

QUARTERLY REPORT

For the period ending
31 December 2022



27 January 2023

DECEMBER 2022 QUARTERLY ACTIVITIES REPORT

C1 Cash Costs reduced to A\$78/t

Hedge book extended - 50,000t per month at A\$173/t to June 2023

Increased operating margin on stable production volumes

Fenix-Newhaul transaction delivering value

Disciplined performance from motivated management team

HIGHLIGHTS

- Five shipments totalling 298,439 wet metric tonnes (wmt) of iron ore from Fenix's 100% owned Iron Ridge Mine in Western Australia were sold during the quarter, consisting of 132,775 wmt of lump and 165,664 wmt of fines.
- C1 cash costs further reduced to A\$77.76/wmt shipped FOB Geraldton (Sept Q: A\$84.14), equivalent to US\$51/wmt (Sept Q: US\$58/wmt).
- Average CFR price received, pre-hedging and quotation period price adjustments, of US\$101 per dry metric tonne (dmt), equivalent to A\$154/dmt CFR (Sept Q: US\$105/dmt).
- Shipping costs decreased to US\$21.7/dmt (Sept Q: US\$26.6/dmt), equivalent to A\$33/dmt (Sept Q: A\$39/dmt).
- Net C1 operating margin, excluding hedge and quotation period adjustment, increased by 46% to ~A\$38/dmt (Sept Q: ~A\$26/dmt).
- Hedging contracts generated A\$6.8 million of additional cash during the quarter.
- Hedge book extended to cover 50,000 tonnes per month to June 2023 at a fixed price of A\$173.25/dmt.

"The Fenix team continue to deliver exceptional performance, further reducing operating costs and increasing operating margins in the December quarter in the face of volatile market conditions. Fenix is now positioned with a unique advantage in the Mid-West as a fully integrated mining, haulage and logistics company."

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HIGHLIGHTS (Continued)

- Strong balance sheet maintained with cash as at 31 December 2022 of A\$48.8 million (30 Sept 2022: A\$94.5 million). Significant non-operational cash outflows during the quarter totalled more than A\$50 million including ~A\$28 million in shareholder dividend payments and ~A\$22 million in tax payments. In addition, cash at the end of the quarter did not include sales receipts of ~A\$8.2 million for the last shipment for the quarter on 25 December 2022 which were received in early January.
- Fenix achieved a significant milestone of two million dry metric tonnes of high-grade iron ore sales only nineteen months from first production.
- Integration of the Fenix-Newhaul haulage business as a wholly-owned subsidiary of Fenix completed delivering significant cost savings as expected. As a fully integrated mining, haulage and logistics business Fenix has a unique advantage to exploit synergies and expand strategic opportunities for growth, as well as deliver ongoing cost savings.
- Fenix selected as a finalist for the AMEC Aboriginal and Torres Strait Islander Empowerment Award, recognising the Company's commitment to providing long term, sustainable development opportunities for Aboriginal people and local indigenous-led businesses.
- Performance Rights, Retention Rights, and Bonus Shares issued to Fenix employees and contractors in accordance with the Company's Employee Securities Incentive Plan approved by shareholders on 15 November 2022.
- Fenix evaluating growth opportunities focused on expanding the Company's existing business including mine-life extension opportunities and production expansion opportunities designed to maximise value for shareholders.
- Fenix will host a live investor briefing on Monday, 30 January 2023, at 11:00am AWST / 2:00pm AEDT. Register here: <http://bit.ly/3iX5n5M>

Fenix Resources Limited (ASX: FEX) (Fenix or the Company) is pleased to report on activities for the quarter ending 31 December 2022 (**December Quarter**). The Company shipped 289,439 wmt of high-grade iron ore and achieved an 8% reduction in C1 cash operating costs which, combined with lower shipping rates, resulted in an increased operating margin of ~A\$38/dmt for the quarter despite a reduction in prevailing iron ore prices.

MANAGEMENT SUMMARY

"Fenix has delivered an exceptional performance in the December quarter to further reduce our operating costs and increase our operating margins in the face of volatile market conditions and inflationary pressures. The acquisition of Fenix-Newhaul has proved to be a game changer, with Fenix now positioned with a unique advantage in the Mid-West as a fully integrated mining, haulage and logistics company. Congratulations to our mining team, our haulage team and our port operations team who have all delivered on our commitment to deliver value for shareholders."

JOHN WELBORN

Chairman

IRON RIDGE PROJECT - OPERATIONS

Health & Safety

Fenix is committed to maintaining a safe work environment for all personnel. During the December Quarter, the Company recorded no Lost Time Injuries in mining operations.

Fenix has implemented appropriate COVID-19 protocols at all operational sites to protect the health, safety and wellbeing of the Company's people. Fenix has not been materially affected by COVID-19 and is committed to maintaining policies and procedures that, in line with prevailing health regulations, ensure our people are safe and that operational impacts are minimal.



Fenix's Iron Ridge Iron Ore Mine, January 2023

Mining & Production

During the December Quarter, Fenix loaded five ships with a total of 298,439 wmt of iron ore from Iron Ridge (132,775 wmt of lump and 165,664 wmt of fines), with completion dates of 14 October, 2 November, 17 November, 30 November and 25 December 2022. The reduction in number of ships from the prior quarter was aligned to the Mid-West Port Authority's planned maintenance shutdown in early December. During this shutdown period, Fenix took the opportunity to complete significant maintenance activities at the Company's port facilities, including routine maintenance and improvements that support increased shipping efficiency and have the potential to support increased volumes in future.

To date, Fenix has shipped 2,496,851 wmt (2,375,285 dmt) of product from the Iron Ridge Iron Ore Mine.

Average grade shipped during the December Quarter was 64.6% Fe for lump product (previous quarter: 64.3%) and 62.4% Fe for fines (previous quarter: 62.2%), again demonstrating the unique high-grade high-quality nature of the Iron Ridge ore body.

The current project-to-date lump to fines ratio of 46%:54% continues to be significantly higher than the life-of-mine assumed average of 25%:75%.

Production Summary

Production Summary (k wmt)	Dec Q FY23	Sept Q FY23	June Q FY22	Project to Date
Ore Mined	416.8	368.6	313.6	2,740.1
Lump Ore Produced	167.6	155.4	122.7	1,240.6
Fine Ore Produced	197.0	195.3	196.5	1,412.5
Lump Ore Hauled	149.5	130.3	132.7	1,162.3
Fine Ore Hauled	185.8	196.2	207.4	1,382.2
Lump Ore Shipped	132.8	138.0	140.7	1,140.2
Fine Ore Shipped	165.7	222.9	203.6	1,356.7
C1 Cash Cost (A\$/wmt Shipped FOB)	77.8	84.1	91.5	86.6

Performance at a Glance

Item	Unit	Dec Q FY23	Sept Q FY23	June Q FY22
Lump product sales	k wmt	133	138	141
Fines product sales	k wmt	166	223	204
Total Ore Sales	k wmt	298	361	344
Platts 62% Fe CFR price, average	US\$/dmt	99.0	103.3	137.9
Average Realised CFR price	US\$/dmt	101.0	105.2	141.6
	A\$/dmt	153.7	153.9	198.1
Average Freight cost	US\$/dmt	(21.7)	(26.6)	(32.2)
	A\$/dmt	(33.0)	(38.9)	(45.0)
Average Realised FOB price (pre-QP Adjustments)	US\$/dmt	79.3	78.6	109.4
	A\$/dmt	120.7	115.0	153.2

Operating Financial Performance

Unaudited C1 FOB Cash Costs for the December Quarter were A\$77.76 per wmt shipped, equivalent to ~US\$51/wmt. Cash Costs were 8% lower than the previous quarter mainly due to the savings arising from the consolidation of the Fenix-Newhaul haulage business for the full 3 months of the quarter, strong mining performance, and the application of disciplined cost management across the business in response to lower iron ore prices.

Iron ore markets remained volatile during the quarter with the average CFR price received by Fenix, prior to recognising any hedging gains and quotation period price adjustments, reducing to US\$101/dmt (Sept Q: US\$105/dmt). This received CFR iron ore price compared favourably with the quarterly average CFR market price of US\$99/dmt (Sept Q: US\$103/dmt). Pleasingly, the recovery in iron ore markets that commenced in early November has continued into January 2023, with prices currently above US\$120/dmt.

Sea freight costs decreased 18% during the quarter to US\$21.7/dmt (equivalent to ~A\$33/dmt), continuing the trend from the prior quarter where global shipping markets started to ease.

Fenix's C1 operating margin, not including hedging and quotation period adjustments, for the December Quarter was ~A\$38/dmt. Net C1 operating margin is calculated as the Average Realised FOB price less C1 Cash Costs, calculated on an equivalent dry metric ton basis for the period. The increase in margin was the result of the Company's ability to reduce C1 cash costs as noted above combined with the achieved reduction in sea freight costs.

Cash outflows during the quarter included dividend payments to shareholders of \$28.0m in accordance with the final fully franked dividend of 5.25 cents per share for the financial year ended 30 June 2022 (FY22) declared in August 2022 and paid in October 2022, a \$16.4 million taxation payment associated with the FY22 tax year and A\$5.8 million in quarterly tax instalments relating to the FY23 tax year.

Capital expenditure for the December Quarter was ~\$2.2 million which largely related to new prime mover trucks acquired as part of the Company's planned fleet replacement program. Fenix maintains a state-of-the-art haulage fleet and has taken advantage of strong second-hand equipment values in prime mover trucks to accelerate new-for-old asset replacement. As at 31 December 2022, the asset value of Fenix-Newhaul's haulage fleet and associated infrastructure was ~A\$33 million offset by debt obligations totalling A\$20 million. Total project capital expenditure to date has been ~A\$28 million, exclusive of Fenix-Newhaul owned assets prior to the purchase of the remaining 50% of the business in July 2022.

Cash as at 31 December 2022 was A\$48.8 million which did not include sales receipts of ~A\$8.2 million for the last shipment for the quarter which was completed on 25 December 2022. These funds were received in early January 2023 and are expected to contribute to a strong cash build in the March 2023 quarter.

Project costs to date have averaged A\$86.57/wmt FOB, equivalent to around US\$57/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.

Exploration and Business Development

Fenix holds 100% interest in the Iron Ore rights over tenements E20/953 and E20/948 (together the Pharos Project Tenements) (See ASX announcement dated 9 February 2022). The Pharos Project Tenements cover 385 km² and are contiguous to the tenements comprising Fenix's flagship Iron Ridge Project and contain numerous known iron ore targets.

Historical exploration and recent field work at Pharos has identified areas that are prospective for iron ore. Several target areas in close proximity to the Company's existing Iron Ridge mining operations continue to be evaluated with potential to host high grade iron mineralisation similar to Iron Ridge. During the quarter, a geological field crew were deployed to Iron Ridge and the Pharos Project Tenements to evaluate the potential for further discovery and commence planning future drilling programs.

In addition to exploration opportunities, Fenix continues to investigate potential collaboration and/or acquisition of quality mineral projects and mining infrastructure assets in the Mid-West. Fenix is seeking opportunities to expand the Company's resource base with a view to extending the mine-life of existing mining, haulage and port operations and/or expanding existing production volumes. There is no guarantee that current business development activities or future exploration will result in increases to either resources or production volumes. Any material developments will be reported when confirmed.

CORPORATE

Hedging

Fenix has an active hedging program which is designed to manage iron ore price risk and protect the Company's strong operating margins.

In late December 2022, Fenix took advantage of strengthening iron ore prices to expand the Company's hedge book which currently comprises 50,000t per month from January 2023 through to June 2023 at a fixed price of A\$173.25 per dmt. These hedging arrangements are structured as swap contracts facilitated by an Australian top tier financial institution and are based on the Monthly Average Platts TSI 62 Index converted to AUD for the relevant month. Cash settlement under the hedge contracts occurs 5 business days after the end of each month.

During the December Quarter, a total of ~A\$6.8 million was received for the three hedging contracts settled (September 2022, October 2022 and November 2022).

Leadership Team

Fenix has completed the integration of the Fenix-Newhaul business and consolidated the Company's Executive Management team. During the December Quarter, the Company entered into retention and incentive arrangements with key management staff which resulted in the issue of Performance Rights and Retention Rights. The Board is delighted with the performance and continuity of the key management team at the Iron Ridge Iron Ore Mine, the Fenix-Newhaul business, Fenix's port operations and the Company's small corporate team.

To reward staff for their commitment and loyalty, and recognising the Company's excellent performance during 2022, Fenix has issued a total of 448,000 Bonus Shares to 112 staff and contractors. The Fenix Board has the ambition that all Fenix team members act and feel like owners of the business and to facilitate this ambition, selected staff have each been provided the opportunity to be issued with 4,000 Fenix shares valued at approximately \$1,000 (4,000 shares valued at \$0.25 per share). The shares were issued at no cost with the intention that recipients will hold the shares as a long-term investment and participate in the future success of the Company.

The Performance Rights, Retention Rights and Bonus Shares were issued in accordance with the Company's Employee Securities Incentive Plan approved by shareholders on 15 November 2022.

The Board is committed to ensure Fenix maintains an excellent senior executive leadership team and continues to evaluate the Company's requirements based on current activities and future growth ambitions.

Quotation Period Adjustments

During the December quarter, market iron ore prices declined sharply during late October / early November. However, prices recovered sharply from early November onwards. As a result, quotation period price adjustments arising from the prior quarter's shipments resulted in a total cash outflow of US\$2.2 million (~A\$3.4 million), with positive quotation period price adjustments expected in the next quarter arising from the continued increase to date in the iron ore price. For comparison purposes, during the September 2022 quarter, where market iron ore prices decreased during the last month of the previous quarter, quotation period price adjustments resulted in a total cash outflow of US\$4.5 million (~A\$6.5 million).

Capital Structure

During the December Quarter, the Company issued 37.5 million new shares via a conversion Class C Performance Shares, upon Fenix's achievement of the two million tonne production milestone in early October 2022. These Performance Rights were issued to the original vendors of the Iron Ridge Project as part of the acquisition transaction which founded the Company (See ASX Announcement dated 6 October 2022).

A total of 3 million performance rights and 3.5 million retention rights were issued to key management as referred to above (See ASX announcements dated 23 December 2022).

In accordance with ASX Listing Rule 5.3.5, \$821,515 in payments were made to related parties or their associates during the quarter, comprising Executive Director salaries, superannuation and

bonus payments, Non-Executive Director fees and superannuation payments, as well as Fenix-Newhaul payments to Newhaul (an entity associated with Mr Craig Mitchell).

Stakeholder Engagement

During the quarter, Fenix was selected as a finalist for the AMEC Aboriginal and Torres Strait Islander Empowerment Award. This demonstrated Fenix's relationship with, and strong commitment to, the traditional owners, communities and Fenix's business partners.

Growth Opportunities

As a new Western Australian Mid-West based producer of high-quality high-grade iron ore with existing mining operations, an operational transport joint-venture which is soon to be consolidated, and Company owned export facilities at Geraldton Port, Fenix is actively exploring and seeking to evaluate new regional opportunities for exploration, development and production.

As part of the Company's growth strategy, Fenix will continue to assess corporate and asset opportunities that have a strategic fit, build upon the Company's strengths and importantly, add to Shareholder value.

Authorised by the Board of Fenix Resources Limited.

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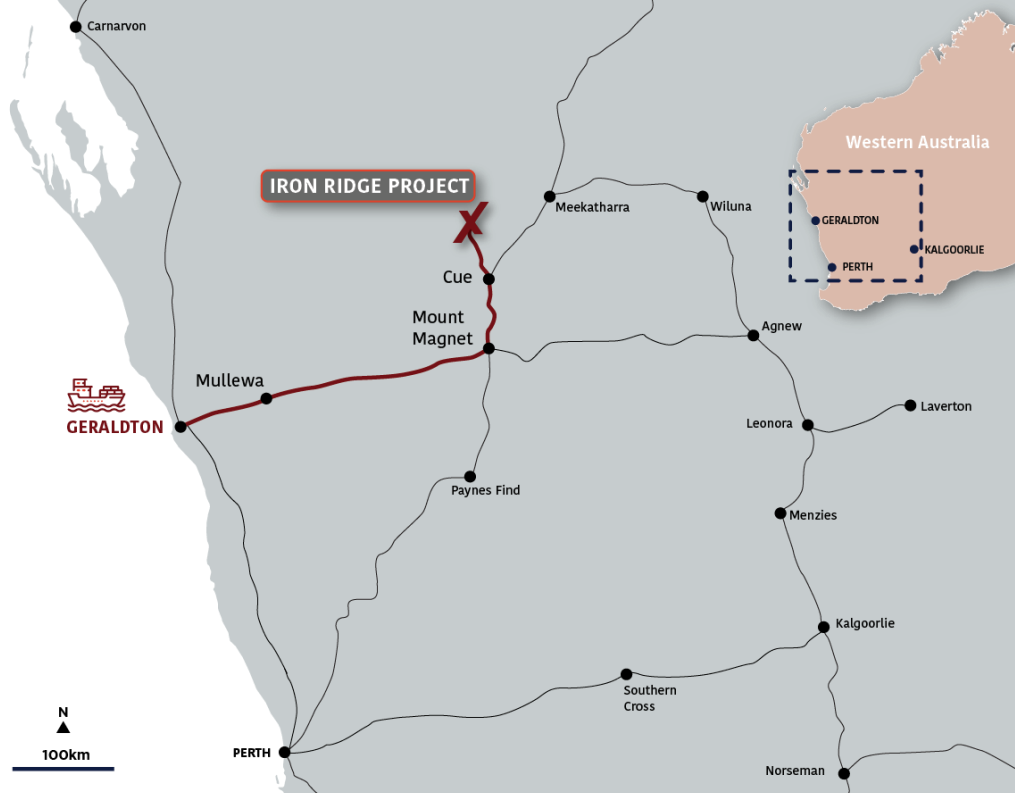
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Fenix Resources (ASX: FEX) is a high grade, high margin iron ore producer located in the mid-west mining region of Western Australia.

The Company's 100% owned, flagship Iron Ridge Iron Ore Mine is a premium direct shipping ore deposit that hosts some of the highest grade iron ore in Western Australia. Fenix's high grade iron ore attracts a premium price on the seaborne market. Increasingly, global customers are demanding high grade ore to meet increasingly strict government regulations.

Fenix operates a unique fully integrated mining and logistics business. Mining at Iron Ridge is via conventional open pit methods with a low strip ratio and simple crushing and screening of high-grade lump and fines direct shipping ore products. High quality iron ore products from Iron Ridge are transported by road to Geraldton using the Company's 100% owned Fenix-Newhaul haulage and logistics business. The Company operates its own loading and storage facilities at the Geraldton Port.

Production commenced at Iron Ridge in December 2020 and is operating at the planned production run rate of 1.3 million tonnes per annum. Fenix has produced and exported more than 2 million tonnes of premium iron ore, generating excellent cash flow and profitability since commencement of production. The unaudited net operating margin for the first two million dry metric tonnes of iron ore sold from Iron Ridge averaged A\$56 per dry metric tonnes shipped, representing an unaudited gross cashflow operating margin of more than A\$112 million in just 19 months of operation.

Fenix has a generous dividend policy to distribute between 50% and 80% of after-tax profits as fully franked dividends. For the year ended 30 June 2022, Fenix declared a final fully franked dividend of 5.25 cents per share.

The Company is led by a proven team with deep mining experience and benefits from strategic alliances and agreements with key stakeholders, including the Wajarri Yamatji people who are the Traditional Custodians of the land on which the Iron Ridge Iron Ore Mine is located.

Fenix is focused on promoting opportunities for local businesses and the community. The Company has generated more than 200 local jobs. Fenix is proud to have a strong indigenous representation in the Company's workforce and to be in partnership with leading contract service providers including MACA Ltd, Alpha 1 WA Pty Ltd, Champion Bay Electrical Ltd, the Schwarze Brothers Pty Ltd, and other leading local and national service providers.

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	Pharos	E20/943	100% of Iron Ore rights	100% of Iron Ore rights
Western Australia	Pharos	E20/953	100% of Iron Ore rights	100% of Iron Ore rights