from a risked NPV calculation and peer group EV/t in situ resource value.

Risks to that valuation

Commodity prices, political risk, execution risk, financing risk.

This recommendation was first published on 20 April 2021.