

Overweight
Price Target:
AU\$3.35 / GBp185

PYX Resources: Reiterate Target Price Following GBP20 Million Capital Commitment

Introduction

PYX Resources Limited (“PYX” or “Company”) has the world’s second-largest JORC-compliant zircon resources among producers currently in production. It is also a leading and rapidly-growing premium zircon producer dual-listed on the London Stock Exchange (LSE: PYX) and National Stock Exchange of Australia (NSX: PYX) with tremendous potential to grow output and enhance profitability.

This report provides an update on PYX’s latest development in relation to securing a GBP20 million investment commitment from a global institutional investor.

I. RECEIVING INVESTMENT COMMITMENT

1.1 Completion of the Funding Transaction

On 3 October 2022, PYX announced that it had secured an investment commitment from GGY Global Yield LLC SCS (“GGY”) for the amount of GBP20 million.

All the proceeds from this capital investment will be used to further support PYX’s efforts in upgrading its mining operations, increasing its production volume, and expanding its flagship Mandiri operations. Such investment commitment further strengthens PYX’s balance sheet so that it is well-positioned to pursue its growth strategy and fulfil its goal of becoming a leading global producer of premium zircon. The Company plans to double its current production capacity to 48,000 tonnes per annum within the next few years.

1.2 Key Terms of the Subscription Agreement

In completing the investment subscription, PYX entered into a tailored agreement with GGY pursuant to which PYX is allowed to control the amount and timing of investment under this GBP20 million commitment over a 36-month period.

Subscription Details

On any dates chosen at the discretion of PYX (**Notice Date**), it can issue a Subscription Notice to GGY, specifying the aggregate number of shares that PYX wishes the investor to subscribe for (**Subscription Amount**), provided that the aggregate number of shares shall:

- not exceed 700% of the average daily trading volume in the Company's shares during the 15 trading days immediately preceding the Subscription Notice; and



Share Price (as of 4 Oct 2022):
AU\$0.93/GBp55.00
12- to 18-month Target Price:
AU\$3.35/GBp185

Market Cap (as of 4 Oct 2022):
AU\$406.9M/GBP240.7M
Total Shares: 437M
Dividend and Yield: N/A



- when multiplied by 90% of the closing bid price on the trading day prior to the relevant Notice Date, and added to the aggregate subscription price of all the shares subscribed by GGY, that aggregate subscription price amount does not exceed GBP20 million.

The subscription price payable by GGY to the Company (**Subscription Price**) will be set over the period of 15 trading days following the Notice Date (**Pricing Period**), based on 90% of the average of the share closing prices over the Pricing Period (but ignoring trading days (**Knockout Days**) where the price is less than a floor price specified by PYX, trading on the London Stock Exchange (“LSE”) is suspended, or a material adverse change has occurred).

Provided the final Subscription Price is more than the floor price, GGY will be obliged to subscribe for a number of ordinary shares which is more than 50% of the Subscription Amount and is entitled to subscribe for up to 200% of the Subscription Amount. There is no minimum subscription obligation.

Additional Terms

The Subscription Agreement is subject to customary warranties, representations, and undertakings given by PYX, including in relation to the Company having sufficient shareholder authority in place to issue shares to GGY on the relevant dates.

Moreover, GGY undertakes not to own at any time a number of shares with voting rights over 19.90% of the Company’s issued share capital.

In consideration for entering into the Subscription Agreement, PYX will pay GGY a fee of GBP400,000 within a period of 12 months from the date of execution of the Subscription Agreement.

Warrants

Upon execution of the Subscription Agreement, the Company will also issue Warrants for GGY to subscribe for up to 3,000,000 ordinary shares at any time during a period of three years from the date of issue at an exercise price equal to GBP100, subject to customary adjustment mechanisms. If PYX is unable to issue the Warrants, it is obliged to indemnify GGY and pay the equivalent value of the Black Scholes value of any unissued Warrants.

1.3 Information of the Party Involved

About GGY

GGY Global Yield LLC SCS is a US\$3.4 billion alternative investment firm with offices in Paris, New York, and the Bahamas. GGY is founded in 1995, and it oversees a wide variety of developing market investment vehicles and has executed over 530 transactions in more than 70 countries. GGY and its partners have access to Small-Mid Cap Management Buyouts, Private Investments in Public Equities (“PIPE”), and select venture investments through family of funds and other investment vehicles.

1.4 Implications of the Investment Commitment

Being able to secure such a large investment commitment is an important indication that PYX continues to receive strong investor support worldwide together with GGY's confidence in the Company's promising business prospects. Persistent investor support is critical to a company's future growth and success, which will be reflected in its share performance.

As a result, we maintain our positive outlook on PYX's share price and reiterate an **Overweight** rating with a **12- to 18-month price target of AU\$3.35/GBp185**, representing an upside potential of 260%/236% respectively over its respective closing price of AU\$0.93/GBp55 as of 4 October 2022.

Our valuation is based on a zircon price of US\$2,100 per tonne, which represents a discount of nearly 24% to the average selling price PYX received in 1H 2022. Hence, we believe that the current target price is highly conservative, providing room for more upside potential.

IMPORTANT DISCLOSURES

STOCK OWNERSHIP AND CONFLICT OF INTEREST DISCLOSURE

- Neither Dr. Thomas Kenny, Charlie Yang nor any member of the research team or their households is an owner of PYX Resources Limited common shares.

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