FENIX RESOURCES LTD
Office 10, Emerald House
1202 Hay St, West Perth WA 6005

T: +61 (0)8 9226 2011
E: info@fenixresources.com.au
ABN 68 125 323 622

For personal use only

21 October 2020

Quarterly Activities Report
for the period ending 30 September 2020

Highlights

- Significant progress made towards development of the Iron Ridge iron ore project in Western Australia's Mid-West, including:
  - West Australian Department of Mines, Industry Regulation and Safety (**DMIRS**) approval of the Mining Proposal and Mine Closure Plan;
  - DMIRS approval of Stage 1 of the Project Management Plan and Clearing Permit;
  - Execution of Mining Cooperation and Benefits Agreement with Native Title party, Wajarri Yamatji Native Title Claimant #1;
  - Election by Atlas Iron to act as the marketing agent for 50% of iron ore production and sales;
  - Execution of binding Offtake Terms Sheet with Sinosteel International Holding Company for remaining 50% of iron ore production and sales (post-quarter end);
  - Execution of binding Terms Sheet for the purchase of Geraldton Port infrastructure (post -quarter end);
  - Positive Final Investment Decision (**FID**) and project funded to commence development following completion of $15 million placement;
  - Appointment of experienced General Manager of Operations;
  - Early site works commenced; and
  - MACA Limited appointed mining and crushing contractor (post-quarter end).
- Iron Ridge production on track to commence later this year, with first shipment scheduled for early 2021.

West Australian high-grade iron ore developer, Fenix Resources Limited (**Fenix** or the **Company**) (ASX: FEX) is pleased to report on its activities for the September 2020 quarter (**September Quarter**).

During the September Quarter, the Company made significant progress on its planned development of the Iron Ridge iron ore project (**Iron Ridge Project** or the **Project**) in Western Australia's Mid-West, with production on track to commence later this year and first shipment scheduled for early 2021.

For personal use only

IRON RIDGE PROJECT - OPERATIONS

Approvals & Permitting

As previously advised, Fenix holds three miscellaneous licences (L20/83, L20/84, and L20/85) and a general purpose lease, securing all the necessary tenure to commence operations at Iron Ridge.

During the September Quarter, the Stage 1 Mining Proposal and Mine Closure Plan was approved by the DMIRS (refer to ASX announcement titled "Fenix secures approval for Iron Ridge Mining Proposal" on 13 August 2020), followed by approval of the Stage 1 Project Management Plan and Clearing Permit (refer to ASX announcement titled "Key Mining Approvals Granted for Iron Ridge Project" on 15 September 2020), paving the way for commencement of mine development.

As announced on 21 September 2020, the Company commenced earthworks at the Iron Ridge project and engaged a local contracting company to start clearing the site ahead the establishment of infrastructure pads.

During the September Quarter, the Company also executed the Mining Co-operation and Benefits Agreement (**MCB Agreement**) with the Wajarri Yamatji # 1 Native Title Claimant Group. This milestone marks the Company's commitment to providing benefits for the communities in which it operates.

Service Provider Contract, Offtake and Financing Discussions

During the September Quarter, the Company announced a Positive Final Investment Decision (**FID**) for the Iron Ridge Project (refer to ASX announcement titled, "Positive Final Investment Decision on Iron Ridge Development" dated 7 September 2020) with the Iron Ridge Project now funded to commence development of the following completion of a $15 million placement (refer to ASX announcement titled "$15 million Placement to Develop Iron Ridge" announced 20 August 2020) (**Placement**).

As announced on 31 August 2020, the Company announced Atlas Iron elected to act as marketing agent for 50% of production and sales from the Iron Ridge Project. Subject to the marketing election, Atlas Iron has waived its right to the A$1 per tonne royalty on the iron ore subject to the marketing election.

During the September Quarter, the Company made significant advancements with infrastructure agreements with key services providers including the mining, crushing and screening, road transport and port services contractors.

Critical items of plant and equipment have been ordered/secured and early site works have commenced at the Iron Ridge Project (refer to ASX announcement titled "Iron Ridge Project Site Works Commence" announced 21 September 2020).

Post the end of the Quarter, on 14 October 2020, the Company announced it had executed a binding Terms Sheet with Sinosteel International Holding Company for the remaining 50% of production and sales from the Iron Ridge Project. The Company also agreed to purchase existing port infrastructure at the Geraldton Port from Sinosteel Midwest Corporation.

On 19 October 2020, the Company announced MACA Limited had been appointed mining and crushing contractor for Fenix's Iron Ridge Project.

CORPORATE

Capital Raising

On 20 August 2020, the Company announced a two tranche equity capital raising to raise $15 million (before costs). The Placement was completed on 8 October 2020, with a total of 103,448,276 shares issued at an issue price of $0.145 per share. The funds raised have been, and will be, used towards development of the Iron Ridge Project.

Appointment of General Manager – Operations

On 10 September 2020, the Company announced the appointment of Mr Chris Tuckwell as General Manager of Operations. Mr Tuckwell will be responsible for the development of the Iron Ridge DSO iron ore project and will act as Registered Mine Manager on site when in operation. Mr Tuckwell is a qualified engineer and experienced executive of mining and mine contracting companies with notable experience as Managing Director of MACA Limited and Chief Operating Officer of African Mining Services, a wholly owned subsidiary of Ausdrill Limited (now known as Perenti Global Limited).

Appointment of Company Secretary

On 1 July 2020, the Company announced the appointment of Ms Shannon Coates as Company Secretary.

Ms Coates is a qualified lawyer, Chartered Secretary and graduate of the AICD's Company Directors course. She has more than 25 years' experience in corporate law and compliance, is Managing Director of Perth-based corporate advisory firm Evolution Corporate Services and is currently company secretary to a number of ASX listed companies, with a strong focus on resources.

At the same time, Mr Matthew Foy resigned as Company Secretary.

Fees to related parties and associates

In accordance with ASX Listing Rule 5.3.5, $123,305 was paid to related parties or their associates during the quarter, comprising Executive Director salaries, Non-Executive Director fees and superannuation.

For personal use only

For personal use only

USE OF FUNDS

Fenix was re-admitted to the official list of ASX on 30 November 2018 following completion of an IPO raising $4.5 million. The September Quarter is included in a period covered by a Use of Funds statement in the IPO Prospectus lodged with ASX under Listing Rule 1.1 condition 3. A comparison of the Company's actual expenditure since re-admission to 30 September 2020 against estimated expenditure in the Use of Funds statement is set out below in accordance with ASX Listing Rule 5.3.4. The table also shows the Company's expenditure for the September Quarter, as required by ASX Listing Rule 5.3.1:

Prospectus Use of Funds	**Budgeted ($)**	**Actual ($) Q1 FY21**	**Actual ($) TOTAL**
Iron Ridge Project expenditure			
Site preparation and logistics contracts	40,000	1,240,346	1,424,014
Exploration & project development management	550,000	136,740	900,386
Magnetic survey	50,000	0	45,480
Hydrological evaluation	50,000	0	366,805
RC drilling - mobilisation, drilling charges and consumables	400,000	0	546,619
Diamond drilling – mobilisation drilling charges and consumables	430,000	0	665,919
Exploration technical support - geological logging, wireline logging, analysis	80,000	0	137,510
Geological review and reporting	100,000	0	94,018
Resource estimation	105,000	0	60,048
Development permitting and approvals	400,000	56,984	780,505
Feasibility and metallurgical studies	300,000	0	307,705
Tenement Costs	10,000	16,259	27,615
Iron Ridge Project Expenditure sub-total	**2,515,000**	**1,450,329**	**5,356,624**
Corporate and administration costs	950,000	154,000	1,108,000
Costs of Offers and Acquisition	570,000	0	699,000
Working Capital	965,000	44,000	744,000
TOTAL Funds Allocated	**5,000,000**	**1,648,329**	**7,907,624**

Summary of Material Variances

The Company's IPO Prospectus assumed a timeframe of twenty-four months to complete project exploration and evaluation activities including but not limited to hydrology, resource drilling, resource estimation, metallurgical test work and feasibility studies at Fenix's flagship Iron Ridge Project. It was not envisaged that the Project would be advanced to the level that a Feasibility Study has been completed, Ore Reserves have been declared and all necessary permits and approvals for project start-up received.

The accelerated advancement of the Project during the period since re-admission has meant that expenditure has exceeded initial expectations, including significant capital expenditure on developing the Iron Ridge mine incurred in the September 2020 quarter that has been allocated to site preparation and logistics contracts.

IRON RIDGE PROJECT – TECHNICAL OVERVIEW

Iron Ridge is a premium DSO deposit which hosts a Mineral Resource reported in accordance with the JORC Code 2012, located around 490km by road from Geraldton port.

The FS completed on Iron Ridge in November 2019 found that the high-grade and high-quality Project has the potential to provide strong returns over its life of mine. Ore will be crushed and screened on site and separated into lump and fines product before being trucked to port.

The FS estimated that Iron Ridge will have modest initial capital expenditure of $11.9 million, 44% of which should not have to be paid until after the expected first shipment is dispatched.

The FS included a maiden Ore Reserve of 7.76Mt at 63.9% Fe which underpins forecast annual production of 1.25 million tonnes (Table 3) for a mine life of approximately 6.5 years.

As detailed above, during the September Quarter the Company announced a Positive Final Investment Decision (**FID**) for the Iron Ridge Project (refer to ASX announcement titled, "Positive Final Investment Decision on Iron Ridge Development" announced 7 September 2020) with the Iron Ridge Project now funded to commence development of the following completion of a $15m placement (refer to ASX announcement titled "$15 million Placement to Develop Iron Ridge" announced 20 August 2020) (**September Quarter Placement**) and early site works have commenced (refer to ASX announcement titled "Iron Ridge Project Site Works Commence" announced 21 September 2020).

The FS confirmed the following key attributes of Iron Ridge:

- High-grade nature of the deposit;
- Existing infrastructure that is currently under-utilised (bitumen roads, surplus port storage/ship loading capacity);
- Granted Mining Lease which contains all the Mineral Resource;
- Rapid Delivery Time with the ability to mine ore from month one of operations; and
- Meaningful production at a simple single-excavator scale able to maintain a steady state iron ore production profile of 1.25Mtpa.

(refer to ASX announcement titled "Positive Final Investment Decision on Iron Ridge Development" announced 7 September 2020).

For personal use only

Operating Metrics	Unit	Feasibility Study Outcome
Processing Capacity	Mtpa	1.25
Average Strip Ratio	Waste:ore	2.86:1
Total Mineral Inventory	Mt	8.0
Initial Mine Life	Months	77
Average C1 Cash costs	A$/dmt	76.86

Financial Metrics	Unit	Feasibility Study Outcome
Project Life of Mine Revenue	A$m	802.9
Project net cash flow	A$m	110.4
Estimated C1 cash operating cost	A$/dmt	76.86
Pre-Production Capex	A$m	11.4
Pre-Production Capex Contingency	A$m	0.5
NPV_{10}	$m	54.3
IRR	%	58.9
Annual Average EBITDA	$m	16.4

The forecast average annual EBITDA of $16.4 million, based on C1 cash operating costs of A$76.86 per dry metric tonne (dmt), assumed a 62% Fe index price of A$111.43 per dmt (US$78/t at a AUD:USD exchange rate of US$0.70 per A$). Further, the FS assumed a wholesale diesel price assumption of A$1.34 per litre. Table 1 below illustrates that these assumptions are conservative in the context of current spot prices.

Table 1: Iron Ridge Project FS assumptions comparison to spot prices

	Feasibility Study Assumptions	Current Spot Price (20 October 2020)	Variance (%)
AUD/USD	0.70	0.705	0.7%
62% Fe index price (US$/dmt)	$78.00	$121.95	56.4%
62% Fe index price (A$/dmt)	$111.43	$173.07	55.3%
Diesel Price (A$/L)	$1.34	$1.051	-21.6%

Source :Bloomberg & Fuel Watch

For personal use only

Mineral Resources and Ore Reserves

The FS was based on the independently modelled Mineral Resource by CSA Global using a 58% Fe cut-off grade. The resulting combined Indicated and Inferred Resource is 10.5Mt at 64.2% Fe (Refer ASX release announced 21 August 2019 "Significant Increase in Iron Ridge Mineral Resource") outlined below:

Table 2: Iron Ridge Project – Mineral Resource estimate [(1)]

Classification	Tonnes	Fe	Al2O3	LOI	P	SiO2	TiO2
	Mt	%	%	%	%	%	%
Indicated	10.0	64.3	2.56	1.90	0.046	3.21	0.09
Inferred	0.5	62.5	2.80	3.13	0.046	4.41	0.12
Total	**10.5**	**64.2**	**2.57**	**1.96**	**0.046**	**3.26**	**0.09**

1 Refer to the Company's Announcement dated 21 August 2019 for Listing Rule 5.8 information

Based on the current Mineral Resource, Mining Plus (UK) Limited conducted a series of pit optimisations and mine designs with input from our geotechnical, hydrological and mining consultants. Detailed mine design and mine scheduling was then conducted before Fenix undertook a detailed Request for Proposals (RFP) from several mining services proponents.

Ore Reserves were then declared by Mining Plus based on a combined fines and lump production rate of 1.25Mtpa with a life of mine waste to ore stripping ratio of 2.86:1.

Table 3: Iron Ridge Project – Ore Reserve [(2)]

Classification	Tonnes	Fe	Al_2O_3	LOI	P	SiO_2	TiO_2
	Mt	%	%	%	%	%	%
Probable	7.76	63.9	2.79	2.00	0.05	3.46	0.09
Total Ore Reserves	**7.76**	**63.9**	**2.79**	**2.00**	**0.05**	**3.46**	**0.09**

2 Refer to the Company's Announcement dated 4 November 2019 for Listing Rule 5.9 information

Ore Reserves are derived from Indicated Resources and the Mineral Resources outlined above in Table 2 are inclusive of the Ore Reserves outlined in Table 3 above.

For personal use only

This release is authorised on behalf of Fenix Resources Limited by:

Rob Brierley
Managing Director
Fenix Resources Limited

For personal use only

For personal use only

About Fenix Resources

Fenix Resources is an ASX-listed, WA-based minerals explorer transitioning to miner.

The Company's 100% owned, flagship Iron Ridge Iron Ore Project is a premium DSO deposit which hosts a JORC 2012 compliant resource located around 490 km by road from Geraldton port.

High grade iron ore attracts a premium price on the seaborne market as Chinese steel works increasingly demand more pure inputs with lower emissions due to increasingly strict government regulations.

Only requiring crushing and screening, 1.25 million tonnes of ore per annum is proposed to be trucked to the port by a JV signed off in May 2019, with trucking specialist Newhaul Pty Ltd headed by respected logistics expert Craig Mitchell who was the founder and owner of Mitchell Corp before selling to Toll Group.

In relation to the production target, the Company confirms that all material assumptions underpinning the target continue to apply and have not materially changed since the announcement of the feasibility study on 4 November 2019.

Negotiations are well advanced with Mid-West Ports Authority at Geraldton where export capacity is available.

Statutory permitting is complete, the mining contract has been awarded and contract documentation with other key service providers is advanced.

A total of approximately three hundred and fifty (350) Full Time Equivalent (FTE) direct and indirect jobs throughout the supply chain will be created including seventy (70) FTEs on site at the Iron Ridge mine.

Geraldton is set to be a winner with around one hundred (100) FTEs created including approximately seventy (70) roadtrain drivers and a fleet maintenance depot established with an additional thirty (30) jobs. More jobs will be created at the Port and at local businesses and contractors that service the project.

The Project's Mineral Resource, announced on 21 August 2019, is categorised into Indicated and Inferred Mineral Resources as shown in Table A.

Classification	Tonnes Mt	Fe %	Al_2O_3 %	LOI %	P %	SiO_2 %	TiO_2 %
Indicated	10.0	64.3	2.56	1.90	0.046	3.21	0.09
Inferred	0.5	62.5	2.80	3.13	0.046	4.41	0.12
Total	**10.5**	**64.2**	**2.57**	**1.96**	**0.046**	**3.26**	**0.09**

Table A: Iron Ridge Mineral Resource Estimate reported above a 58% Fe cut-off grade.

The Project's Ore Reserves are categorised in Table B below and as announced on 4 November 2019 titled "Feasibility Study Generates Outstanding Cashflow".

Classification	Tonnes Mt	Fe %	Al2O3 %	LOI %	P %	SiO2 %	TiO2 %
Probable	7.76	63.9	2.79	2.00	0.05	3.46	0.09
Total Ore Reserves	**7.76**	**63.9**	**2.79**	**2.00**	**0.05**	**3.46**	**0.09**

Table B: Iron Ridge Ore Reserves

Competent Person Statements

The information in this report that relates to Mineral Resources is based on information compiled by Mr Alex Whishaw, a Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy and is employee by CSA Global Pty Ltd. Mr Whishaw has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcement and all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

The information in this report that relates to the Processing and Metallurgy for the Iron Ridge Project is based on and fairly represents, information and supporting documentation compiled by Mr Damian Connelly who is a Fellow of The Australasian Institute of Mining and Metallurgy and a full time employee of METS Engineering Group. Mr Connelly has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcement and all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

The information in this report that relates to Ore Reserves is based on information compiled by Mr John Battista, a Competent Person who is a Member and Chartered Professional (Mining) of the Australasian Institute of Mining and Metallurgy and is currently employed by Mining Plus (UK) Ltd. Mr Battista has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcement and all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. In relation to the production target and forecast financial information referred to in the report, the Company confirms that all material assumptions underpinning the production target and the forecast financial information derived from the production target continue to apply and have not materially changed since the announcement of the feasibility study on 4 November 2019.

For personal use only

TENEMENT SCHEDULE

The Company's interests in tenements are set out below.

Location	Project	Tenement No.	Interest at beginning of Quarter	Interest at end of Quarter
Western Australia	Iron Ridge	M20/118-I	100%	100%
Western Australia	Iron Ridge	E20/936	100%	100%
Western Australia	Iron Ridge	L20/83	100%	100%
Western Australia	Iron Ridge	L20/84	100%	100%
Western Australia	Iron Ridge	L20/85	100%	100%
Western Australia	Iron Ridge	G20/28	100%	100%

For personal use only