

# March Quarterly Activities Report



23 April 2021

## Fenix ships 220,000t at average price of US\$156/t

C1 costs average A\$93/t and expected to progressively decline to approximately A\$85/t now operations ramp-up is complete

### Highlights

- Maiden shipment of iron ore from the Iron Ridge Project dispatched from the Port of Geraldton, Western Australia in February 2021
- Four shipments of iron ore were loaded between February and March 2021 from the Port of Geraldton, resulting in 112,716 wmt of lump and 107,183 wmt of fines being sold
- Steady-state production of 1.25 million tonnes per annum achieved
- 107,277 wmt of fines and 112,658 wmt of lump hauled from Iron Ridge to the Port of Geraldton in the March Quarter
- Operating cash flow of A\$21.8m for the period and Net cash of A\$26.7m as at March 31
- C1 FOB Cash Costs to date (including the ramp up period) of A\$93 per wmt shipped
- Farm-in and joint venture agreement executed with Scorpion Minerals Limited to earn a majority interest in 33,954 hectares of tenements adjoining the Company's flagship Iron Ridge Project
- Warwick Davies appointed as Interim Non-Executive Chairman

Fenix Resources Limited (Fenix or the Company) Managing Director Rob Brierley said: “Fenix has made a strong start to life as an iron ore producer, with four shipments in the March quarter and ore grades in line with our forecasts”.

“With steady-state production achieved, we look forward to a solid production performance and a reduction in costs in the June quarter”.

## Iron Ridge Project - Operations

### Mining and Production

On 19 February 2021, the Company announced that the maiden iron ore shipment from the Iron Ridge Project had been dispatched from Geraldton Port. The maiden shipment was delayed by several days due to mechanical issues with the bulk carrier vessel, ‘Ya Tai 2’. Once resolved, the issue resulted in a reduced cargo quantity allowance limiting the first shipment to 37,157 wmt of product, consisting of 11,001 tonnes of lump and 26,156 tonnes of fines.

Subsequent to the maiden shipment, three additional ships were successfully loaded in during the quarter ended 31 March 2021 (March Quarter) with departure dates of 2 March, 22 March and 31 March 2021.

Average grade shipped was 61.0% Fe for fines and 63.2% Fe for lump product, correlating closely with the Ore Reserve model.

The current lump to fines ratio of 49%:51%, is significantly higher than the life-of-mine assumed average of 25%:75%. Whilst Fenix expected a higher ratio when mining the near-surface zone of the orebody, the Company is encouraged by the results thus far, particularly in view of the recent trend of strong demand for lump product among Chinese steel mills with a supporting pricing premium

### Production Summary

Production Summary (kwmt)	March Q FY21	Dec Q FY21	Project to Date
<b>Ore Mined</b>	298.4	19.4	317.8
<b>Lump Ore Produced</b>	117.0	9.0	126.0
<b>Fine Ore Produced</b>	122.2	7.8	130.0
<b>Lump Ore Hauled</b>	105.3	7.9	113.2
<b>Fine Ore Hauled</b>	114.1	1.7	115.8
<b>Lump Ore Shipped</b>	112.7	0	112.7
<b>Fine Ore Shipped</b>	107.2	0	107.2
<b>C1 Cost (A\$/wmt Shipped FOB)</b>	93.2	N/A	93.2

## Performance at a Glance

Item	Unit	March Q FY21
Lump product sales	kwmt	113
Fines product sales	kwmt	107
Total Ore Sales	kwmt	220
Platts 62% Fe CFR price, average	US\$/dmt	166.9
Realised Average FOB price	US\$/dmt	156.1
Average Freight cost	US\$/dmt	21.3

## Financial Performance

C1 Cash Costs for the project to date are A\$93.20 per wmt shipped, which is equivalent to US\$72/wmt. These costs are inclusive of those incurred in the ramp up period in late 2020 and the early months of 2021, as well as marketing fees which were deducted from the revenue line in the Feasibility Study. Now that steady-state production has been achieved, Fenix expects that C1 costs will progressively decline to the A\$82-88/wmt range.

Operating cash flow for the March Quarter was \$21.8m.

As foreshadowed in the December 2020 quarterly report, a portion of the initial capital expenditure was deferred to the March Quarter. The amount deferred was approximately \$7.2m.

Cash at the end of the period was \$26.7m, Fenix has no bank debt.

Free cash flows are anticipated to improve in the coming quarter with a reduction in capital expenditure together with a full period of shipping and sales.

## Exploration

There was no substantive exploration activity undertaken by the Company during the March Quarter.

## Corporate

### Farm-in and Joint Venture Agreement

During the March Quarter, the Company announced that it had executed a farm-in and joint venture terms sheet with Scorpion Minerals Limited (**Scorpion**) (**ASX: SCN**) over tenements E20/953 (currently the subject of an option to acquire between Scorpion and Element 25 Limited) and E20/948 (currently 100%-owned by Scorpion) (together **Tenements**) (**Farm-In and Joint Venture Agreement**).

The Tenements lie contiguous and adjacent to the tenements comprising Fenix's flagship Iron Ridge Project and contain numerous known iron ore targets.

Material terms of the Farm-In and Joint Venture Agreement are as follows:

- (a) Scorpion grants to Fenix the right to earn a 70% interest in the Iron Ore Rights, as defined below, in the tenements during the farm-in period of four years (**Farm-In Period**); and
- (b) for the remainder of the Farm-in Period, Scorpion grants to Fenix the sole and exclusive right to carry out exploration for iron ore on the tenements for the purpose of exercising the Iron Ore Rights as required to satisfy the Farm-in Requirements.

During the Farm-in Period and, if Fenix satisfies the Farm-in Requirements during the Farm-in Period, during the continuance of the Joint Venture, Scorpion agrees that it will not exercise the Iron Ore Rights in respect of the tenements.

- (a) Subject to paragraph (b), to earn a 70% interest in the Iron Ore Project, Fenix must fund all drilling up to 10,000,000 tonnes of Iron Ore JORC-compliant Mineral Resources.
- (b) Notwithstanding paragraph (a), if at any time during the Farm-in period, Fenix completes resource definition drilling and a Feasibility study on a minimum 1,000,000 tonne Iron Ore deposit (**Development Deposit**), Fenix may, by notice in writing to Scorpion:
  - (i) elect to treat the Development Deposit as a stand-alone Iron Ore Project (**Development Project**); and
  - (ii) delineate a mining area within the Tenements (covering the Development Deposit and such other areas as are reasonably sufficient for the conduct of the proposed mining operation.

in which event:

- (iii) Fenix will be deemed to have satisfied the Farm-in Requirements in respect of the Development Project and the Development Area, and to have earned a 70% interest in the Development Project; and
- (iv) Scorpion and Fenix will be deemed to have established the Joint Venture in respect of the Development Project.

For the avoidance of doubt, if at any time during the Farm-in Period, Fenix establishes any further Development Area, that Development Area will form part of the same Joint Venture and any and all such Development Areas will form part of the same Joint Venture upon satisfaction of the full Farm-in Requirements under paragraph (a).

- (c) Upon satisfaction of the Farm-in Requirements during the Farm-in Period, Fenix will be deemed to have earned a 70% interest in the Iron Ore Project, and Fenix and Scorpion will be deemed to have formed a joint venture in respect of the Iron Ore Rights and the Iron Ore Project in their respective percentage interests from time to time (the **Joint Venture**).

- (d) If Fenix fails to complete the Farm-in Requirements prior to the expiry of the 4-year Farm-in Period, Fenix will be deemed to have surrendered its right to earn an interest in the Iron Ore Project (other than any existing Development Project) Fenix may withdraw from the Terms Sheet at any time prior to the expiry of the Farm-in Period provided that it has expended not less than \$350,000 on exploration expenditure on the Tenements at the time of withdrawal.

## **Board Changes**

During the March Quarter, Warwick Davies was appointed interim Non-Executive Chairman on 19 February 2021 following the resignation of Garret Dixon.

## **Financial**

During the March Quarter, the Company received \$1.7 million and issued a total of 23,050,000 fully paid ordinary shares in the capital of the Company upon exercise of the following unlisted options:

- (i) 13,050,000 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.

In accordance with ASX Listing Rule 5.3.5, \$126,192 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, 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 Limited.

The project has generated some 150 full time equivalent jobs and the Company is focussed on generating 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 %	Al <sub>2</sub> O <sub>3</sub>	LOI %	P %	SiO <sub>2</sub> %	TiO <sub>2</sub> %
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
<b>Total</b>	<b>10.5</b>	<b>64.2</b>	<b>2.57</b>	<b>1.96</b>	<b>0.046</b>	<b>3.26</b>	<b>0.09</b>

**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 %	Al <sub>2</sub> O <sub>3</sub>	LOI %	P %	SiO <sub>2</sub> %	TiO <sub>2</sub> %
Probable	7.76	63.9	2.79	2.00	0.05	3.46	0.09
<b>Total Ore Reserves</b>	<b>7.76</b>	<b>63.9</b>	<b>2.79</b>	<b>2.00</b>	<b>0.05</b>	<b>3.46</b>	<b>0.09</b>

**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	100%	100%
Western Australia	Iron Ridge	G20/29	0%	100%