

29 July 2020

Quarterly Activities Report for the period ending 30 June 2020

Highlights

- **Fenix continues to make good progress in its planned development of the Iron Ridge iron ore project in Western Australia's Mid-West following:**
 - **Grant of general purpose lease for the crushing and screening plant on 2 April 2020;**
 - **Lodgement of Mining Proposal with DMIRS on 17 April 2020, Native Vegetation Clearing Permit application with DMIRS on 21 April 2020, and Works Approval application with DWER on 5 May 2020; and**
 - **MOU signed with Shire of Cue regarding a road user agreement and Shire Council resolution accepting the agreement passed**
 - **Mining Cooperation and Benefits Agreement endorsed by Wajarri Yamatji Working Group**
 - **Positive discussions continue with potential offtake and financing parties**
 - **Infrastructure agreements are well advanced and are expected to enable a smooth transition to mine development upon FID**
 - **Contractual negotiations with providers of mining, crushing and screening, road transport and port services are near completion**
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Western Australian high-grade iron ore developer, Fenix Resources Limited (**Fenix** or the **Company**) (ASX: FEX) is pleased to report on its activities for the June 2020 quarter. During the quarter, the Company continued to progress towards its planned development of the Iron Ridge iron ore project (**Iron Ridge** or the **Project**) in Western Australia's Mid-West.

Approvals & Permitting

As previously advised, Fenix were granted three miscellaneous licences (L20/83, L20/84, and L20/85) on 31 March 2020 and a general purpose lease on 2 April 2020, securing all the necessary tenure to commence operations at Iron Ridge.

On 17 April 2020, the Company submitted a Stage 1 Mining Proposal to the Department of Mines, Industry Regulation and Safety (**DMIRS**) (**Mining Proposal**). The Company subsequently advised on 29 June 2020 that the period to assess the Mining Proposal had been extended by the DMIRS. As at the date of this announcement the Company remains engaged with the relevant Government departments and authorities that are assessing the impact of the Iron Ridge project on sensitive biological features. The assessment process remains ongoing at this stage.

Fenix is committed to providing benefits for the communities in which it operates and, to this end, is in consultation with key stakeholders. The pathway towards execution of a Mining Co-operation and Benefits Agreement (**MCB Agreement**) with the Wajarri Yamatji # 1 Native Title Claimant Group is progressing and during the quarter the Wajarri Yamatji Working Group unanimously resolved to enter into the MCB Agreement. An enforceable agreement has been prepared and is almost ready for execution.

Statutory approval of the Mining Proposal and execution of the MCB Agreement will pave the way for the Company to make a Final Investment Decision (**FID**).

Service Provider Contract, Offtake and Financing Discussions

The Company is engaged with several potential offtake and financing parties, with a view to funding the initial capital expenditure commitments of approximately \$11.9 million to develop Iron Ridge. Fenix is focussed on achieving financing through the least dilutive mechanism to existing shareholders possible.

Additionally, the Company is looking to finalise port access arrangements with the Mid West Ports Authority, as well as enter into formal contracts with mining, road transport and port services. Final agreements will be subject to receiving the necessary permits and approvals to achieve FID.

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 June 2020 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 June 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 June 2020 quarter, as required by ASX Listing Rule 5.3.1:

Prospectus Use of Funds	Budgeted (\$)	Actual (\$) Q4 FY20	Actual (\$) TOTAL
Iron Ridge Project expenditure			
Site preparation and logistics contracts	40,000	8,600	183,668
Exploration & project development management	550,000	56,941	763,646
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	205,358	723,521
Feasibility and metallurgical studies	300,000	0	307,705
Tenement Costs	10,000	3,091	11,356
Iron Ridge Project Expenditure sub-total	2,515,000	273,990	3,906,295
Corporate and administration costs	950,000	65,000	954,000
Costs of Offers and Acquisition	570,000	0	699,000
Working Capital	965,000	42,000	700,000
TOTAL Funds Allocated	5,000,000	380,990	6,259,295

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 testwork 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 have been submitted for assessment.

The level of advancement in the Project has meant that expenditure on drilling (both RC and diamond), hydrological assessment, project development management, and development permitting and approvals has exceeded initial expectations.

This accelerated project development progress was due to additional capital being raised during the period. In the June 2019 quarter, the Company advised it had raised \$3,000,000 (before costs) via two separate placements at \$0.055 per share (**Placement**). The proceeds of the Placements were applied to accelerating the development activities at Iron Ridge (refer ASX announcement "Oversubscribed Placement to Fund Material Project Activities" dated 3 April 2019).

Iron Ridge Project

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.

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.

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 (29 July 2020)	Variance (%)
AUD/USD	0.70	0.716	2.3%
62% Fe index price (US\$/dmt)	\$78.00	\$108.05	38.5%
62% Fe index price (A\$/dmt)	\$111.43	\$150.91	35.4%
Diesel Price (A\$/L)	\$1.34	\$1.080	-19.4%

Source :Bloomberg & Fuel Watch

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 dated 21 August 2019 “Significant Increase in Iron Ridge Mineral Resource”) outlined below:

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

Classification	Tonnes Mt	Fe %	Al ₂ O 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

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 Mt	Fe %	Al ₂ O ₃ %	LOI %	P %	SiO ₂ %	TiO ₂ %
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.

CORPORATE

Coronavirus

The Company has not experienced any significant adverse impacts on its operations from Coronavirus and thus has not been required to take steps to mitigate any impacts to its operations.

Cancellation of unquoted securities

On 9 April 2020, the Company advised it had cancelled 1,687,500 employee performance rights for nil consideration. On 9 June 2020, the Company advised a further 4,250,000 employee performance rights had lapsed.

Payments to Related Parties and Associates

The Company notes that during the quarter, a total of \$110,760 was paid to related parties or their associates, comprising Managing Director salary, superannuation and Directors' fees.

Company Secretary

On 1 July 2020, the Company announced the appointment of Ms Shannon Coates as Company Secretary. Shannon is a qualified lawyer, experienced company director and Chartered Secretary and graduate of the AICD's Company Directors course. Ms Coates has over 20 years' experience in corporate law and compliance. She is currently non-executive director and company secretary to a number of public unlisted and listed companies, and has provided director, corporate advisory and company secretarial services to boards and various committees across a variety of industries, including resources, manufacturing and technology.

The Company also advised that Mr Matthew Foy had resigned as Company Secretary of the Company. The Board thanks Mr Foy for his contribution to Fenix and wishes him well for his future endeavours.

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

Rob Brierley
Managing Director
Fenix Resources Limited

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.

Mining and environmental approvals are currently being undertaken and contract documentation with key service providers is advanced.

A total of 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 if project approvals are granted.

Geraldton is set to be a winner with one hundred (100) FTEs created including 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 ₂ O 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 %	Al ₂ O ₃ %	LOI %	P %	SiO ₂ %	TiO ₂ %
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.

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	0%	100%