



FENIX ACQUIRES 100% OWNERSHIP OF MID-WEST HAULAGE BUSINESS

VALUE ACCRETIVE TRANSACTION DRIVES IMMEDIATE COST REDUCTIONS, PROVIDES OPERATIONAL FLEXIBILITY AND UNLOCKS EXPANSION OPPORTUNITIES

- Fenix has signed definitive agreements to acquire Newhaul's 50% interest in haulage joint venture, Fenix-Newhaul, positioning Fenix as a fully integrated mining, haulage and logistics company
- 100% ownership in the haulage business will **reduce Fenix's C1 FOB cash costs by ~A\$10 per tonne** enabling Fenix to target total C1 FOB cash costs of ~A\$70/wmt
- Transaction maximises value for shareholders, being immediately value accretive on an Earnings per Share and Dividend per Share basis, with Fenix to receive 100% of profits and cashflows from the highly profitable haulage business post completion
- Provides flexibility for Fenix to scale haulage operations to match production volumes to market demand and iron ore price conditions
- Integrated model enhances Fenix's ability to unlock strategic expansion opportunities in the Mid-West by combining mining expertise with logistics capabilities in haulage and port operations
- Upfront consideration of A\$7.5 million in cash and 30 million Fenix ordinary shares, with contingent consideration of a further 60 million Fenix shares subject to achievement of significant value-based performance milestones
- Transaction terms structured to minimise upfront payments with deferred consideration milestones tied to the performance and growth of Fenix's haulage business
- Mr Craig Mitchell, founder of Newhaul, is expected to join the Board of Fenix as a Non-Executive Director and becomes the Company's largest shareholder
- Fenix and Newhaul remain incentivised to grow the state-of-the-art haulage business as a standalone, significant profit generator, with material value expected to accrue for Fenix's shareholders if milestone targets are achieved
- Fenix is hosting an investor briefing today at 10am WST/12pm AEST. Register here: <https://bit.ly/3xx2sDS>

Fenix Resources (ASX:FEX) (Fenix or the Company) is pleased to announce the Company has signed definitive agreements with Newhaul Pty Ltd (**Newhaul**) to acquire Newhaul's 50% interest in Fenix-Newhaul Pty Ltd (**Fenix-Newhaul**), resulting in the consolidation of 100% ownership of the haulage business into Fenix (**Transaction**).

Factoring in the cash and equity consideration of the Transaction, the additional cash flows generated from the consolidation of the Company's haulage operations will result in higher earnings for Fenix and higher dividends available to Fenix shareholders. The Transaction will deliver lower operating costs for Fenix with additional value expected from operational flexibility advantages as well as unlocking new growth opportunities that can now be explored for the benefit of Fenix.

Commenting on the acquisition Mr Rob Brierley, Managing Director of Fenix, said:

“Consolidation of Fenix-Newhaul ownership is an important strategic initiative as it immediately reduces our haulage costs. It provides Fenix with a significant advantage over our peers given haulage costs are the largest cost input for Mid-West iron ore miners.”

Mr John Welborn, Chairman of Fenix, said:

“Fenix-Newhaul is a highly profitable state-of-the-art logistics business which is an essential component of Fenix’s business success. Consolidating 100% ownership is a smart move which will reduce our costs and provide operational flexibility. These advantages will make our business significantly more resilient and robust to commodity price volatility. The transaction is a key outcome from the Board’s recent strategic review and provides Fenix with a vastly improved platform to evaluate and acquire further growth opportunities.”

“Fenix recognises the outstanding work of Craig Mitchell and his team at Newhaul to establish a best-in-class haulage business to support Fenix. We are excited that Craig and the Fenix-Newhaul team will now be joining Fenix and will continue to manage our haulage operations under terms which will motivate and reward our performance.”

Mr Craig Mitchell, Executive Director and Founder of Newhaul, said:

“In collaboration with Fenix, Newhaul has established a highly efficient haulage solution to connect Fenix’s Iron Ridge mine in the Mid-West, to the Company’s port operations in Geraldton. This has been achieved by combining a modern, intelligent haulage fleet with a skilled and dedicated workforce, and strong systems and processes. The entire Fenix-Newhaul team are excited to join with Fenix and contribute to building an even stronger and more scalable logistics business. We remain committed to supporting Fenix’s business and are particularly excited by their expansion plans in the Mid-West region.”

About Fenix-Newhaul

Fenix-Newhaul was incorporated in October 2020 as a 50:50 joint venture company to implement the strategic alliance between Fenix and Newhaul. Fenix-Newhaul was established to provide haulage and logistics services to Fenix’s Iron Ridge Project located in the Mid-West region of Western Australia, 490km from Geraldton Port.

Fenix-Newhaul operates a state-of-the-art fleet of 25 quad road trains which provide a daily haulage capacity to Fenix of up to 4,000 tonnes per day. In the last 18 months, Fenix-Newhaul has hauled over 1.8 million wet metric tonnes (wmt), equivalent to approximately 1.72 million dry metric tonnes (dmt), of high-grade iron ore to Geraldton, completing over 15,000 round trips travelling almost 15,000,000 km.

The Fenix-Newhaul business provides additional logistics support to Fenix’s operating iron ore loading facilities at Iron Ridge. The business includes a driver change-over facility and a driver accommodation base at Cue, as well as a Company owned 110,000 sqm depot in Geraldton with 24-hour workshop and administration support.

Fenix-Newhaul is focused on delivering best-in-class logistics and haulage solutions and is actively investing in technology to continue as a leader in cost and efficiency. Current investments at the Geraldton depot include a driver wellness hub, new washdown bays, and additional infrastructure which is expected to significantly reduce cycle times and therefore, further improve costs and efficiency.



Fenix-Newhaul Prime Mover and Trailer Combination

Transaction Detail & Terms

The Transaction has been structured to minimise Fenix's upfront payment and to incentivise the haulage business, and Newhaul, to continue to deliver value and growth for the Company's shareholders.

The terms of the signed agreements give effect to the transfer of Newhaul's 50% interest in Fenix-Newhaul to Fenix. Following the Transaction, Fenix will wholly own 100% of Fenix-Newhaul.

The Transaction consideration comprises:

- Upfront payment of A\$16.5 million in cash and equity, including:
 - A\$7.5 million in cash consideration to be paid on completion; and
 - 30,000,000 Fenix ordinary shares (**Shares**) issued to Newhaul and valued at A\$9m based on the last closing price for Fenix shares of A\$0.30;
- Up to 60 million Shares in Contingent Milestone Payments to be issued upon the achievement of significant milestones linked directly to value creation for Fenix as follows;
 - 20,000,000 Shares upon Fenix hauling 3,000,000 dry metric tonnes (**dmt**); and
 - 20,000,000 Shares upon Fenix hauling 6,000,000 dmt; and
 - 20,000,000 Shares upon Fenix hauling 10,000,000 dmt (subject to shareholder approval).

In addition, the agreements stipulate that Newhaul will receive Limited Profit Sharing Rights on specific new haulage opportunities in the Mid-West should these opportunities eventuate to benefit Fenix and generate future profits attributable to the Company. The Limited Profit relates only to specific Mid-West opportunities that Newhaul have advanced and does not include any tonnes hauled from Iron Ridge.

The Transaction terms include a non-compete arrangement in respect of any haulage in the Mid-West region of Western Australia or areas that haul to the Port of Geraldton for a period of five years. In addition, Fenix will retain the services of Newhaul's accomplished corporate team and benefit from the efficiencies of Newhaul's systems and market leading processes for at least twelve months by way of a management services agreement.

A summary of the material terms of the Transaction is included as an appendix to this announcement.

Value Accretive Transaction

Since the establishment of the Fenix-Newhaul joint venture in October 2020, Fenix has gained a detailed understanding of the profitability and value of the Company's haulage and logistics operations. Fenix's due diligence has been extensive and comprehensive and has enabled the Transaction to be appropriately structured to ensure maximum value creation.

The Transaction is immediately value accretive to Fenix shareholders both in terms of Earnings per Share (**EPS**) and Dividends per Share (**DPS**) based on Fenix now receiving 100% of joint venture profits and cashflows post completion (based on pro forma FY22 financials). In addition to being immediately EPS and DPS accretive, Fenix's modelling over the currently projected remaining mine life of Iron Ridge, based only on remaining Ore Reserve inventories, indicates the Transaction is significantly EPS and DPS accretive over this period.

Factoring in the cash and equity consideration of the Transaction, the additional cash flows generated via the consolidation of the Company's haulage operations will result in higher earnings and higher dividends available to Fenix shareholders. This calculation does not include the additional value that is expected to be gained from the Transaction by virtue of lower operating costs applicable to any mine life extension at Iron Ridge, the operational flexibility benefits of consolidation, and the massive range of new opportunities that can now be explored for the benefit of Fenix.

Board Appointment Right

From completion of the Transaction Newhaul will be entitled to appoint a nominee director to the Fenix Board while it holds at least a 10% Shareholder interest in Fenix. As a result, Mr Craig Mitchell, the founder of Newhaul, is expected to join the Board of Fenix in due course as a Non-Executive Director.

Mr Mitchell founded Mitchell Corp in 1997 which became one of Australia's largest bulk haulage businesses, operating in four states and servicing some of Australia's largest energy and mining companies before its sale to Toll Group in 2011. Mr Mitchell has a proven track record of positive engagement with local communities through many successful community initiatives. A highly regarded operator and innovator, Mr Mitchell is a previous winner of the Ernst & Young Western Australian Entrepreneur of the Year.

Commenting on Mr Mitchell's expected Board appointment , Mr John Welborn, Chairman of Fenix, said:

"Craig Mitchell is a highly experienced and impeccably credentialed business leader with an enviable track record of building successful operational businesses. He has supported Fenix from inception both as the founder of our haulage joint venture as well as a shareholder. I would be delighted to have Craig join the Fenix Board and look forward to working with him and the entire team in driving the next phase of growth at Fenix."

Fenix Growth Strategy

Following the Transaction, Fenix becomes a fully integrated logistics and mining company with a high-quality, high-grade iron ore mine at Iron Ridge; an extremely efficient, low-cost, 100% owned haulage transport operation; and wholly owned bulk export facilities at Geraldton Port. With this excellent foundation and platform for growth, Fenix is actively reviewing and advancing new opportunities that have strategic fit, leverage the Company's success in the Mid-West and deliver maximum value for shareholders.

This announcement has been authorised for release by the Board of Fenix Resources Limited.

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Appendix - Transaction Commercial Terms

Commercial

Fenix has signed definitive agreements to acquire the remaining 50% interest in the haulage joint venture, Fenix-Newhaul, to move to 100% ownership. The terms of the signed agreements give effect to the transfer of Newhaul's 50% interest in Fenix-Newhaul to Fenix. Following the transaction Fenix will wholly own 100% of Fenix-Newhaul.

Transaction consideration comprises total cash and equity payments comprising:

- Upfront payment of A\$16.5 million in cash and equity to be paid on completion, including:
 - A\$7.5m in cash consideration; and
 - 30,000,000 Fenix ordinary shares ("Shares") issued to Newhaul valued at A\$9m based on the last closing price for Fenix shares of \$0.30;
- Up to 60 million Fenix Shares in Contingent Milestone Payments (as described below); and
- Limited Profit Sharing Rights on specific new haulage opportunities in the Mid-West should these opportunities eventuate to benefit Fenix and generate future profits attributable to Fenix (as described below).

The 30,000,000 upfront Shares and the 40,000,000 Milestones 1 and 2 Shares will be issued under Fenix's capacity under Listing Rule 7.1. The issue of the 20,000,000 Milestone 3 Shares is subject to shareholder approval.

Board Appointment Right

From completion of the Transaction, Newhaul will be entitled to appoint a nominee director to the Fenix Board while it holds at least a 10% Shareholder Interest in Fenix. If Newhaul's Shareholder Interest falls below 10% but is above 5%, the Newhaul nominee director to the Fenix Board is subject to re-election at the new annual general meeting or Fenix and if Newhaul's Shareholder Interest falls below 5%, the Newhaul nominee director must resign immediately from the Fenix Board (unless the Fenix Board otherwise agrees). A "Shareholder Interest" includes all Fenix Shares held by Newhaul (or any of its related parties), and includes the number of Fenix Shares that Newhaul would hold assuming all the Contingent Milestone Payments were satisfied.

Exclusivity

Newhaul and Craig Mitchell, the founder of Newhaul, have entered a non-compete arrangement with Fenix in respect of haulage in the Mid-West region of Western Australia or areas that haul to the Port of Geraldton for a five year period.

Transitional Arrangements

Fenix will retain the services of Newhaul's accomplished corporate team and benefit from the efficiencies of Newhaul's systems and market leading processes for at least twelve months by way of a management services agreement.

Contingent Milestone Payments (up to 60,000,000 Shares)

Objective: The Contingent Milestone Payments are designed to ensure that Newhaul remains committed to providing the highest quality logistics and haulage services throughout the Mid-West.

Milestones: 20,000,000 in Shares will be issued to Newhaul upon Fenix (through Fenix-Newhaul or other Fenix group members) hauling each of the following mineral quantities before 31 May 2029 (collectively, "Milestones"):

- Milestone 1: an aggregate of 3,000,000 dmt;

- Milestone 2: an aggregate of 6,000,000 dmt; and
- Milestone 3: an aggregate of 10,000,000 dmt

Conditions:

- At Fenix's election after 31 May 2027, the consideration payable to Newhaul will be substituted for a cash payment equal to the value of the relevant number of Fenix Shares¹.
- Shares issued as consideration for Milestone 3 will be subject to shareholder approval.
- The Contingent Milestone Payments are subject to compliance with the non-compete arrangements prior to the satisfaction of each of the Milestones.
- If there is a change of control event in respect of Fenix or Fenix-Newhaul or a disposal of all or material part of the assets of Fenix-Newhaul ("**Change of Control Event**"), the Contingent Milestone Payments must be satisfied through the provision of consideration equivalent to that received in respect of the Change of Control Event (whether cash or scrip consideration, and where it is not possible to issue scrip consideration, the market value of the scrip consideration). In addition, if the change of control event involves the disposal by Fenix of all or a material portion of its Iron Ridge Project, the Milestones are automatically deemed to have been satisfied.

Conditions Precedent

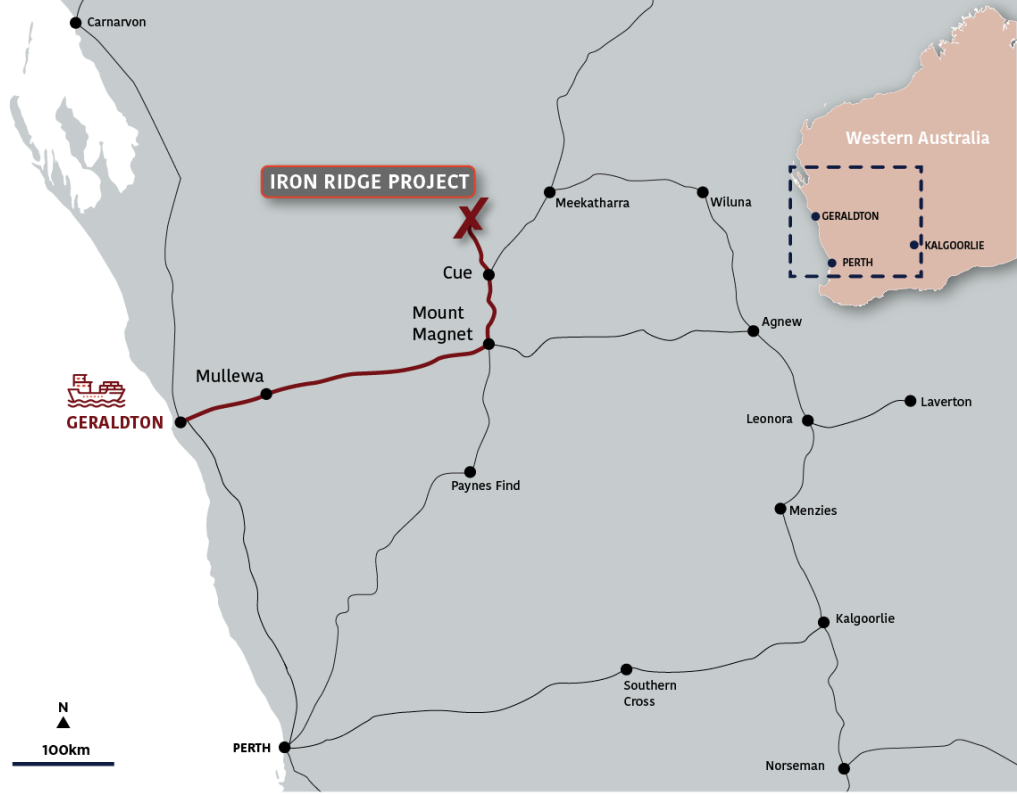
Completion of Fenix's acquisition of the remaining 50% interest in Fenix-Newhaul from Newhaul is conditional on Fenix obtaining all necessary regulatory approvals, approvals from the financiers of Fenix-Newhaul and guarantees provided by Newhaul for the benefit of Fenix-Newhaul being released.

The share sale agreement for the transaction contains other customary obligations for a transaction of this nature including obligations on the parties prior to completion and representation and warranties which are considered standard for an agreement of this nature.

Profit Sharing Rights

Profit Sharing Rights are provided to recognise the significant efforts Newhaul has put into advancing haulage opportunities in the Mid-West. These rights incentivise Newhaul to continue pursuing these opportunities. These opportunities will provide significant value to Fenix's shareholders if achieved. Profit Sharing Rights will entitle Newhaul to a profit share payment per tonne of hauled minerals from specific, and highly prospective, mining projects in the Mid-West should Fenix, either via Fenix-Newhaul or any Fenix group member, be the haulage provider to these projects.

¹ Based on 10-day VWAP immediately prior to achieving the Milestone.



Fenix Resources (ASX: FEX) is a high grade, high margin iron ore producer located in the prolific mid-west mining region of Western Australia.

The Company’s 100% owned, flagship Iron Ridge Iron Ore Project is a premium DSO deposit that hosts a high grade, JORC 2012 compliant resource of 9.8 Mt @ 64.4% Fe, which represents some of the highest grade iron ore in Western Australia. Production commenced in December 2020 following a rapid three-month development period, and first sales were generated in February 2021, shipped from the Company’s port facility at Geraldton. Approximately 1.8 million tonnes of premium ore have been exported to date, generating solid cash flow.

High grade iron ore attracts a premium price on the seaborne market, as a purer product result in lower emissions. Chinese steelworks are demanding high grade ore to meet increasingly strict government regulations.

The Company hauls iron ore from Iron Ridge to Geraldton Port using the Company’s wholly owned integrated haulage fleet. Export capacity has been secured at Geraldton through binding agreements with the Mid West Ports Authority for the use of its facilities. At Geraldton Port, Fenix owns its own iron ore storage shed, truck unloading facility and conveyor systems.

Product sales are conducted through offtake and marketing arrangements with Sinosteel International Holding Company Limited and with Atlas Iron Pty Ltd. The Company has protected its margins with a hedge book which consists of 50,000 tonnes per month at a price A\$230 per dry metric tonne (dmt) through to September 2022 and a further 35,000 tonnes per month at a price of A\$180 per dmt from October 2022 through to June 2023.

The Company has adopted a dividend policy which provides that, to the extent that dividends can be fully franked, Fenix will distribute between 50% and 80% of after-tax earnings to shareholders in annual dividend payments.

Fenix is led by a proven team with deep mining experience who are focused on promoting opportunities for local businesses and the community. To date, the project has generated some 200 local jobs. Fenix is proud to employ a 40% indigenous workforce and be in partnership with the Schwarze Brothers and other leading service providers.

Forward Looking Statements

This announcement may contain certain “forward-looking statements” which may not have been based solely on historical facts, but rather may be based on the Company’s current expectations about future events and results. Where the Company expresses or implies an expectation of belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. The detailed reasons for that conclusion are outlined throughout this announcement and all material assumptions are disclosed.

However, forward looking statements are subject to risks, uncertainties, assumptions and other factors, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Such risks include, but are not limited to resource risk, metals price volatility, currency fluctuations, increased production costs and variances in ore grade or recovery rates from those assumed in mining plans, as well as governmental regulation and judicial outcomes.

For a more detailed discussion of such risks and other factors, see the Company’s Annual Reports, as well as the Company’s other filings. Readers should not place undue reliance on forward looking information. The Company does not undertake any obligation to release publicly any revisions to any “forward looking statement” to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

Competent Person Statement

The information in this report that relates to Mineral Resources is based on information compiled by Mr Alex Wishaw, 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 Wishaw 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 on 15 September 2021 and all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed.

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