

September Quarterly Activities Report



12 October 2021

Fenix ships 341,000t, generating \$25m of net operating cashflow

Net cash increases by A\$24m to A\$93m at 30 September, representing 19.7c/share net cash backing

Highlights

- Six shipments of iron ore from the Iron Ridge Project in WA sold during the September Quarter, consisting of 197,848 wet metric tonnes (wmt) of lump and 143,422 wmt of fines
- Average price received was US\$129.23 (A\$176) per dry metric tonne (dmt) FOB, which is equivalent to US\$163.61 per dmt CFR
- C1 FOB cash costs for the quarter were A\$86.77 per wmt shipped and A\$87.98 per wmt from project inception to date
- Net operating cash flow of A\$25.4m and free cash flow of \$23.8m for the period
- FY21 financial results released, net profit after tax of \$49.0m reported, and a 5.25 cent per share fully franked dividend declared and paid on 5 October 2021
- Statutory approvals received for Iron Ridge Stage 2 pit and waste dump extension
- Fenix starts delivering into hedge contracts at the rate of 50,000t a month for 12 months and at a fixed price of A\$230.30/dmt from October 2021
- Fenix will hold a conference call for analysts today at 8am WST (11am EST). Investors can listen to the call live <https://webcast.boardroom.media/fenix-resources/20210713/NaN6153f5c1fe20e1001afb386f>

Fenix Resources Limited (ASX: FEX) is pleased to report on a solid quarter for the Company on the back of higher production rates, robust margins and strong free cashflow.

Fenix Managing Director Rob Brierley said: “Given the current circumstances in the iron ore industry, this is a strong result which saw Fenix generate substantial free cashflow as increased production and a lower Australian dollar helped offset reduced iron ore prices.

“The execution of our hedging policy has also been particularly timely and will help underpin our margins and cashflow generation over the next 12 months.

“We finished the quarter in a very strong position with net cash of A\$93m, equal to 19.7c a share, highlighting the enviable cash generating capacity of the Iron Ridge Project.

“Subsequent to the end of the quarter, we were delighted to pay our maiden fully-franked dividend for FY21 of 5.25c a share, representing a total payout of A\$24.8m.”

Iron Ridge Project - Operations

Mining and Production

Six ships were loaded during the quarter ending 30 September 2021 (September Quarter) with completion dates of 15 July, 3 August, 9 August, 27 August, 8 September, and 22 September 2021. Shipping in the month of July was adversely impacted by sea surge and swell conditions that resulted in several multi-day closures of the Geraldton Port.

Fenix has now shipped 841,813 tonnes of product from its Iron Ridge Project.

Average grade shipped for the September Quarter was 62.2% Fe for fines (previous quarter: 61.5%) and 64.8% Fe for lump product (previous quarter: 64.3%), exceeding expectations and displaying the unique high-grade nature of the deposit.

The current life-of-mine lump to fines ratio of 53%:47% continues to be significantly higher than the life-of-mine assumed average of 25%:75%. Fenix continues to expect a reversion to previously assumed levels as the planned pit deepens, although it has implemented numerous initiatives to optimise this parameter which may mitigate the extent of this reversion.

As previously reported, Fenix refined the mine plan to accelerate production, resulting in above-plan output from mining and road haulage. Road haulage rates continued to improve and have now averaged approximately 115,000 tonnes per month for the past 4 months.

Due to the rapid drop in the iron ore price, the plan is now to continue to haul at or above design levels whilst reducing output at the mine. The end result will be a reduction in crushed product stocks at the mine, which totalled approximately 96,000 tonnes at 30 September 2021.

Production Summary

Production Summary (kwmt)	Sept Q FY22	June Q FY21	Mar Q FY21	Project to Date
Ore Mined	335.2	369.6	298.4	1022.6
Lump Ore Produced	204.5	196.4	117.0	526.9
Fine Ore Produced	173.7	161.3	122.2	465.0
Lump Ore Hauled	195.6	154.1	105.3	462.9
Fine Ore Hauled	149.4	154.1	114.1	419.3
Lump Ore Shipped	197.8	129.3	112.7	439.8
Fine Ore Shipped	143.4	151.4	107.2	402.0
C1 Cash Cost (A\$/wmt Shipped FOB)	86.8	85.3	93.2	88.0

Performance at a Glance

Item	Unit	Sept Q FY22	June Q FY21	March Q FY21
Lump product sales	k wmt	198	129	113
Fines product sales	k wmt	143	151	107
Total Ore Sales	k wmt	341	281	220
Platts 62% Fe CFR price, average	US\$/dmt	162.9	200.0	166.9
Average Realised FOB price	US\$/dmt	129.2	185.2	156.1
Average Freight cost	US\$/dmt	34.4	30.4	21.3

Financial Performance

Net operating cash flow for the September Quarter was \$25.4m (June Q: \$45.1m). Unaudited operating margins averaged A\$73/wmt FOB for the period (June Q: \$127/wmt FOB).

Capital expenditure for the September quarter was \$1.5m, taking the total project capital expenditure to date to \$16.7m. Most of the capital expenditure for the quarter related to scheduled year-1 road upgrade works on the Shire of Cue road network. Fenix expects capex to be \$2m in the December Quarter as the final site infrastructure is completed by the mining contractor.

Unaudited C1 Cash Costs for the September Quarter were A\$86.77 per wmt shipped, in line with forecast but slightly higher than the previous period due to maintenance and improvement works on our port storage and handling facility, together with a higher strip ratio at the mine. The planned higher strip ratio coincided with the receipt of all statutory approvals for Stage 2 of the Iron Ridge pit and the necessary extension to the waste dump area.

Project to date costs are A\$87.98 per wmt, equivalent to around US\$64/wmt based on prevailing FX rates. These costs are inclusive of marketing fees and costs incurred in the ramp up period in late 2020 and the early months of 2021.

Sea freight costs continued to increase due to a buoyant trading environment for bulk commodities including base metal concentrates, and port congestion in China that combined to limit the mobility of the Panamax fleet in the Pacific.

Marketing fees and royalties remained higher than feasibility study assumptions, due to the achievement of much higher realised FOB prices.

Cash at the end of the period was \$93.0m. Fenix has no bank debt. This represents a net cash backing of 19.7 cents per share. A dividend payment totalling \$24.8m was made on 5 October.

Exploration

There was no substantive exploration activity undertaken by the Company during the September Quarter. The anticipated field work on the Scorpion farm-in tenements that are located adjacent to Fenix's operation was delayed.

A small RC drilling program at Iron Ridge was conducted with no material results, other than validation of the current Mineral Resource model.

Corporate

Dividend Policy

Given the Company's healthy balance sheet, the Board of Directors announced a dividend policy of distributing between 50% and 80% of after-tax profits as fully franked dividends, subject to the availability of franking credits.

Accordingly, Fenix declared a fully franked 5.25c per share after announcing a \$49.0m after-tax profit for FY21.

Hedging

On 22 July, Fenix entered into swap arrangements with an Australian top tier financial institution for 50,000 tonnes of iron ore per month based on the Monthly Average Platts TSI 62 Index converted to AUD for the 12-month period from October 2021 to September 2022. The price fixed is equivalent to A\$230.30 per dry metric tonne (dmt), flat over the period.

As at 30 September, the hedge book had a marked-to-market value of approximately \$41.93 million.

Financial

Fenix reported a maiden after-tax profit of \$49.0m for FY21 on revenue of \$114.4m. Operating cashflow was \$65.3m and free cash flow was \$47.8m.

During the September Quarter, the Company received \$0.16 million and issued a total of 2,000,000 fully paid ordinary shares in the capital of the Company upon exercise of 2,000,000 unlisted options exercisable at \$0.08 per option.

In accordance with ASX Listing Rule 5.3.5, \$410,398 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

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 and updated on 15 September 2021, is categorised into Indicated and Inferred Mineral Resources as shown in Table A.

Classification	Tonnes Mt	Fe %	Al ₂ O ₃	LOI %	P %	SiO ₂ %	TiO ₂ %
Indicated	9.4	64.5	2.45	1.85	0.05	3.11	0.09
Inferred	0.4	62.1	2.74	3.70	0.05	4.52	0.11
Total	9.8	64.4	2.46	1.92	0.05	3.16	0.09

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

The Project's Ore Reserves as announced on 4 November 2019 and updated on 15 September 2021 are categorised is shown in Table B.

Classification	Tonnes Mt	Fe %	Al ₂ O ₃	LOI %	P %	SiO ₂ %	TiO ₂ %
Probable	7.10	64.09	2.67	1.96	0.05	3.35	0.09
Total Ore Reserves	7.10	64.09	2.67	1.96	0.05	3.35	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 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.

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%