

June Quarterly Activities Report

13 July 2021

Fenix ships 281,000t at average operating margin of A$127/t

Net cash of A$69m at 30 June 2021, representing net cash backing of 14.6c a share

Highlights

- **Five shipments of iron ore from the Iron Ridge Project in WA sold during the June Quarter, consisting of 129,331 wet metric tonnes (wmt) of lump and 151,456 wmt of fines**
- **Average price received was US$185.20 per dry metric tonne (dmt) FOB, which is equivalent to US$215.60 per dmt CFR. This represents a premium on the IODEX 62% Fe price of approximately 8%, equivalent to US$16/dmt**
- **154,061 wmt of fines and 154,086 wmt of lump hauled from Iron Ridge to the Port of Geraldton in the June Quarter**
- **Operating cash flow of A$45.1m for the period**
- **C1 FOB cash costs for the quarter were A$85.30 per wmt shipped and A$88.81 per wmt project to date (including the ramp up period)**
- **Haulage rates are increasing, with 114,196t trucked in the month of June (3,806 tpd vs objective 4,000tpd)**
- **Review of Fenix tax position, price protection and capital management policies completed, the outcome to form the basis of the hedging and dividend policies under formulation.**
- **Richard Nicholls-Maltman appointed as Independent Non-Executive Director**
- **Fenix will hold a conference call for analysts today at 9am WST (11am EST). Investors can listen to the call live at https://webcast.boardroom.media/fenix-resources/20210713/NaN60e5611f6683f40019d1fb70**

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Fenix Resources Limited (ASX: FEX) is pleased to report on what was an outstanding quarter for the Company on the back of steady-state production rates and strong iron ore prices.

Fenix Managing Director Rob Brierley said: "This is an excellent result which reflects the quality of our Iron Ridge product, our consistent production performance and the robust margins which stem from strong prices and tight cost control.

"Fenix has now established itself as a successful producer of consistently high-grade iron ore products, with five shipments in the June quarter and ore grades that exceeded forecasts.

"We are ideally placed to generate another strong result in the September quarter and continue to strengthen our financial position.

"We will also look forward to finalising our price hedging and capital allocation policies".

Iron Ridge Project - Operations

Mining and Production

Five ships were loaded during the quarter ending 30 June 2021 (June Quarter) with completion dates of 19 April, 4 May, 23 May, 6 June and 24 June 2021.

Fenix has now shipped more than half a million tonnes of product from its Iron Ridge project.

Average grade shipped for the June Quarter was 61.5% Fe for fines (previous quarter: 61.0%) and 64.3% Fe for lump product (previous quarter: 63.2%), exceeding expectations and the Ore Reserve model.

The current lump to fines ratio of 52%:48% continues to be significantly higher than the life-of-mine assumed average of 25%:75%. This increased proportion of lump production coincides with a period of record lump premium prices, enhancing financial performance. Fenix continues to expect a reversion to previously assumed levels as the planned pit deepens.

Fenix has refined the mine plan to accelerate production. Currently, the mining contractor is mining and crushing at a rate at least 10% higher than nameplate capacity of 1.25Mtpa.

Inventories at the Iron Ridge mine are healthy with more than 73,000 tonnes on the ROM pad and more than 76,000 tonnes crushed and screened.

Road haulage rates are progressively improving. The contractor, which is 50%-owned by Fenix, has been issued an increased production notice for a six-month period, which aligns road haulage levels with the refined mine plan. Haulage continues to be the critical component to achieve accelerated production, with recent performance proving positive having trucked 114,196 tonnes in the month of June.

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Production Summary

Production Summary (kwmt)	June Q FY21	March Q FY21	Dec Q FY21	Project to Date
Ore Mined	369.6	298.4	19.4	687.4
Lump Ore Produced	196.4	117.0	9.0	322.4
Fine Ore Produced	161.3	122.2	7.8	291.3
Lump Ore Hauled	154.1	105.3	7.9	267.3
Fine Ore Hauled	154.1	114.1	1.7	269.9
Lump Ore Shipped	129.3	112.7	0	242.0
Fine Ore Shipped	151.4	107.2	0	258.6
C1 Cash Cost (A$/wmt Shipped FOB)	85.3	93.2	N/A	88.8

Performance at a Glance

Item	Unit	June Q FY21	March Q FY21
Lump product sales	k wmt	129	113
Fines product sales	k wmt	151	107
Total Ore Sales	k wmt	281	220
Platts 62% Fe CFR price, average	US$/dmt	200.0	166.9
Average Realised FOB price	US$/dmt	185.2	156.1
Average Freight cost	US$/dmt	30.4	21.3

Financial Performance

Operating cash flow for the June Quarter was $45.1m. Unaudited operating margins averaged A$127/wmt FOB for the period.

Capital expenditure for the June quarter was $3.5m, taking the total project capital expenditure to date to $15.2m. This includes the purchase and refurbishment of the Geraldton Port Infrastructure, which was not contemplated at the time of the Feasibility Study. Fenix expects capex to be $2m in the September Quarter as the final site infrastructure is established and some scheduled year-1 road upgrade works are conducted.

Unaudited C1 Cash Costs for the June Quarter were A$85.30 per wmt shipped, in line with forecast. Project to date costs are A$88.81 per wmt, equivalent to around US$67/wmt. These costs are inclusive of those incurred in the ramp up period in late 2020 and the early months of 2021, and include marketing fees.

Sea freight costs remained elevated, due to a buoyant trading environment for bulk commodities and base metal concentrates. Marketing fees and royalties are significantly greater than feasibility study assumptions, due to the much higher realised FOB price currently being achieved.

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Cash at the end of the period was $69.0m. Fenix has no bank debt. This represents a net cash backing of 14.6 cents per share.

Exploration

There was no substantive exploration activity undertaken by the Company during the June Quarter. It is anticipated that field work will commence in the current quarter on the Scorpion farm-in tenements, which are located adjacent to Fenix's operation.

A small RC drilling program at Iron Ridge is also planned, looking at incremental extensions along strike from the current Mineral Resource.

Corporate

Capital Allocation Policy

Given the Company's healthy balance sheet, the Board of Directors is currently formulating a Capital Allocation Policy. As part of its considerations, the Board has commissioned a review of its tax position, specifically the utilisation of approximately $23 million of carried forward tax losses, the timing of corporate tax payments, and the subsequent timing of generation of franking credits.

The review is in an advanced stage and the Board expects to be able to articulate a Capital Allocation policy at or before the release of its FY2021 financial accounts.

Price Protection Policy

Fenix is considering a Price Protection / Hedging Policy. These considerations are also highly advanced, with the Company looking at methods to secure the future profitability of the Iron Ridge Project, whilst maintaining exposure to the iron ore market.

Board Changes

During the June Quarter, Richard Nicholls-Maltman was appointed Independent Non-Executive Director effective 17 May 2021. Richard was also appointed as the Fenix representative on the Fenix Newhaul Pty Ltd Board effective 1 June 2021.

Financial

During the June Quarter, the Company received $1.0 million and issued a total of 14,250,000 fully paid ordinary shares in the capital of the Company upon exercise of the following unlisted options:

(i) 4,250,000 unlisted options exercisable at $0.08 per option, on or before 21 November 2021;
(ii) 5,000,000 unlisted options exercisable at $0.07 per option, on or before 31 December 2021; and
(iii) 5,000,000 unlisted options exercisable at $0.06 per option, on or before 31 December 2021.

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In accordance with ASX Listing Rule 5.3.5, $159,399 of payments were made to related parties or their associates during the quarter, comprising Executive Director salaries, Non-executive Director fees and superannuation.

Authorised by the Board of Fenix Resources Limited.

For further information, contact:

Rob Brierley
Managing Director
Fenix Resources Limited

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About Fenix Resources

Fenix Resources is an ASX-listed, WA-based iron ore 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 486km by road from Geraldton port. Production commenced in December 2020 and first sales were generated in February 2021.

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, approximately 1.25 million tonnes of ore per annum is trucked to the port by a JV company, Fenix Newhaul Pty Ltd.

Export capacity has been secured through binding agreements with the Mid West Ports Authority for the use of its Geraldton Port facilities. Product sales are conducted 50% through an offtake arrangement with Sinosteel International Holding Company Limited and 50% through an exclusive marketing agreement with Atlas Iron Pty Ltd.

The project has generated some 160 full time equivalent jobs and the Company is focussed on promoting opportunities for local businesses and the community.

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 %	Al2O3	LOI %	P %	SiO2 %	TiO2 %
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, 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

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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 a former employee of 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.

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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%

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