



ANNUAL REPORT

2022

ABN 68 125 323 622



CORPORATE DIRECTORY

Directors

Robert Brierley	<i>Managing Director</i>
John Welborn	<i>Non-Executive Chairman, appointed 16 November 2021</i>
Garry Plowright	<i>Non-Executive Director</i>
Warwick Davies	<i>Non-Executive Chairman, resigned 16 November 2021</i>
Richard Nicholls-Maltman	<i>Non-Executive Director resigned 15 November 2021</i>

Company Secretary

Shannon Coates

Stock Exchange Listing

Australian Securities Exchange
ASX Code - **FEX**

Bankers

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Perth WA 6000

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Auditor

Grant Thornton Audit Pty Ltd
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Level 43, 152-158 St Georges Terrace
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Share Registry

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CONTENTS

Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	23
Consolidated statement of Profit or Loss and Other Comprehensive Income	24
Consolidated statement of Financial Position	25
Consolidated statement of Changes in Equity	26
Consolidated statement of Cash Flows	27
Notes to and forming part of the Consolidated Financial Statements	28
Directors' Declaration	69
Independent Auditor's Report	70
Additional Information	73

DIRECTORS' REPORT

The Directors present their financial report for the consolidated entity consisting of Fenix Resources Limited (**Company** or **Fenix**) and the entities it controls (**Consolidated Entity** or **Group**) at the end of, or during, the year ended 30 June 2022.

REVIEW OF OPERATIONS

During the year ended 30 June 2022, Fenix Resources Limited (**Fenix** or **the Company**) continued to build on its proven track record of strong operational performance at the Iron Ridge iron ore project (**Iron Ridge Project** or **the Project**) in Western Australia's Mid-West, which resulted in shipment of more than 1.33 million wet metric tonnes (**wmt**) of high-quality iron ore during the year.

Health and Safety

The Company is committed to maintaining a safe work environment for all personnel. During the year ended 30 June 2022, the Company recorded one (1) Lost Time Injury (**LTI**), relating to a muscular impact injury that occurred at the Iron Ridge Project. The Company's Geraldton Port operations remain LTI-free since inception.

During the year, Fenix continued to manage strict COVID-19 protocols at all operational sites to protect the health, safety and wellbeing of the Company's people. The Company was not materially affected by COVID-19 related restrictions, with minor numbers of cases being managed according to our policies and procedures, and in line with current health regulations.

Despite the relaxation of Government requirements, Fenix maintained mandatory vaccination requirements at all sites as at 30 June 2022. Fenix personnel have responded positively to changing circumstances throughout the pandemic.

Mining and Production

Production Summary					
Production Summary (kwmt)	June Q FY22	March Q FY22	Dec Q FY22	Sep Q FY22	Total FY22
Ore Mined	313.6	340.6	277.9	335.2	1267.3
Lump Ore Produced	122.7	143.2	122.7	204.5	593.1
Fine Ore Produced	196.5	196.9	153.3	173.7	720.4
Lump Ore Hauled	132.7	121.4	165.4	195.6	615.1
Fine Ore Hauled	207.4	207.3	166.4	149.4	730.5
Lump Ore Shipped	140.7	100.3	188.4	197.8	627.2
Fine Ore Shipped	203.6	194.4	168.3	143.4	709.7
C1 Cash Cost (A\$/wmt Shipped FOB)	91.5	81.7	94.1	86.8	88.8

Performance at a Glance						
Item	Unit	June Q FY22	Mar Q FY22	Dec Q FY22	Sep Q FY22	Total FY22
Lump Product Sales	k wmt	141	100	188	198	627
Fines Product Sales	k wmt	203	194	168	143	708
Total Ore Sales	k wmt	344	295	357	341	1337
Platts 62% Fe CFR Price, Average	US\$/dmt	137.9	141.6	109.6	162.9	138.0
Average Realised FOB Price	US\$/dmt	121.9	132.8	56.0	129.2	108.6
Average Freight Cost	US\$/dmt	32.2	26.7	33.5	34.4	31.9

DIRECTORS' REPORT (continued)

During the year ended 30 June 2022, Fenix loaded a total of twenty-three (23) ships with a total of 1.33 million wmt of iron ore from the Iron Ridge Project (0.63 million wmt of lump and 0.71 million wmt of fines).

As at 30 June 2022, Fenix had shipped a total of approximately 1.84 million wmt (1.75 million dry metric tonnes (**dmt**) of product from its Iron Ridge Project from inception.

Average grade shipped for the year was 61.9% Fe for fines (FY21: 61.2%) and 64.3% Fe for lump product (FY21: 63.9%), further displaying the unique high-grade, high-quality nature of the Iron Ridge ore body.

The project-to-date lump to fines ratio of 47%:53% continues to be significantly higher than the life-of-mine assumed average of 25%:75%.

Financial Performance

Net operating cash flow for the year ended 30 June 2022 was A\$62.3m (FY21: A\$65.3m).

The Company paid A\$10.7m in corporate tax payments during the year, reducing the net operating cashflow. Tax payments moved to quarterly instalments from the start of FY23.

Capital expenditure for the year ended 30 June 2022 was A\$6.8m mainly relating to mine site infrastructure. Total project capital expenditure to date is approximately A\$23m.

C1 FOB Cash Costs for the year were A\$88.83 per wmt shipped, compared to A\$88.77 the previous year, Cash Costs were stable despite higher fuel and contract costs resulting from macroeconomic events which were offset by the absence of the one-off ramp up costs which were incurred in FY21. Following completion of the Fenix Newhaul Transaction, the Company expects C1 FOB cash costs to reduce by approximately A\$10 per tonne recognising full ownership by the Company of the haulage profit margin.

Project costs to date are approximately A\$89/wmt FOB, equivalent to around US\$62/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 increased during the year, predominantly due to higher oil prices impacting bunker prices. Marketing fees and royalties remained higher than feasibility study assumptions, due to the achievement of higher realised FOB prices.

As at 30 June 2022, Fenix had A\$101.9m cash and no senior bank debt. The Company's cash balance as at 30 June 2022 represented net cash backing of approximately \$0.20 per share.

Fenix-Newhaul Haulage Joint Venture

Fenix Newhaul Pty Ltd (**Fenix-Newhaul**) was a 50:50 joint venture transport company established by Fenix and Newhaul Pty Ltd (**Newhaul**) in October 2020 (see ASX Announcement dated 26 October 2020). Fenix-Newhaul provides bulk haulage transport of the Company's high-grade iron ore products from the Iron Ridge Project to the Company's loading facilities at Geraldton Port.

On 21 June 2022, Fenix announced that the Company had signed definitive agreements with Newhaul to acquire Newhaul's 50% interest in Fenix-Newhaul, which will result in the consolidation of 100% ownership of the haulage business into Fenix (**Transaction**). Subsequent to the end of the financial year, on 22 July 2022, Fenix announced the Transaction had been completed.

Completion of the Transaction is expected to 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.

During the year ended 30 June 2022, approximately 1.33 million tonnes of iron ore were hauled by Fenix Newhaul, slightly higher than budgeted levels of approximately 110,000 tonnes per month.

DIRECTORS' REPORT (continued)

During the year, Fenix Newhaul converted the majority of the haulage fleet to a quad-trailer configuration after a successful trial period conducted in late 2021. The innovative quad-trailer combination has increased haulage capacity to approximately 140 tonnes per truck delivering cost savings on a per tonne basis. As at 30 June 2022, Fenix-Newhaul operates twenty six (26) truck and trailer combinations, eighteen (18) of which are quad-trailer combinations. Delivery of the remaining seven (7) A-Trailers is expected to occur during the first quarter of FY23.

Exploration

In February 2021, Fenix executed a farm-in and joint venture agreement with Scorpion Minerals Limited (Scorpion) over 33,954 hectares of tenements held by Scorpion adjoining the Company's Iron Ridge operations (see ASX Announcement dated 8 February 2021).

On 9 February 2022, Fenix executed a Deed of Amendment agreement with Scorpion in relation to tenements E20/953 and E20/948 (together the Pharos Project Tenements) (See ASX announcement dated 9 February 2022). The new agreement accelerated the previous farm-in and joint venture agreement such that Fenix has earned a 100% interest in the Iron Ore rights on the Pharos Project Tenements.

Field work on the Scorpion farm-in tenements commenced during the year with an extensive Heritage Survey conducted over areas prospective for iron ore mineralisation. Several target areas have been identified within close proximity to the Company's existing operations which justify exploration for potential high grade iron mineralisation similar to Iron Ridge.

All required clearances have been received over the Scorpion farm-in tenements and the Company is reviewing data and conducting ground truthing to support finalisation of a potential first-pass drilling program over the high priority target areas at the Pharos Project Tenements.

In addition to exploration work undertaken on the Pharos Project Tenements, the Company continued to review regional exploration targets at the Iron Ridge Project during the year with several areas of interest identified for follow-up drilling. A small RC drilling program at Iron Ridge was conducted during the year which validated the current Mineral Resource model.

CORPORATE

Dividend Policy

On 23 August 2021, Fenix announced the adoption of a dividend policy to distribute between 50% and 80% of after-tax profits as fully franked dividends, subject to the availability of franking credits.

In September 2021, the Company declared a maiden fully franked final dividend of 5.25c per share after announcing a \$49.0m after-tax profit for FY21. The dividend was paid on 5 October 2021 resulting in a cash outflow of \$24.1m.

Fenix has declared a final dividend of 5.25 cents per share for the financial year ended 30 June 2022 (30 June 2021: 5.25c) equating to a total dividend payment of approximately \$28.7 million (30 June 2021: A\$24.8m). The record date is 2 September 2022 and the payment date is 5 October 2022.

Board Changes

On 16 November 2021, Mr John Welborn was appointed as an independent Non-Executive Director and Chairman of Fenix Resources. Mr Welborn's appointment followed the resignations of Mr Warwick Davies as Interim Non-Executive Chairman and Mr Richard Nicholls-Maltman as a Non-Executive Director.

Mr Welborn is a highly accomplished and internationally respected mining company director and senior executive with a successful track record of leading strategic growth strategies and generating exceptional returns for shareholders. A Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Australian Institute of Management, and a member of the Australian Institute of Mining and Metallurgy, Mr Welborn is a former investment banker who has operated in the resources sector for more than twenty years.

DIRECTORS' REPORT (continued)

Mr Welborn was Managing Director and CEO of Resolute Mining Limited over a five-year period which saw the company's market capitalisation grow from less than \$200 million to more than \$1 billion corresponding with the Company joining the ASX200 and an increase in the share price during his tenure as CEO of more than 300%. Under Mr Welborn's leadership, Resolute was transformed through the development, acquisition, and operation of new mining operations which resulted in production of more than 1.7 million ounces of gold. Additional achievements included the successful execution of value creative corporate transactions, comprehensive refinancing and investment activities, and the admission of the company's shares for trading on the main board of the London Stock Exchange.

In addition to his experience at Resolute, Mr Welborn has previous iron ore experience as a Director of Equatorial Resources Limited. Mr Welborn is Director of Apollo Minerals Limited and Orbital Corporation Limited and is a former Director of the World Gold Council, the Australia-Africa Minerals and Energy Group, and a former Commissioner of Tourism Western Australia. Mr Welborn is a champion for responsible and sustainable mining development and was named by MiningMx as one of the 100 Most Influential People in Africa's Mining Industry.

Mr Welborn was also appointed as the Fenix representative on the Fenix-Newhaul Board, effective 29 November 2021.

Hedging

On 22 July 2021, Fenix entered into swap arrangements with an Australian top tier financial institution for 50,000 dmt 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/dmt, flat over the period.

On 9 June 2022, the Company entered into additional iron ore swap arrangements for 35,000 dmt per month of the Monthly Average Platts TSI 62 Index converted to AUD for the 9-month period from October 2022 to June 2023. The price fixed is equivalent to A\$180.65 per dmt, flat over the period.

The swap arrangements were executed as part of the Company's Price Protection Policy designed to secure the medium-term future of the Iron Ridge project, whilst maintaining Fenix's exposure to the iron ore price.

As at 30 June 2022, Fenix's hedge book had a mark-to-market value of approximately A\$12.65m, inclusive of the outstanding settlement for the month of June 2022 that was paid subsequent to the end of the year. The sale of iron ore under such hedge instruments is accounted for using the 'own use exemption' under AASB 9 Financial Instruments and as such all hedge revenue is recognised in the Statement of Profit or Loss and no fair value adjustments are subsequently made to sales yet to be delivered under the hedging program.

Capital

During the year ended 30 June 2022, the Company issued a total of 46.0 million fully paid ordinary shares in the capital of the Company as follows:

- 2.0 million fully paid ordinary shares issued upon exercise of 2.0 million unlisted options exercisable at \$0.08 per option;
- 30.0 million fully paid ordinary shares issued upon conversion of Class B Performance Shares following the shipment and sale of one million dmt of iron ore from the Iron Ridge Project (refer ASX announcement dated 1 December 2021).
- 10.0 million fully paid ordinary shares issued at a price of \$0.23 per share pursuant to the Share Loan Plan approved by Shareholders on 4 March 2022; and
- 4.0 million fully paid ordinary shares issued to Scorpion as consideration for the acquisition of 100% interest in the Iron Ore rights on the Pharos Project Tenements.

Pursuant to the terms of the Transaction, a total of up to 90.0 million fully paid ordinary shares in the capital of the Company may be issued subsequent the year end (See ASX announcement dated 21 June 2022 for full details).

Tenements

As at the date of this report, the Company's interests in tenements are set out below:

DIRECTORS' REPORT (continued)

Location	Project	Tenement	Interest
Western Australia	Iron Ridge	M20/118-I	100%
Western Australia	Iron Ridge	E20/936	100%
Western Australia	Iron Ridge	L20/83	100%
Western Australia	Iron Ridge	L20/84	100%
Western Australia	Iron Ridge	L20/85	100%
Western Australia	Iron Ridge	G20/28	100%
Western Australia	Pharos	E20/943	100% of Iron Ore rights
Western Australia	Pharos	E20/953	100% of Iron Ore rights

Annual Mineral Resource and Ore Reserves Statement

The Company carries out an annual review of its iron ore Mineral Resources and Ore Reserves at the Iron Ridge Project in Western Australia as required by the ASX Listing Rules. The review was carried out as at 30 June 2022. The estimates for Mineral Resources and Ore Reserves were prepared and disclosed under the JORC Code 2012 Edition. The original Mineral Resource was disclosed to ASX on 21 August 2019 and Ore Reserves on 4 November 2020 and were subsequently updated to 30 June 2021 (as announced to ASX in the Company's Annual Report on 15 September 2021).

Estimation Governance Statement

The Company ensures that all Mineral Resource and Ore Reserves estimations are subject to appropriate levels of governance and internal controls.

Exploration results are collected and managed by an independent competent qualified geologist. All data collection activities are conducted to industry standards based on a framework of quality assurance and quality control protocols covering all aspects of sample collection, topographical and geophysical surveys, drilling, sample preparation, physical and chemical analysis and data and sample management.

Mineral Resource and Ore Reserves estimates are prepared by appropriately qualified, independent Competent Persons. If there is a material change in the estimate of a Mineral Resource or Ore Reserves, the estimate and supporting documentation in question is reviewed by a suitable qualified independent Competent Persons and announced to the ASX in accordance with the Listing Rules.

The Company reports its Mineral Resources and Ore Reserves on an annual basis in accordance with JORC Code 2012.

Iron Ridge Mineral Resource as at 30 June 2022 – 58% Fe cut-off applied.

JORC Classification	Mt	Fe (%)	Al ₂ O ₃ (%)	LOI (%)	P (%)	SiO ₂ (%)	TiO ₂ (%)
Inferred	0.3	61.6	2.77	4.24	0.05	4.66	0.10
Indicated	8.0	65.0	2.23	1.69	0.04	2.88	0.09
Total	8.3	64.8	2.25	1.78	0.04	2.95	0.09

Iron Ridge Mineral Resource as at 30 June 2021 – 58% Fe cut-off applied.

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

Mineral Resources totalled 8.3 Mt at 64.8% Fe as at 30 June 2022, inclusive of Ore Reserves. This represents a 15% decrease in Mineral Resources when compared to the remaining total Mineral Resources as at 30 June 2021. Depletion in the Mineral Resource occurred due to iron ore production, which commenced in December 2020.

DIRECTORS' REPORT (continued)

Iron Ridge Ore Reserves as at 30 June 2022 – 58% Fe cut-off applied.

JORC Classification	Mt	Fe (%)	Al ₂ O ₃ (%)	LOI (%)	P (%)	SiO ₂ (%)	TiO ₂ (%)
Probable	5.64	64.6	2.40	1.76	0.04	3.09	0.09
Total	5.64	64.6	2.40	1.76	0.04	3.09	0.09

Iron Ridge Ore Reserves as at 30 June 2021 – 58% Fe cut-off applied.

JORC Classification	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	7.10	64.09	2.67	1.96	0.05	3.35	0.09

Ore Reserves totalled 5.64 Mt at 64.6% Fe as at 30 June 2022. This represents an 21% decrease in Ore Reserves when compared to the Ore Reserves as at 30 June 2021. Depletion in the Ore Reserve occurred due to iron ore production, which commenced in December 2020.

Note: Tonnage figures in the above tables have been rounded and as a result may not add up to the totals quoted.

Competent Person's Statement

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 a former employee of 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.

This Annual Mineral Resource and Ore Reserves Statement is based on and fairly represents the information and supporting documentation prepared by the above-mentioned Competent Persons. It is approved as a whole by Mr Steve O'Grady, a Competent Person who is a Member of Australasian Institute of Mining and Metallurgy and is currently employed by Intermine Engineering Consultants. Mr O'Grady 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 the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code).

DIRECTORS' REPORT (continued)

DIRECTORS

The names of Directors who held office during the year and up to the date of signing this report, unless otherwise stated are:

John Welborn	Non-Executive Chairman (appointed 16 November 2021)
Robert Brierley	Managing Director (appointed 1 March 2019), Non-Executive Director (appointed 1 June 2018), Executive Director (appointed 21 November 2018)
Garry Plowright	Non-Executive Director (Appointed 21 November 2018 as Executive Director, and transitioned to Non-Executive Director 1 January 2021)
Richard Nicholls-Maltman	Non-Executive Director (appointed 17 May 2021, resigned 15 November 2021)
Warwick Davies	Interim Non-Executive Chairman (appointed 19 February 2021, resigned 16 November 2021), Non-Executive Director (appointed 9 November 2020, resigned 16 November 2021)

PRINCIPAL ACTIVITIES

The principal activity of the Group was to explore, develop and mine mineral tenements in Western Australia.

DIVIDENDS

A final dividend of 5.25 cents per share has been declared for the financial year ended 30 June 2022 (30 June 2021: 5.25c) equating to a total dividend payment of approximately [A\$28.7 million] (30 June 2021: A\$24.8m). The record date is 2 September 2022 and the payment date is 5 October 2022. Details of the Group's dividend policy are set out in Note 21.

FINANCIAL SUMMARY

The Group made a net profit after tax of \$50,694,454 for the financial year ended 30 June 2022 (30 June 2021: profit \$49,040,926). At 30 June 2022, the Group had net assets of \$108,221,265 (30 June 2021: \$77,262,229) and cash assets of \$101,675,767 (30 June 2021: \$68,995,789).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The significant changes in the state of affairs of the Consolidated Entity during the financial period and to the date of this report are set out in the review of operations above.

MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period:

- on 22 July 2022, Fenix completed the acquisition of the remaining 50% interest in haulage joint venture company, Fenix-Newhaul Pty Ltd (Fenix-Newhaul) resulting in the consolidation of 100% ownership of the haulage business. In accordance with the Share Sale Agreement the Company has paid Newhaul \$7.5 million in cash and 30,000,000 Fenix fully paid ordinary shares. In addition, Mr Craig Mitchell, has been nominated to join the Board of Fenix, with his appointment as a director to be effective on and from 1 September 2022; and
- on 25 July 2022, Mr Rob Brierley tendered his resignation from the position of Managing Director. The Board of Fenix have accepted Mr Brierley's resignation on the basis he will continue in his current role for a period of up to three months to assist the Company in an orderly leadership transition.

No other material matters have occurred subsequent to the end of the year which requires reporting on other than those which have been noted above or reported to ASX.

DIRECTORS' REPORT (continued)

Other than as set out above, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

INFORMATION ON DIRECTORS

The following information is current as at the date of this report.

Mr John Welborn	Non-Executive Director & Chairman (Independent) <i>Appointed 16 November 2021</i>
Experience	<p>John Welborn is a dynamic industry leader with extensive experience in the resources sector who was appointed Chairman of the Company in November 2021. Mr Welborn is currently Managing Director & CEO of Equatorial Resources Limited, Chairman of Orbital Corporation, a Non-Executive Director of Apollo Minerals Limited and the President of RugbyWA. Mr Welborn's experience includes a successful career as a professional rugby player and more than twenty years as a senior executive in corporate management, finance, and investment banking.</p> <p>Mr Welborn is a Chartered Accountant with a Bachelor of Commerce degree from the University of Western Australia and is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Australian Institute of Management and is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors</p>
Committee Memberships	Not applicable
Equity Interests	12,200,000
Directorships held in other listed entities	<p>Current directorships:</p> <ul style="list-style-type: none">- Non-Executive Chair – Apollo Minerals from May 2022- Managing Director and CEO – Equatorial Resources from November 2020- Chairman – Orbital Corporation from March 2015 <p>Former directorships:</p> <ul style="list-style-type: none">- Managing Director and CEO – Resolute Mining – February 2015 to October 2020 <p>No other listed directorships have been held by Mr Welborn in the previous three years.</p>
Mr Robert Brierley	Managing Director <i>Managing Director (appointed 1 March 2019), Executive Director (appointed 21 November 2018), Non-Executive Director (appointed 1 June 2018).</i>
Experience	<p>Mr Brierley holds a Bachelor of Engineering (Mining Engineering) and a Graduate Diploma in Applied Finance and Investment. He is experienced in project and mine management, corporate finance, leadership, corporate governance, and equities research. Mr Brierley has significant experience in many mining operations, including acting as Registered Mine Manager/Quarry Manager at several iron ore mines including Yandi, Marandoo and Koolan Island.</p> <p>Additionally, he has over 13 years of experience in financial markets, predominantly as Head of Equities Research.</p> <p>Mr Brierley is a Graduate Member of the Australian Institute of Company Directors. He has had previous Executive and Non-Executive roles with several ASX-listed companies.</p>
Committee Memberships	Not applicable

DIRECTORS' REPORT (continued)

Equity Interests 12,750,000 ordinary shares

Directorships held in other listed entities Mr Brierley has held no other listed directorships in the last three years.

Mr Garry Plowright**Non-Executive Director**

Appointed 21 November 2018 as Executive Director, and transitioned to Non-Executive Director 1 January 2021

Experience

Mr Plowright is an experienced Executive with over 25 years' experience in finance, commercial and technical development within the mining and exploration industry, working for some of Australia's leading resource companies. He has been involved in gold, base metals and iron ore exploration and mining development projects in Australia and worldwide.

Previous experience includes the supply and logistics of services to the mining and exploration industry including capital raising, corporate governance and compliance, project management, mining and environmental approvals and regulations, contract negotiations, tenure management, land access, stakeholder and community engagement.

Mr Plowright has extensive experience in mining law and has provided services to the industry in property acquisitions, project generation and joint venture negotiations. Mr Plowright has held global operational and corporate roles with Gindalbie Metals Ltd, Mt Edon Gold Ltd, Pacmin Mining, Atlas Iron Ltd, Tigris Gold (South Korea) and Westland Titanium (New Zealand).

Committee Memberships Not applicable

Equity Interests 13,065,089 ordinary shares
13,579,883 performance shares

Directorships held in other listed entities Current directorships:
- Non-Executive Director – Hexagon Energy Materials Ltd from June 2015
No other listed directorships have been held by Mr Plowright in the previous three years.

Mr Richard Nicholls-Maltman Non-Executive Director (Independent)

Appointed 17 May 2021, resigned 15 November 2021

Experience

Mr Nicholls-Maltman has over 28 years' experience as a Solicitor practising primarily in the corporate and resources sectors. He has acted for a number of exploration and production companies and has a broad range of experience in project development and mine to port operations and logistics.

He holds Bachelors degrees in Law (with honours) and Commerce (Accounting and Finance) and a Masters degree in Disaster Preparedness and Reconstruction. He has worked in disaster recovery projects in Australia, the Pacific Islands, and the Caribbean, as well as the refugee crisis in Europe.

He is a graduate of the AICD Company Directors and Chairman courses and has previous experience as a Director and Chairman on an ASX listed exploration and production company. He is currently a Director of Franco-Nevada Corporation's Australian subsidiary and a Director of an Australian based charity operating in Africa.

Committee Memberships Not applicable

DIRECTORS' REPORT (continued)

Equity Interests	30,000 ordinary shares
Directorships held in other listed entities	Mr Nicholls-Maltman has held no other listed directorships in the last three years.

Mr Warwick Davies	Non-Executive Director & Chairman (Independent) <i>Appointed 9 November 2020 as Non-Executive Director, and appointed interim Chairman on 19 February 2021, resigned 16 November 2021</i>
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Experience	Mr Davies has worked in the iron ore and minerals industries for over 50 years. Initially employed by BHP Steel in their Newcastle and Whyalla steel works, he moved to the Pilbara with Hamersley Iron in 1969 beginning a 4-decade involvement in iron ore in technical, operational, and commercial roles.
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Mr Davies is an Industrial Chemist with a strong economics background where his iron ore experience was developed with the Robe River organisation until 2001 when a take-over by Rio Tinto Limited resulted in a career change.

Mr Davies became a consultant working and providing advice to Mt Gibson Iron and Atlas Iron during their respective start-ups. Mr Davies has extensive experience in all commercial aspects of the iron ore market including freight supported by his strong technical marketing background.

Committee Memberships	Not applicable
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Equity Interests	30,000 ordinary shares
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Directorships held in other listed entities	Current directorships: <ul style="list-style-type: none">- Managing Director – Resource Mining Corporation Limited. Director from August 2004 to 23 March 2022
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No other listed directorships have been held by Mr Davies in the previous three years.

Company Secretary

Ms Shannon Coates

LLB, B(Juris), AGIA, ACIS, GAICD

Ms Coates is a qualified Lawyer, Chartered Secretary, and graduate of the AICD's Company Directors course. She has over 25 years' experience in corporate law and compliance, is Executive Director of national company secretarial and governance service provider Emerson CoSec and is currently Company Secretary to a number of ASX listed companies, with a strong focus on resources.

DIRECTORS' REPORT (continued)

Meetings of Directors

During the financial year there has been:

- eleven (11) meetings of Directors;
- one (1) meetings of the Audit & Risk Committee; and
- two (2) meetings of the Remuneration Committee.

	Directors' Meetings		Audit & Risk Committee Meetings ⁽¹⁾		Remuneration Committee Meetings ⁽¹⁾	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
J Welborn ⁽²⁾	6	6	-	-	-	-
R Brierley ⁽³⁾	11	11	-	1	-	2
G Plowright	11	11	1	1	2	2
R Nicholls-Maltman ⁽⁴⁾	5	5	1	1	2	1
W Davies ⁽⁵⁾	5	5	1	1	2	2

1 The Board opted to disband the Audit and Risk Committee and Remuneration Committee during the year when the Board reduced in size to three members

2 Mr Welborn was appointed 16 November 2021.

3 Mr Brierley attended meetings of the Audit & Risk Committee and Remuneration Committee by invitation.

4 Mr Nicholls-Maltman resigned 15 November 2021.

5 Mr Davies resigned 16 November 2021.

REMUNERATION REPORT (AUDITED)

The remuneration report is set out under the following main headings:

- A. Introduction
- B. Remuneration governance
- C. Key management personnel
- D. Remuneration and performance
- E. Remuneration structure
 - Executive
 - Non-Executive
- F. Executive service agreements
- G. Details of remuneration
- H. Share-based compensation
- I. Other information

This report details the nature and amount of remuneration for each Director and key management personnel of Fenix Resources Limited.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

A. INTRODUCTION

The remuneration policy of the Company has been designed to align Director and Management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific short-term and long-term incentives, based on key performance areas affecting the Group's financial results. Key performance areas include cash flow management, growth in share price, successful exploration and subsequent exploitation of the Group's tenements. The Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Management and Directors to run and manage the Group, as well as create goal congruence between Directors, Executives and Shareholders.

During the year the Company has engaged remuneration consultants, The Rewards Group, to provide an Executive benchmarking report, Non-Executive Director benchmarking report and Incentive structure review.

B. REMUNERATION GOVERNANCE

The Board retains overall responsibility for remuneration policies and practices of the Company.

The Board opted to disband the Remuneration and Nomination Committee during FY22, when the Board reduced in size to three members. Currently the full Board undertakes remuneration and nomination responsibilities, in accordance with a Remuneration and Nomination Committee Charter.

At the 2021 annual general meeting, the Company's remuneration report was passed by the requisite majority of Shareholders (77.91% by way of poll).

C. KEY MANAGEMENT PERSONNEL

The key management personnel in this report are as follows:

Executives – Current

- Robert Brierley

Non-Executive Directors – Current

- John Welborn, appointed 16 November 2021
- Garry Plowright, appointed 1 January 2021

Non-Executive Directors – Former

- Warwick Davies – appointed 9 November 2020, resigned 16 November 2021
- Richard Nicholls-Maltman, appointed 17 May 2021, resigned 15 November 2021

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

D. REMUNERATION AND PERFORMANCE

The following table shows the gross revenue, net profits/(losses) attributable to members of the Company and share price of the Company at the end of the current and previous four financial years. See Remuneration Structure for short-term incentives subject to key performance indicators.

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
	\$	\$	\$	\$	\$
Revenue from continuing operations	249,168,360	114,377,844	71,730	31,808	18,904
Net profit/(loss) attributable to members of the Company	50,694,460	49,040,926	(1,274,638)	(2,613,166)	(923,420)
Dividend paid	24,190,497	-	-	-	-
Share price	0.315	0.345	0.076	0.100	0.045

E. REMUNERATION STRUCTURE

Executive remuneration structure

The Board's policy for determining the nature and amount of remuneration for Senior Executives of the Group is as follows. The remuneration policy, setting the terms and conditions for Executive Directors and other Senior Executives, was developed and approved by the Board. All Executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives. The Board reviews Executive packages annually by reference to the Group's performance, Executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share option and performance rights plans. If an Executive is invited to participate in an employee share option or performance rights plan arrangement, the issue and vesting of any equity securities will be dependent on performance conditions relating to the executive's role, a tenure based milestone and the Group's performance.

The employees of the Group receive a superannuation guarantee contribution required by the Government, which for the 2022 financial year was 10% and from 1 July 2022 is 10.5%, and do not receive any other retirement benefits.

Short term incentive awards

During the year the Board proposed a cash-based short-term incentive for the Managing Director equal to 50% of his Total Fixed Remuneration (base salary plus superannuation) on measurement date.

The short-term incentive was assessed against the following key performance indicators, measured at 30 June 2022:

- achieved chemical qualities in production compared to forecast levels
- achieved lump size in iron ore production
- minimum number of 24 shipments in the 2022 financial year
- discretionarily on initiatives generated that either enhance the efficiency, reputation or economic or social benefit to the Company

One third of the incentives were granted on achievement of any of the above performance indicators. The Board determined that performance indicators 1 and 2 were met. In addition, the discretionary performance indicator was deemed to have been met.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Non-Executive remuneration structure

Fees and payment to Non-Executive Directors reflects the demands that are made on them and the responsibilities of the Directors from time to time.

Non-Executive Directors' fees and payments are reviewed annually by the Board. For the year ended 30 June 2022, remuneration for a Non-Executive Director/Chairman was between \$50,000 and \$80,000 per annum exclusive of superannuation. There are no termination or retirement benefits paid to Non-Executive Directors (other than statutory superannuation). At the general meeting held on 2 February 2022, shareholder approved the aggregate amount of fees that may be paid to non-executive Directors as a whole for the years from and including the year commencing 1 July 2021 be increased from \$300,000 per annum to \$500,000 per annum. Directors' fees cover all normal Board activities.

A Director may also be paid fees or other amounts as the Directors determine, if a Director performs special duties or otherwise performs duties outside the scope of the normal duties of a Director. A Director may also be reimbursed for out-of-pocket expenses incurred as a result of their directorship or any special duties.

Non-Executive Directors are able to participate in the employee share option or performance rights plans. In addition, in order to align their interests with those of shareholders, the Non-Executive Directors are encouraged to hold shares in the Company.

The Company has established an employee options plan (**Plan**) to attract Directors with suitable qualifications, skills and experience to plan, carry out and evaluate the Company's Strategy and to motivate and retain those Directors and Employees. Participants in the Plan may be Directors of the Company or any of its subsidiaries or any other related body corporate of the Company.

On 2 February 2022, shareholder approved:

- the Company's Share Loan Plan, including approval to issue up to 20,000,000 Plan Shares,
- the issue of up to 10,000,000 Plan Shares to Mr John Welborn.

The aim of the long-term incentive plans are to allow participation in, and benefit from, the growth of the Company as a result of their efforts and to assist in motivating and retaining those key employees over the long term.

During the year the Company has engaged remuneration consultants, The Rewards Group, to provide an Executive benchmarking report, Non-Executive Director benchmarking report and Incentive structure review.

At the 2021 annual general meeting, the Company's remuneration report was passed by the requisite majority of Shareholders (77.91% by way of poll).

F. EXECUTIVE SERVICE AGREEMENTS

Remuneration and other terms of employment for key management personnel are formalised in service agreements. The service agreements specify the components of remuneration, benefits and notice periods. Participation in the share and performance rights plans are subject to the Board's discretion. Other major provisions of the agreements relating to remuneration are set out below. Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

Contractual arrangement with key management personnel

Executives – Current

Name	Effective date	Term of agreement	Notice period	Base salary per annum \$	Termination payments
Robert Brierley, Managing Director	01-May-21	No fixed term	3 months	470,000	3 months

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

G. DETAILS OF REMUNERATION

Details of remuneration of the key management personnel (**KMP**) (as defined in AASB 124 Related Party Disclosures) of the Company is set out below.

Remuneration of KMP for the 2022 financial year is set out below:

	Short-term benefits			Post-employment benefits		Share-based payments	Total
	Cash salary	Non-cash benefits ⁽¹⁾	Bonus ⁽²⁾	Super-annuation	Termination	Options ⁽⁴⁾	
	\$	\$		\$	\$	\$	\$
Executive Directors – Current							
R Brierley ⁽³⁾	470,000	600	235,000	71,675	-	-	777,275
Non-Executive Director – Current							
J Welborn ⁽⁵⁾	50,000	-	-	5,000	-	59,182	114,182
G Plowright	50,000	-	-	5,000	-	-	55,000
Non-Executive Director – Former							
W Davies ⁽⁶⁾	30,000	-	-	3,000	-	-	33,000
R Nicholls-Maltman ⁽⁷⁾	18,750	-	-	1,875	-	-	20,625
Total	618,750	600	235,000	86,550	-	59,182	1,000,082

1 Other benefits include the provision of a mobile phone allowance.

2 During the year the Board proposed a cash-based short-term incentive for the Managing Director equal to 50% of his Total Fixed Remuneration at grant date (base salary plus superannuation).

3 At year end, 100% key performance indicators were deemed met.

4 Performance rights granted as part of remuneration package, AASB 2 – Share-Based Payments requires the fair value at grant date of the performance rights granted to be expensed over the vesting period

5 Mr Welborn was appointed 16 November 2021.

6 Mr Davies resigned 16 November 2021.

7 Mr Nicholls-Maltman resigned 15 November 2021.

The following table sets out each KMP's relevant interest in fully paid ordinary shares, options, performance rights and performance shares to acquire shares in the Company, as at 30 June 2022:

Name	Fully paid ordinary shares	Options	Performance rights	Performance shares
R Brierley	12,750,000	-	-	-
J Welborn ⁽¹⁾	12,200,000	-	-	-
G Plowright	13,065,089	-	-	13,579,883

1 Mr Welborn was appointed 16 November 2021.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of KMP for the 2021 financial year is set out below:

	Short-term benefits			Post-employment benefits		Share-based payments	Total
	Cash salary	Non-cash benefits ⁽¹⁾	Bonus ⁽²⁾	Super-annuation	Termination	Performance rights ⁽³⁾	
	\$	\$		\$	\$	\$	\$
Executive Directors – Current							
R Brierley ⁽⁴⁾	311,667	600	233,932	53,001	-	14,646	613,846
Non-Executive Director – Current							
W Davies ⁽⁵⁾	42,893	-	-	4,075	-	-	46,968
G Plowright ⁽⁶⁾	25,000	-	-	2,375	-	-	27,375
R Nicholls-Maltman ⁽⁷⁾	6,349	-	-	603	-	-	6,952
Executive Directors – Former							
G Plowright ⁽⁶⁾	42,592	300	-	3,943	5,500	-	52,335
Non-Executive Director – Former							
G Dixon ⁽⁸⁾	81,107	-	-	7,705	-	-	88,812
Total	509,608	900	233,932	71,702	5,500	14,646	836,288

1 Other benefits include the provision of a mobile phone allowance.

2 During the year the Board proposed a cash-based short-term incentive for the Managing Director equal to 50% of his Total Fixed Remuneration at grant date (base salary plus superannuation).

3 Performance rights granted as part of remuneration package, AASB 2 – Share-Based Payments requires the fair value at grant date of the performance rights granted to be expensed over the vesting period.

4 At year end, 100% key performance indicators were deemed met.

5 Mr Davies was appointed 9 November 2020 and transitioned to the role of Non-Executive Chairman on 19 February 2021.

6 Mr Plowright transitioned from the role of Executive Director to Non-Executive Director on 1 January 2021.

7 Mr Nicholls-Maltman was appointed on 17 May 2021.

8 Mr Dixon resigned on 19 February 2021.

H. SHARE-BASED COMPENSATION

Share Loan Plan

On 2 February 2022, shareholders approved the Company's Share Loan Plan, including approval to issue up to 20,000,000 Plan Shares and the issue of up to 10,000,000 Plan Shares to Mr John Welborn. The Plan Shares have been issued under a Share Loan Plan and are treated as compensation.

During the year ended 30 June 2022, the following shares issued, vested and/or lapsed to KMP:

Grant date	Grant value ⁽²⁾ \$	Number granted as remuneration	Number vested during prior periods	Number vested during the year	Number vested but not yet exercisable	Number lapsed during the year	Maximum value yet to expense \$
John Welborn – Chairman							
4-Mar-22 ⁽¹⁾	1,833,649	10,000,000	-	-	-	-	1,774,467

1 The fair value of instruments is calculated as the fair value of the rights at grant date and allocated to remuneration equally over the period from grant date over the vesting period, refer to Note 22.

2 The securities were approved on the 4 March 2022 at the Company's General Meeting.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Under AASB 2, shares issued under the Share Loan Plan are treated as options issued. The options are fair valued and recognised as an expense over the vesting period.

Grant date ⁽¹⁾	Grant value ⁽²⁾ \$	Number issued	Value per option ⁽³⁾ \$	Expiry date	Vesting date	Number exercised	Vested %
John Welborn – <i>Chairman</i>							
4-Mar-22	1,833,649	10,000,000	0.1834	7-Mar-32	-	-	100%

1 The securities were approved on the 4 March 2022 at the Company's General Meeting.

2 Value of options has been calculated in accordance with AASB 2: Share-Based Payments.

3 Refer to Note 22 of the financial statements for details of the assumptions used in calculating the value of each option as at their grant date.

Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense for the 2022 and 2021 financial years:

	Fixed remuneration	At risk STI	At risk LTI	Fixed remuneration	At risk STI	At risk LTI
	2022			2021		
Executive Directors – Current						
R Brierley	70%	30%	-	60%	40%	-
Non-Executive Director – Current						
J Welborn ⁽¹⁾	48%	-	52%	-	-	-
G Plowright ⁽²⁾	100%	-	-	100%	-	-
Executive Directors – Former						
G Plowright ⁽²⁾	-	-	-	100%	-	-
Non-Executive Director – Former						
G Dixon ⁽³⁾	-	-	-	100%	-	-
W Davies ⁽⁴⁾	-	-	-	100%	-	-
R Nicholls-Maltman ⁽⁵⁾	-	-	-	100%	-	-

1 Mr Welborn was appointed 16 November 2021.

2 Mr Plowright transitioned from the role of Executive Director to Non-Executive Director on 1 January 2021.

3 Mr Dixon resigned on 19 February 2021.

4 Mr Davies resigned on 16 November 2021.

5 Mr Nicholls-Maltman resigned on 15 November 2021.

Shares issued on the exercise of options

The following table shows the ordinary shares issued during the year ended 30 June 2022 on the exercise of options granted. No further shares have been issued since that date. No amounts are unpaid on any of the shares.

	Option grant date	Option exercise date	Exercise price	Shares issued
R Brierley				
Fully paid ordinary shares	10-Sep-18	16-Jul-21	\$0.08	2,000,000

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (AUDITED) (continued)

Reconciliation of equity instruments held by KMP

The following table sets out a reconciliation of each KMP's relevant interest in ordinary shares and options, performance rights and performance shares to acquire shares in the Company for the 2022 financial year:

	Balance at the start of the year/period	Granted	Acquired	Exercised/ Vested	Lapsed	Other changes	Balance at year end/ resignation date
Executives – Current							
R Brierley							
Fully paid ordinary shares	16,750,000	-	-	2,000,000	-	(6,000,000)	12,750,000
Options	2,000,000	-	-	(2,000,000)	-	-	-
Non-Executive Directors – Current							
J Welborn ⁽¹⁾							
Fully paid ordinary shares	1,500,000	-	700,000	-	-	-	2,200,000
Fully paid ordinary shares – Share Loan Plan	-	10,000,000	-	-	-	-	10,000,000
G Plowright							
Fully paid ordinary shares	7,029,587	-	-	6,035,502	-	-	13,065,089
Performance shares	19,615,385	-	-	(6,035,502)	-	-	13,579,883
Non-Executives Directors – Former							
W Davies ⁽²⁾							
Fully paid ordinary shares	-	-	30,000	-	-	-	30,000
R Nicholls-Maltman ⁽³⁾							
Fully paid ordinary shares	-	-	30,000	-	-	-	30,000

1 Mr Welborn was appointed 16 November 2021.

2 Mr Davies resigned 16 November 2021.

3 Mr Nicholls-Maltman resigned on 15 November 2021.

None of the fully paid ordinary shares above are held nominally by the Directors or any other KMP.

I. OTHER INFORMATION

Transactions with other related parties

Purchases from entities associated with key management personnel

Director, Mr Richard Nicholls-Maltman, is a Principal of Aphelion Legal Pty Ltd which has provided legal services with the Company on normal commercial terms and conditions. The expenses recognised during the period were \$12,045 (ex GST) (30 June 2021: \$4,840 (ex GST)). Mr Nicholls-Maltman resigned on 15 November 2021.

DIRECTORS' REPORT (continued)

This concludes the Remuneration Report which has been audited.

UNISSUED ORDINARY SHARES

Unissued ordinary shares under option/right at the date of this report are 67,500,000 and broken-down as follows:

Performance shares

Issued to Directors	13,579,883
Issued to vendors	53,920,117

Performance shares may be converted subject to various performance milestones.

ENVIRONMENTAL REGULATIONS

The Company's policy is to comply with, or exceed, its environmental obligations in each jurisdiction in which it operates. No known environmental breaches have occurred.

INDEMNIFYING OFFICERS

During the financial year, the Company paid a premium in respect of a policy insuring the Company's Directors, Secretaries, Executive Officers and any related body corporate against a liability incurred by such a Director, Secretary or Officer to the extent permitted by the *Corporations Act 2001*. The policy of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has entered into Deeds of Indemnity, Insurance and Access with the Company's Directors, Secretary and Executive Officers.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any of the related body corporates against a liability incurred as such an officer or auditor.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of Fenix Resources Limited, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of Fenix Resources Limited for all or part of these proceedings.

No proceedings have been brought or intervened in on behalf of Fenix Resources Limited with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2022 has been received and can be found on page 23.

DIRECTORS' REPORT (continued)

AUDITOR'S REMUNERATION

During the financial year, the following fees were paid or payable for services provided by related entities of Grant Thornton Audit Pty Ltd.

	2022 \$	2021 \$
Grant Thornton Australia Limited		
<i>Other services</i>		
Due diligence services	47,000	-
Total remuneration for non-audit services	47,000	-

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to section 295(5) of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors



John Welborn
Non-Executive Chairman

Perth
29 August 2022

Grant Thornton Audit Pty Ltd
Level 43 Central Park
152-158 St Georges Terrace
Perth WA 6000
PO Box 7757
Cloisters Square
Perth WA 6850
T +61 8 9480 2000

Auditor's Independence Declaration

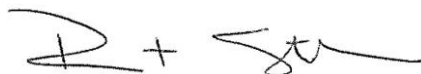
To the Directors of Fenix Resources Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Fenix Resources Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B P Steedman
Partner – Audit & Assurance

Perth, 29 August 2022

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ACN-130 913 594

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Revenue	1	249,168,360	114,377,844
Cost of sales	2	(182,163,120)	(51,313,977)
Gross profit		67,005,240	63,063,867
Other income	3	944,123	51,495
Other expenses	4	(3,302,802)	(2,200,143)
Profit on joint ventures	15	4,776,607	919,687
Operating profit		69,423,168	61,834,906
Finance income		407,688	117,770
Finance costs	5	(844,121)	(96,728)
Profit before income tax expense		68,986,735	61,855,948
Income tax expense	8	(18,292,281)	(12,815,022)
Profit after income tax expense for the period attributable to the owners of the Group		50,694,454	49,040,926
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for year attributable to owners of Fenix Resources Limited		50,694,454	49,040,926
Basic earnings per share (cents per share)	24	10.27	12.06
Diluted earnings per share (cents per share)	24	9.03	9.69

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	2022 \$	2021 \$
Current Assets			
Cash and cash equivalents	10	101,675,767	68,995,789
Inventories	7	9,286,984	15,003,135
Other current assets – term deposit	11	250,000	-
Trade and other receivables	11	6,603,070	3,129,342
Loan receivable	12	509,276	1,716,667
		118,325,097	88,844,933
Non-Current Assets			
Mine properties, property, plant and equipment	13	25,563,563	24,127,110
Capitalised exploration and evaluation expenditure	14	1,139,474	-
Loan receivable	12	466,667	933,333
Interest in joint venture	15	5,696,320	919,692
		32,866,024	25,980,135
Total Assets		151,191,121	114,825,068
Current Liabilities			
Trade and other payables	16	18,760,598	19,237,744
Provisions	17	225,779	115,293
Provision for income tax		16,856,835	9,294,860
Lease liabilities	18	74,212	664,619
		35,917,424	29,312,516
Non-Current Liabilities			
Trade and other payables	16	1,430,024	1,473,030
Provisions	17	1,914,125	2,176,301
Lease liabilities	18	299,821	1,347,973
Deferred tax liability	9	3,408,462	3,253,019
		7,052,432	8,250,323
Total Liabilities		42,969,856	37,562,839
Net Assets		108,221,265	77,262,229
Equity			
Issued capital	20a	52,166,431	49,831,949
Reserves	20b	2,759,182	1,297,484
Retained earnings	20c	53,295,652	26,132,796
Total Equity		108,221,265	77,262,229

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
Balance at 1 July 2020	27,755,148	2,606,557	(22,908,130)	7,453,575
Profit for the year	-	-	49,040,926	49,040,926
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	49,040,926	49,040,926
Transactions with owners in their capacity as owners				
Shares issued during the year	15,462,500	-	-	15,462,500
Share issue costs	(569,418)	-	-	(569,418)
Contribution from options issued during the year	5,860,000	-	-	5,860,000
Performance rights/options expense recognised during the year	-	14,646	-	14,646
Transfer of reserve upon exercise of options	1,323,719	(1,323,719)	-	-
Balance at 30 June 2021	49,831,949	1,297,484	26,132,796	77,262,229
Profit for the year	-	-	50,694,454	50,694,454
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	50,694,454	50,694,454
Transactions with owners in their capacity as owners				
Shares issued during the year	2,220,000	-	-	2,220,000
Share issue costs	(83,377)	-	-	(83,377)
Dividend	-	-	(24,791,223)	(24,791,223)
Contribution from options exercised during the year	160,000	-	-	160,000
Performance shares/options expense recognised during the year	-	2,759,182	-	2,759,182
Transfer of reserves	37,859	(1,297,484)	1,259,625	-
Balance at 30 June 2022	52,166,431	2,759,182	53,295,652	108,221,265

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		247,331,354	114,379,339
Payments to suppliers and employees		(174,703,956)	(49,142,727)
Interest received		316,835	13,652
Cash flow boost incentive	3	-	50,000
Income taxes paid		(10,658,242)	-
Net cash provided by operating activities	31	62,285,991	65,300,264
Cash flows from investing activities			
Payments for plant and equipment		(6,782,293)	(14,729,271)
Payments for exploration and evaluation		(119,474)	(143,008)
Movement in term deposits	11	(250,000)	50,000
Loans from/(to) other entities		1,716,667	(2,650,000)
Net cash used in investing activities		(5,435,100)	(17,472,279)
Cash flows from financing activities			
Proceeds from new issues of shares	20	-	15,000,000
Proceeds from exercise of options	20	160,000	5,860,000
Share issue costs	20	-	(836,560)
Dividends paid	20	(24,190,497)	-
Net cash(used in)/ provided by financing activities		(24,030,497)	20,023,440
Net increase in cash held		32,820,394	67,851,425
Cash and cash equivalents at the beginning of the period		68,995,789	1,292,625
Effect of exchange rates on cash holdings in foreign currencies		(140,416)	(148,261)
Cash and cash equivalents at the end of the period	10	101,675,767	68,995,789

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1 REVENUE

	2022 \$	2021 \$
Western Australia Iron Ore	249,168,360	114,377,844

The Group achieved operating status for the Iron Ridge Project during the prior year, reaching production for accounting purposes. Included in current period sales is iron ore sold under a hedging arrangement. Fenix Resources entered iron ore swap arrangements for its Iron Ridge Project for the 12 months from October 2021. The hedge arrangement covers 50,000 tonnes of material per month, calculated at the average monthly iron ore 62 per cent Fe futures index (Platts IODEX), converted to Australian Dollars. The conversion will result in pricing for iron ore fixed at \$230.30 per dry metric tonne and locks in approximately 45 per cent of planned production for the period, 12 months to October 2022.

The group uses derivative financial instruments such as iron ore forward contracts to manage the risk associated with commodity price. The sale of iron ore under such hedge instruments is accounted for using the 'own use exemption' under AASB 9 Financial Instruments and as such all hedge revenue is recognised in the Statement of Profit or Loss and no fair value adjustments are subsequently made to sales yet to be delivered under the hedging program.

2 COST OF SALES

	2022 \$	2021 \$
Cash costs of production	170,429,099	64,386,156
Inventory product movement	5,716,151	(15,003,135)
Depreciation and amortisation ⁽¹⁾	6,017,870	1,930,956
	182,163,120	51,313,977

1 Refer to Note 34 (m) and 34(n) for details on the Group's accounting policies for depreciation and amortisation.

Costs of production

Costs of production includes ore and waste mining costs, processing costs and site administration and support costs.

Inventory product movement

Inventory product movement represents the movement in inventory ore stockpiles.

3 OTHER INCOME

	2022 \$	2021 \$
Other Income		
Rebates and other income	944,123	1,495
Cash flow boost incentive payments ⁽¹⁾	-	50,000
Total other income	944,123	51,495

1 Cash flow boosts payments are delivered as credits in the activity statements and equivalent to the amount withheld from wages paid to employees from March to September 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

4 OTHER EXPENSES

	Notes	2022 \$	2021 \$
Administrative expense			
Advertising and marketing costs		150,369	109,191
Advisory costs		439,799	76,087
Compliance costs		345,438	315,747
Consultants		177,972	123,399
Employee benefits expense ⁽¹⁾		1,512,871	1,277,168
Other administrative expenses		617,089	282,616
Total administrative expense		3,243,538	2,184,208
Share-based payments expense			
Options expense	20(b)	59,182	-
Performance rights expense	20(b)	-	14,646
Total share-based payments expense		59,182	14,646
Depreciation	13	82	1,289
Total other expenses		3,302,802	2,200,143

1 A portion of the prior year employee benefits expense has been capitalised as an exploration and evaluation assets and recognised in costs of production.

A reconciliation of employee benefits expense is as follows:

	2022 \$	2021 \$
Employee benefits expense		
Wages and salaries	2,871,887	1,589,926
Superannuation	281,704	149,918
Provision for annual leave	110,486	103,992
Other costs	218,840	61,941
Total employee benefits expense	3,482,917	1,905,777
Employee benefits included in		
Capitalised as exploration expenditure	-	146,134
Costs of production	1,970,046	482,475
Administrative expenses	1,512,871	1,277,168
Total employee benefits expense	3,482,917	1,905,777

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

5 FINANCE COSTS

	2022 \$	2021 \$
Finance costs		
Interest on Right of Use assets	97,455	94,368
Unwinding of provisions	36,824	2,360
Loss on lease disposal	726,892	-
Discount on value of outstanding loan	(18,707)	-
Interest expense	1,657	-
Total finance costs	844,121	96,728

6 OPERATING SEGMENTS

The Group has two reportable segments, being the Iron Ridge Project and Trucking Joint Venture. This determination is based on the internal reports that are reviewed and used by the Board (chief operating decision maker) in assessing performance and determining the allocation of resources. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its production activities. The Group achieved operating status for the Iron Ridge Project during the prior year, reaching production for accounting purposes.

	Iron Ridge Project \$	Trucking Joint Venture \$	Unallocated \$	Total \$
For the year ended 30 June 2022				
Income from external sources	249,704,795	-	407,688	250,112,483
Reportable segment profit/(loss) ⁽¹⁾	49,656,711	4,776,628	(3,738,885)	50,694,454
Reportable segment assets ⁽²⁾	36,965,964	5,696,320	108,528,837	151,191,121
Reportable segment liabilities	(42,510,243)	-	(459,613)	(42,969,856)
For the year ended 30 June 2021				
Income from external sources	114,507,622	-	167,770	114,675,392
Reportable segment profit/(loss)	49,498,423	919,687	(1,377,184)	49,040,926
Reportable segment assets ⁽³⁾	41,780,245	919,692	72,125,131	114,825,068
Reportable segment liabilities	(37,189,807)	-	(373,032)	(37,562,839)

1 Included within segment profit/(loss) is depreciation and amortisation of \$6,017,870 for the Iron Ridge Project and \$82 for unallocated.

2 Unallocated includes cash held of \$101,675,767.

3 Unallocated includes cash held of \$68,995,789.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

7 INVENTORIES

	2022 \$	2021 \$
Ore Stockpiles	9,286,984	15,003,135

The Group achieved operating status for the Iron Ridge Project during the prior period, reaching production for accounting purposes. Ore stockpiles represent Iron Ore lump and Fines extracted, that are expected to be sold at a profit.

Inventories are valued at the lower of cost and net realisable value. At the reporting date, all inventory on hand is valued at cost.

No provision was required to write down inventories to their recoverable value at 30 June 2022 (30 June 2021: none).

Accounting estimates and judgements

Inventory valuation

Accounting for inventory involves the use of judgements and estimates, particularly related to the measurement and valuation of inventory on hand within the production process. Certain estimates, including expected metal recoveries and work in progress volumes, are calculated by engineers using available industry, engineering and scientific data.

Estimates used are periodically reassessed by the Group after considering technical analysis and historical performance. Changes in estimates are adjusted for on a prospective basis.

Net realisable value and classification of inventory

The assessment of the net realisable value and classification of inventory involves significant judgements and estimates in relation to timing and cost of processing, commodity prices, recoveries and the likely timing of sale of the ore produced. A change in any of these assumptions will alter the estimated net realisable value and may therefore impact the carrying amount of inventory.

8 TAXATION

Major components of income tax expense for the Years ended 30 June 2022 and 30 June 2021 are:

	2022 \$	2021 \$
Statement or profit or loss and other comprehensive income		
<i>Current income</i>		
Current income tax expense	18,281,834	9,294,860
Adjustments in respect of previous current income tax	(61,618)	-
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	637,618	3,520,162
Adjustment in respect of prior year tax losses / deferred tax assets	(565,553)	-
Income tax expense reported in income statement	18,292,281	12,815,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

8 TAXATION (continued)

	2022 \$	2021 \$
Statement of changes in equity		
<i>Deferred income tax</i>		
Capital raising costs	83,378	(267,142)
Income tax benefit reported in equity	83,378	(267,142)
Reconciliation of income tax to prima facie tax payable		
Profit before income tax	68,986,735	61,855,948
Income tax expense/(benefit) at 30% (30 June 2021: 30%)	20,696,020	18,556,784
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses (non-assessable income)	(1,691,030)	(10,455)
Tax loss not brought to account as a deferred tax asset now utilised	-	(7,489,754)
Under / over in respect of prior years	(627,171)	-
Temporary differences brought to account	(85,538)	1,758,447
Total income tax expense	18,292,281	12,815,022

As at 30 June 2022 the franking account balance is \$33,432.

Significant accounting judgments and estimates

Income tax classification

Judgements: The Group's accounting policy for taxation, including royalty-related taxation, requires judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost.

Uncertain tax matters

Judgements: Judgements apply about the application of income tax legislation and its interaction with income tax accounting principles. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax assets and tax liabilities, including deferred tax, recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised.

Where the final tax outcomes are different from the amounts that were initially recorded, these differences impact the current and deferred tax provisions in the period in which the determination is made.

Measurement of uncertain tax and royalty matters considers a range of possible outcomes, including assessments received from tax authorities. Where management is of the view that potential liabilities have a low probability of crystallising, or it is not possible to quantify them reliably, they are disclosed as contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

9 DEFERRED TAX ASSETS AND LIABILITIES

For recognition and measurement refer to Note 8 and Note 34(f).

The composition of the Group's net deferred tax assets and liabilities recognised in the statement of financial position and the deferred tax expense (credited)/ charged to the statement of profit or loss statement is as follows:

	2022 \$	2021 \$
<i>Deferred tax liabilities</i>		
Trade and other receivables	(55,798)	(32,804)
Property, plant and equipment	(106,206)	(803,194)
Capitalised exploration and evaluation expenditure	(341,842)	
Mine properties	(4,093,208)	(3,910,421)
Investments and loans	(5,612)	(275,907)
<i>Deferred tax assets</i>		
Trade and other payables	188,208	151,612
Provisions – current	67,734	34,588
Right of use assets	112,210	603,778
Provisions – non-current	574,237	652,890
Business related costs – statement of profit or loss	18,363	14,819
Unrealised foreign exchange losses	49,687	44,478
Business related costs – equity	183,765	267,142
Net deferred tax assets/(liabilities)	(3,408,462)	(3,253,019)

The composition of the Group's unrecognised deferred tax assets and liabilities is as follows:

	2022 \$	2021 \$
Deferred tax assets and liabilities not recognised relate to the following:		
Capital losses	7,415	7,415
Net deferred tax assets unrecognised	7,415	7,415

Significant accounting judgments and estimates

Deferred tax

Judgements: Judgement is required to determine the amount of deferred tax assets that are recognised based on the likely timing and the level of future taxable profits. Judgement is applied in recognising deferred tax liabilities arising from temporary differences in investments.

Estimates: The Group assesses the recoverability of recognised and unrecognised deferred taxes, including losses on a consistent basis, using estimates and assumptions relating to projected earnings and cash flows as applied in the Group impairment process for associated operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

10 CASH AND CASH EQUIVALENTS

(a) Risk exposure

Refer to Note 23(b) for details of the risk exposure and management of the Group's cash and cash equivalents.

(b) Restricted cash

The cash and cash equivalents disclosed and in the statement of cash flows include \$600,726 which are held in trust by the Company's share registry for the payment of the 2021 financial year dividend.

(c) Deposits at call

Deposits at call are presented as cash equivalents if they have a maturity of three months or less. Refer Note 34(j) for the Group's other accounting policies on cash and cash equivalents.

	2022 \$	2021 \$
Cash at bank	71,625,767	55,945,789
Deposits at call	30,050,000	13,050,000
	101,675,767	68,995,789

11 TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Other receivables are generally due for settlement within 30 days and are therefore classified as current.

Refer to Note 23(b) for details of the risk exposure and management of the Group's trade and other receivables.

The term deposit has a maturity of more than three months.

	2022 \$	2021 \$
<i>Trade and other receivables</i>		
Trade receivables	2,346,000	71,747
Other receivables	3,907,481	2,802,535
Prepayments	154,089	150,413
Accrued interest	195,500	104,647
	6,603,070	3,129,342
<i>Other Current Assets</i>		
Term deposit	250,000	-
	250,000	-

12 LOAN RECEIVABLE

	2022 \$	2021 \$
Current loan receivable	509,276	1,716,667
Non-current loan receivable	466,667	933,333
	975,943	2,650,000

During the prior period, the Group has lent money to Fenix Newhaul Pty Ltd, a joint venture company of the Group. Loans are recognised at amortised cost and shown as current if amounts are due for repayment within 12 months from the reporting date.

Loans are repayable within a period of 1 to 2 years and incur an interest rate of 1% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

12 LOAN RECEIVABLE (continued)

Accounting estimates and judgements

Impairment of financial assets

AASB 9 requires that credit losses on financial assets are measured and recognised using the 'expected credit loss (ECL) approach. AASB 9's impairment requirements use forward-looking information to recognise expected credit losses. Instruments within the scope of the requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under AASB 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. '12-month expected credit losses' are recognised for the first category (i.e. Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e. Stage 2).

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument. The Directors have reviewed the forecasts of the Joint Venture and consider the cash flows to be sufficient to settle the obligations to the company and no expected credit loss has been recorded.

13 MINE PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

		2022 \$	2021 \$
Carrying value			
Right of use assets	Property	312,524	379,163
	Plant and equipment	41,495	50,351
	Buildings	-	2,247,801
Mine properties, property, plant and equipment	Plant and equipment	11,715,715	9,247,480
	Mine properties	13,493,829	12,202,315
Total carrying value		25,563,563	24,127,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

13 MINE PROPERTIES, PROPERTY, PLANT AND EQUIPMENT (continued)

Significant accounting estimates and assumptions

Units of production method

Where the useful life of an asset is directly linked to the extraction of ore from a mine, the asset is depreciated using the units of production method. The units of production method results in depreciation and amortisation charges proportional to the depletion of the estimated ore reserve of the mine. The unit of account used in the calculation is tonnes of ore.

Right of use assets

	Property \$	Plant and equipment \$	Buildings \$
Cost			
<i>At 1 July 2021</i>	419,996	55,773	2,544,680
Additions	3,804	498	-
Early buy out option exercised	-	-	(2,544,680)
<i>At 30 June 2022</i>	423,800	56,271	-
Accumulated depreciation, amortisation and impairment			
<i>At 1 July 2021</i>	(40,833)	(5,422)	(296,879)
Depreciation and amortisation	(70,443)	(9,354)	(339,291)
Early buy out option exercised	-	-	636,170
<i>At 30 June 2022</i>	(111,276)	(14,776)	-
Net book value	312,524	41,495	-

Mine properties, property, plant and equipment

	Plant and equipment \$	Mine properties under development \$	Mine properties \$
Cost			
<i>At 1 July 2021</i>	9,978,111	-	13,063,235
Additions ⁽¹⁾	5,081,270	-	4,277,344
Disposals	(1,808)	-	-
<i>At 30 June 2022</i>	15,057,573	-	17,340,579
Accumulated depreciation, amortisation and impairment			
<i>At 1 July 2021</i>	(730,631)	-	(860,920)
Depreciation and amortisation	(2,613,035)	-	(2,985,830)
Disposals	1,808	-	-
<i>At 30 June 2022</i>	(3,341,858)	-	(3,846,750)
Net book value	11,715,715	-	13,493,829

1 Additions to Mine Properties include value of Performance Shares of \$3,900,000, see Note 22(d) for further details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

13 MINE PROPERTIES, PROPERTY, PLANT AND EQUIPMENT (continued)

Mine properties include \$1.89 million relating to the rehabilitation provision.

A reconciliation of depreciation is as follows:

	Note	2022 \$	2021 \$
Depreciation			
Costs of production		6,017,870	1,930,956
Administrative expenses	4	82	1,289
		6,017,952	1,932,245

14 EXPLORATION AND EVALUATION ASSETS

	Note	2022 \$	2021 \$
<i>Iron Ridge Project</i>			
Opening balance		-	6,203,553
Acquisition of Pharos Project	22(e)	1,020,000	
Exploration expenditure incurred		119,474	1,234,745
Expenditure reclassified to mine properties under development		-	(7,438,298)
Closing balance		1,139,474	-

Significant accounting estimates and assumptions

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, costs of drilling and production, production rates, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

The carrying values of items of exploration and evaluation expenditure are reviewed for impairment indicators when reclassified from to mine properties under development or at each reporting date and are subject to impairment testing when events or changes in circumstances indicate that the carrying values may not be recoverable. There is no impairment during for the year ended 30 June 2022.

Significant accounting judgement

Capitalisation of exploration and evaluation expenditure

The Group has capitalised significant exploration and evaluation expenditure on the basis that this is expected to be recouped through future successful development (or alternatively sale) of the areas of interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

Reclassification to mine properties under development

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable and a management decision to invest further has been made, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine properties under development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

15 INTEREST IN JOINT VENTURE

Interests in joint ventures

Set out below is the joint ventures of the Group as at 30 June 2022. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	Measurement method	% of ownership interest %	Quoted fair value \$
Fenix Newhaul Pty Ltd	Western Australia	Equity method		
			30 June 2022	50
			30 June 2021	50
Schwarze Brothers Pty Ltd	Western Australia	Equity method		
			30 June 2022	40
			30 June 2021	-

1 As the entity is a private entity no quoted prices are available.

Fenix Newhaul Pty Ltd

Fenix Resources Limited has formed a strategic alliance with trucking and logistics company, Newhaul Pty Ltd (**Newhaul**). Fenix and Newhaul have formed a joint venture company (**JVC**) known as Fenix Newhaul Pty Ltd (**FN**). It is intended that FN will provide all trucking services for the Iron Ridge Project. No guarantees are provided or received with Fenix Newhaul Pty Ltd.

	2022 \$	2021 \$
Opening balance	919,692	5
Share of net profit of joint venture using the equity method	4,776,628	919,687
Closing balance	5,696,320	919,692

Summarised financial information

The tables below provide summarised financial information of the JVC. The information disclosed below reflects the amounts presented in the financial statements of the relevant JVC and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method including fair value adjustments. There were no differences in accounting policy.

Summarised statement of financial position	2022 \$	2021 \$
Total current assets	11,257,686	7,071,946
Total non-current assets	30,388,565	30,190,995
Total current liabilities	(12,691,450)	(14,847,866)
Total non-current liabilities	(17,562,161)	(20,575,691)
	11,392,640	1,839,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

15 INTEREST IN JOINT VENTURE (continued)

	2022 \$	2021 \$
Closing net assets at beginning of the financial year	1,839,384	-
Profit for the period	9,553,256	1,839,384
Closing net assets	11,392,640	1,839,384
Groups share in equity	50%	50%
Groups share	4,776,628	919,692
Investment	919,692	5
Profit recognised	4,776,628	919,687
Carrying amount	5,696,320	919,692
	2022 \$	2021 \$
Revenue	59,685,192	23,427,111
Cost of sales	(33,297,166)	(14,263,990)
Operating expense	(9,387,393)	(3,285,354)
Interest income	1,100	90
Other expense	(3,206,200)	(3,391,347)
Income tax expense	(4,242,277)	(647,126)
Profit from continuing operations	9,553,256	1,839,384
Profit for the period	9,553,256	1,839,384
Other comprehensive (loss)/income	-	-
Total comprehensive income	9,553,256	1,839,384
Dividends received	-	-

Significant accounting estimates, assumptions, and judgements

Control Assessment

The Directors determined that Fenix and Newhaul jointly control the JVC. The Group has a 50% interest in the issued capital of this entity, with the other 50% being owned by Newhaul Pty Ltd. Each of the Shareholder groups have one Board member representing their interests, with decisions around the JVC being made jointly.

Carrying value of interest in joint venture

The JVC has a carrying value of \$5.7 million at year end, no impairment indicators have been identified for the Group's net investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

15 INTEREST IN JOINT VENTURE (continued)

Schwarze Brothers Pty Ltd

Fenix Resources Limited has formed a strategic alliance with Walarnu Pty Ltd (**Walarnu**). Fenix and Walarnu have formed a joint venture company (**JVC**) known as Schwarze Brothers Pty Ltd (**SB**). It is intended that SB will provide port services for the Iron Ridge Project. No guarantees are provided or received with Schwarze Brothers Pty Ltd.

	2022 \$	2021 \$
Opening balance	-	-
Investment in joint venture	21	-
Share of net profit of joint venture using the equity method	(21)	-
Closing balance	-	-

Summarised financial information

The result of the joint venture is not deemed to be material and no further disclosure has been made.

Significant accounting estimates, assumptions, and judgements

Control Assessment

The Directors determined that Fenix and Walarnu jointly control the JVC. The Group has a 40% interest in the issued capital of this entity, with the other 60% being owned by Walarnu Pty Ltd. Each of the Shareholder groups have one Board member representing their interests, with decisions around the JVC being made jointly.

Carrying value of interest in joint venture

The JVC has a carrying value of nil at year end, no impairment indicators have been identified for the Group's net investment.

16 TRADE AND OTHER PAYABLES

Trade and other payables are normally settled within 30 days from receipt of notice. All amounts recognised as trade and other payables, but not yet invoiced, is expected to settle within 12 months.

The carrying value of trade and other payables are assumed to be the same as their fair value, due to their short-term nature.

Refer to Note 23 for details of the risk exposure and management of the Group's trade and other payables.

	2022 \$	2021 \$
<i>Current</i>		
Trade payables	11,235,602	6,650,197
Sundry payables	147,900	99,533
Accruals	6,776,370	12,488,014
Dividend payable	600,726	
	18,760,598	19,237,744
<i>Non-current</i>		
Trade payables	1,430,024	1,473,030

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

17 PROVISIONS

	2022 \$	2021 \$
<i>Current - Employee benefits</i>		
Opening balance	115,293	11,301
Additional provisions	189,498	113,596
Amount utilised	(79,012)	(9,604)
Closing balance	225,779	115,293
<i>Non-current - Rehabilitation and mine closure</i>		
Opening balance	2,176,301	-
Additional provisions	21,844	2,176,301
Unwinding of provision	(284,020)	-
Closing balance	1,914,125	2,176,301

Accounting estimates and judgements

Rehabilitation and mine closure

The provision recognised for rehabilitation and mine closure costs relating to the Iron Ridge Project represents the discounted value of the present obligation to restore, dismantle and rehabilitate certain items of mine properties, property, plant and equipment and to rehabilitate the site.

As the discounted value reflects a combination of an assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate, then changes to one or more of these assumptions is likely to result in changes to the carrying amount of the provision and the related rehabilitation asset and costs and may result in future actual expenditure differing from the amounts currently provided.

18 LEASE LIABILITIES

	2022 \$	2021 \$
<i>Current</i>		
Lease liabilities	74,212	664,619
<i>Non-current</i>		
Lease liabilities	299,821	1,347,973
	374,033	2,012,592

Maturities of lease liabilities

The table below shows the Group's lease liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

18 LEASE LIABILITIES (continued)

	Less than 6 months \$	6 - 12 months \$	1 - 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
At 30 June 2022						
Lease liability	49,564	49,564	338,688	-	437,816	374,033

Accounting estimates and judgements

Leases

The application of AASB 16 requires judgements that affect the valuation of lease liabilities and right of use assets. In addition to the critical judgements and areas of estimation uncertainty discussed below, the following judgements and estimations need to be considered when assessing leases:

- determination of stand-alone prices of lease and non-lease components, whether remeasurement or a separate lease is required following a change in lease terms and conditions, and whether variable payments are in-substance fixed or not to be included in the calculation of the lease liability; and
- assessments of whether a purchase option will be exercised, or an right of use asset is impaired.

Identifying a lease

Identifying whether a contract is, or contains, a lease involves the exercise of judgement about whether:

- the contract depends on a specified asset;
- the Group obtains substantially all of the economic benefits from the use of the asset and has the right to direct the use of the asset; and
- the contract is perpetual or for a period of time over which the underlying assets are to be used.

Determining the lease term

The following assessments impact the lease term which may significantly affect the amount of lease liabilities and right of use assets recognised.

Extension and termination options

The Group applies judgement in determining whether it is reasonably certain to exercise extension or termination options, by considering all relevant factors that could provide an economic incentive to exercise these options.

Non-cancellable period

In determining the lease term, the assessment of a contract following the contractual non-cancellable period needs to consider the substance of the contract and whether any economic penalties exist which may affect the term of the non-cancellable period.

Determining the incremental borrowing rate

Where the Group (or Group entity) cannot readily determine the interest rate implicit in the lease, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. Therefore, as the incremental borrowing rate reflects what the Group would have to pay, estimation is required when no observable rates are available or when observable rates need to be adjusted to reflect the terms and conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. At 30 June 2022 and 2021, no such assets or liabilities were recorded at fair value.

There were no transfers between levels during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The fair value of financial assets and liabilities held by the Group must be estimated for recognition, measurement and/or disclosure purposes.

The Group measures fair values by level, per the following fair value measurement hierarchy:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to determine fair values

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The carrying amounts of cash and short-term trade and other receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these payments.

20 ISSUED CAPITAL

(a) Issued Capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Fully paid	516,213,920	470,213,920	52,166,431	49,831,949

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

20 ISSUED CAPITAL (continued)

Movements in ordinary share capital during the prior and current financial years are as follows:

Details	Notes	Date	Number of shares	Issue price \$	\$
Balance at 1 July 2020			285,765,644		27,755,148
Share-based payment	22(d)	25-Aug-20	2,500,000	0.185	462,500
Issue of shares		27-Aug-20	68,941,410	0.145	9,996,504
Issue of shares		07-Oct-20	34,506,866	0.145	5,003,496
Issue of shares - conversion performance rights	22(b)	14-Oct-20	1,500,000	-	-
Issue of shares on exercise of options	22(a)	04-Dec-20	23,125,000	0.08	1,850,000
Issue of shares on exercise of options	22(a)	11-Dec-20	14,625,000	0.08	1,170,000
Issue of shares on exercise of options	22(a)	17-Dec-20	1,950,000	0.08	156,000
Issue of shares on exercise of options	22(a)	15-Jan-21	10,800,000	0.08	864,000
Issue of shares on exercise of options	22(a)	18-Jan-21	5,000,000	0.07	350,000
Issue of shares on exercise of options	22(a)	18-Jan-21	5,000,000	0.06	300,000
Issue of shares on exercise of options	22(a)	09-Feb-21	1,000,000	0.08	80,000
Issue of shares on exercise of options	22(a)	26-Mar-21	1,250,000	0.08	100,000
Issue of shares on exercise of options	22(a)	23-Apr-21	1,000,000	0.08	80,000
Issue of shares on exercise of options	22(a)	23-Apr-21	5,000,000	0.06	300,000
Issue of shares on exercise of options	22(a)	23-Apr-21	5,000,000	0.07	350,000
Issue of shares on exercise of options	22(a)	24-May-21	1,250,000	0.08	100,000
Issue of shares on exercise of options	22(a)	04-Jun-21	2,000,000	0.08	160,000
Less: Share issue costs			-	-	(836,560)
Add: Share issue costs claimed as a deduction	8		-	-	267,142
Transfer of reserve upon exercise of options	20(b)		-	-	1,323,719
Balance at 30 June 2021			470,213,920		49,831,949
Issue of shares on exercise of options	22(b)	16-Jul-21	2,000,000	0.08	160,000
Issue of shares - conversion performance shares	22(d)	01-Dec-21	30,000,000	-	1,200,000
Issue of shares – Employee share loan plan	22(c)	08-Mar-22	10,000,000	-	-
Issue of shares - Acquisition of tenement rights	22(e)	10-Mar-22	4,000,000	0.255	1,020,000
Less: Share issue costs			-	-	-
Add: Share issue costs claimed as a deduction	8		-	-	(83,377)
Transfer of reserve upon exercise of options	20(b)		-	-	37,859
Balance at 30 June 2022			516,213,920		52,166,431

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

20 ISSUED CAPITAL (continued)

(b) Reserves

The following table shows a breakdown of the reserves and the movements in these reserves during the year. A description of the nature and purpose of each reserve is provided.

	Note	2022 \$	2021 \$
Share-based payments reserve			
Balance at 1 July		1,297,484	2,606,557
Performance rights expense – Directors and employees	22(b)	-	14,646
Performance shares capitalised to mine properties	22(d)	2,700,000	
Options issued – Employee share plan	22(c)	59,182	-
Transfer of reserve upon exercise of options		(37,859)	(1,323,719)
Transfer of historical reserve to retained earnings	20(c)	(1,259,625)	-
Balance at 30 June		2,759,182	1,297,484

Share-based payments reserve

The share-based payments reserve is used to recognise: (a) the grant date fair value of options issued but not exercised; (b) the grant date fair value of market-based performance rights granted to Directors, Employees, Consultants and Vendors but not yet vested; and (c) the fair value non-market based performance rights granted to Directors, Employees, Consultants and Vendors but not yet vested.

(c) Retained earnings

	2022 \$	2021 \$
Balance at 1 July	26,132,796	(22,908,130)
Net profit attributable to owners of the Company	50,694,454	49,040,926
Transfer of historical reserve to retained earnings	1,259,625	-
Dividend declared	(24,791,223)	-
Balance at 30 June	53,295,652	26,132,796

21 DIVIDENDS

Dividends are determined after period-end and announced with the results for the period. Dividends determined are not recorded as a liability at the end of the period to which they relate. Dividends are recognised upon declaration.

On 14 September 2021, Fenix Resources Limited determined a final dividend of 5.25 cents per share fully franked. Fenix Dividends declared were fully franked based on a tax rate of 30 per cent.

Fenix did not pay an interim dividend during the year due to the unavailability of franking credits. A decision on a full year dividend payment for FY22 will be made based on the full year financial results consistent with the Company's dividend policy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

21 DIVIDENDS (continued)

Dividend policy

The Group adopted a dividend policy in August 2021 that provides for, to the extent that dividends can be fully franked, a payment of between 50% and 80% of after-tax earnings to Shareholders in the form of dividends, either annually or semi-annually.

22 SHARE-BASED PAYMENTS

Share-based payment transactions are recognised at fair value in accordance with AASB 2 *Share-based payments*.

The total movement arising from share-based payment transactions recognised during the year were as follows:

	Notes	2022 \$	2021 \$
As part of share-based payment expense			
Options issued – Director & Employee share plan	22(c)	59,182	-
Performance rights issued	22(b)	-	14,646
As part of capitalised exploration assets			
Ordinary shares	22(e)	1,020,000	462,500
Performance shares	22(d)	3,900,000	-
		4,979,182	477,146

During the year the Group had the following share-based payments:

(a) Share options

The Fenix Resources Limited share options are used to reward Directors, Employees, Consultants and Advisors for their performance and to align their remuneration with the creation of Shareholder wealth through the performance requirements attached to the options. Options are granted at the discretion of the Board of Directors and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Any options granted to Directors are approved by Shareholders prior to issue.

The options are not listed and carry no dividend or voting right. Upon exercise, each option is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

No options have been granted during the reporting period.

The total expense arising from options issued during the reporting period as part of share-based payments expense was nil (30 June 2021: nil).

Set out below are summaries of options granted:

	2022		2021	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
Opening balance	\$0.080	2,000,000	\$0.076	79,000,000
Granted during the period	-	-	-	-
Exercised during the period	\$0.080	(2,000,000)	\$0.076	(77,000,000)
Closing balance	-	-	\$0.080	2,000,000
Vested and exercisable	-	-	\$0.080	2,000,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

22 SHARE-BASED PAYMENTS (continued)

Series	Grant date	Expiry date	Exercise price	2022	2021
				Number of options	Number of options
(i)	10-Sep-18 ⁽¹⁾	9-Sep-21	\$0.08	-	2,000,000
Weighted average remaining contractual life of options outstanding at the end of the year:				-	0.19 years

1 The securities were approved on the 10 September 2018 at the Company's General Meeting.

The fair value of options issued is measured by reference to the value of the goods or services received. The fair value of services received in return for share options granted to Directors, Employees and Consultants is measured by reference to the fair value of options granted. The fair value of services received by Advisors couldn't be reliably measured and are therefore measured by reference to the fair value of the equity instruments granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. The life of the options including early exercise options are built into the option model. The fair value of the options are expensed over the expected vesting period.

(b) Performance rights

The Company's Performance Rights Plan was approved and adopted by Shareholders on 10 September 2018. Each performance right will vest as an entitlement to one fully paid ordinary share upon achievement of certain performance milestones. If the performance milestones are not met, the performance rights will lapse, and the eligible participant will have no entitlement to any shares.

Performance rights are not listed and carry no dividend or voting rights. Upon exercise each performance right is convertible into one fully paid ordinary share to rank pari passu in all respects with existing fully paid ordinary shares.

No performance rights have been granted during the reporting period and there are no performance rights on issue at period end (30 June 2021: none).

The total Director, Employee and Consultant share performance rights expense arising from performance rights recognised during the reporting period as part of share-based payment expense were as follows:

	2022 \$	2021 \$
Performance rights granted during prior periods	-	14,646
	-	14,646

(c) Share Loan Plan

The Company's Share Loan Plan was approved and adopted by Shareholders on 2 February 2022. The Fenix Resources Limited Share Loan Plan is used to reward Directors and employees for their performance and to align their remuneration with the creation of long-term shareholder wealth through increase in share price. Loans are granted at the discretion of the Board of Directors and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Any Director participation is approved by shareholders prior to issue.

Under the Share Loan Plan, provision for the issuance of loan shares is as follows:

- Loan shares are shares in the Company, each carrying the same dividend rights and otherwise ranking pari passu in all respects with the ordinary issued shares of the Company, where the subscription price is funded by way of a loan from the Company;
- Offers under the plan are the absolute discretion of the board;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

22 SHARE-BASED PAYMENTS (continued)

- Financial assistance is provided to participants by way of a limited recourse interest-free loan to acquire the shares;
- The Company retains security over the loan shares whilst ever there is an amount outstanding under the loan; and
- Loan shares that have not vested and/or are subject to loan repayment will be restricted from trading.

Under the applicable Accounting Standards, the loan shares and related limited recourse loan are accounted for as options, which gives rise to a share-based payment expense. The treatment of the loan shares under the applicable Accounting Standards as options requires that the value of the loans and issue price of the shares are not recorded as receivables or share capital of the Company until repayment or part repayment of the loans occurs. The loan shares are entitled to dividends. Half of any dividends paid in respect of the loan shares will be applied to reduce the loans and increase share capital in accordance with both the plan rules and applicable Accounting Standards.

The options are fair valued and recognised as an expense over the vesting period.

Set out below are summaries of shares issued under the Share Loan Plan:

	2022		2021	
	Average repayment price	Number of shares	Average repayment price	Number of shares
Opening balance	-	-	-	-
Granted during the period	\$0.23	10,000,000	-	-
Exercised during the period	-	-	-	-
Closing balance	\$0.23	10,000,000	-	-

Series	Grant date	Expiry date	Exercise price	2022	2021
				Number of shares	Number of shares
(i)	4-Mar-22 ⁽¹⁾	7-Mar-32	\$0.23	10,000,000	-
Weighted average remaining contractual life of shares outstanding at the end of the year:				9.69 years	-

1 The securities were approved on the 4 March 2022 at the Company's General Meeting.

The fair value of services received in return for shares issued to Directors and employees is measured by reference to the fair value as options granted. The estimate of the fair value of the services is measured based on a Black-Scholes option valuation methodology. The life of the options including early exercise options are built into the option model. The fair value of the options are expensed over the expected vesting period.

The model inputs for options granted during the period include:

Series	Exercise price	Expiry (years)	Share price at grant date ⁽¹⁾	Expected volatility ⁽²⁾	Dividend yield	Risk free interest rate ⁽³⁾	Option value
(i)	\$0.230	10.00	\$0.235	73%	0%	2.14%	\$0.1834

1 The share price has been based upon the closing shares price on grant date being 4 March 2022.

2 The expected price volatility is based on historical volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility due to publicly available information.

3 Risk free rate of securities with comparable terms to maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

22 SHARE-BASED PAYMENTS (continued)

The total expense arising from shares issued during the reporting period as part of share-based payments expense was:

Series	2022 \$	2021 \$
(i) Director shares	59,182	-
	59,182	-

(d) Performance shares

On 22 November 2018 the Company issued 55,000,000 shares and 112,500,000 performance shares to the vendors of Prometheus Mining Pty Ltd in consideration for the acquisition of 100% of the mining lease M20/118-L.

Performance shares were split between four milestones, being 15 million under Milestone A, 30 million under Milestone B, 37.5 million under Milestone C and 30 million under Milestone D. On achievement of the milestones each performance share will convert into one ordinary fully paid share, if the milestones are not achieved the performance shares consolidate and entitle each holder to one ordinary fully paid share per holder per milestone.

There are a total of 11 holders of the performance shares.

Milestones are as follows:

Milestone A	On declaration of an Inferred Mineral Resource of not less than 8 million tonnes of iron ore at 65% Fe grade in accordance with the JORC Code of 2012 within 6 months from commencement of drilling on the Tenement.
Milestone B	On achievement of 1,000,000 tonnes cumulative of shipped iron ore production from the Tenement at an Operating Margin of greater than US\$15 per dry metric tonne shipped within the earlier of 24 months from commencement of mining on the Tenement and 60 months from the Settlement Date.
Milestone C	On achievement of 2,000,000 tonnes cumulative of shipped iron ore production from the Tenement at an Operating Margin of greater than US\$15 per dry metric tonne shipped within the earlier of 36 months from commencement of mining on the Tenement and 60 months from the Settlement Date.
Milestone D	On achievement of 3,000,000 tonnes cumulative of shipped iron ore production from the Tenement at an Operating Margin of greater than US\$15 per dry metric tonne shipped within the earlier of 48 months from commencement of mining on the Tenement and 60 months from the Settlement Date.

The fair value of consideration is by reference to the fair value of the shares and performance shares issued in connection with the acquisition. The fair value of the consideration will be included in the capitalised cost of the asset.

The fair value of the shares issued is determined by reference to the share price on acquisition date, based on the fair value price (\$0.04 per share).

During the prior financial periods

On issuance of the performance shares on acquisition the Directors determined that it was not probable that the milestones would be met and accordingly the value of the performance shares was calculated to be nil.

On 9 July 2019, the Company advised that 15,000,000 Class A Performance Shares had not met the requirement for conversion and, pursuant to the terms and conditions of the Performance Shares, all unconverted Class A Performance Shares held by each holder were automatically consolidated into one Share each. As a result, during the prior year 11 ordinary fully paid shares were issued to holders of the performance shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

22 SHARE-BASED PAYMENTS (continued)

During the financial period

On 1 December 2021, the Company advised that 30,000,000 Class B Performance Shares had met the requirement for conversion and, pursuant to the terms and conditions of the Performance Shares, all Class B Performance Shares were converted into 30,000,000 ordinary fully paid shares were issued to holders of the performance shares (see Note 20(a)). The share issued were recognised at fair value by reference to the share price on acquisition date, based on the fair value price (\$0.04 per share). This amount has been recognised in the Statement of Financial Position under Mine properties.

The probability of meeting Milestones C and D were reassessed at 30 June 2022 and assigned probabilities of 100% and 75% respectively therefore deemed likely to be met. In accordance with AASB 2 "Share Based Payments" the fair value of the performance shares must be recognised at 30 June 2022. The fair value of the shares issued was determined by reference to the share price on acquisition date, based on the fair value price (\$0.04 per share). The value of the performance shares was determined using a share option pricing model, after assigning a probability of achievement this was determined to be Milestone C \$1,500,000 and Milestone D \$1,200,000. As the shares have not been issued as of 30 June 2022 the fair value of the performance shares were credited to a reserve account in equity. This amount has been recognised in the Statement of Financial Position under Mine properties.

(e) Share capital to vendors

During the financial period:

- On 10 March 2022, 4,000,000 fully paid ordinary shares issued to Scorpion as consideration for the acquisition of 100% interest in the Iron Ore rights on the Pharos Project Tenements. The fair value of the shares recognised was by direct reference to the closing price on 10 March 2022 which amounted to \$1,020,000. This amount has been recognised in the Statement of Financial Position under exploration and evaluation expenditure.

During the prior financial period:

- On 25 August 2020, 2,500,000 shares issued in part consideration for Mining Co-operation and Benefits Agreement with the Wajarri Yamatji Native Title group. The fair value of the shares recognised was by direct reference to the closing price on 24 August 2020 which amounted to \$462,500. This amount has been recognised in the Statement of Financial Position under Mine properties under development.

Significant accounting estimates, assumptions and judgements

Estimation of fair value of share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes or Monte-Carlo model taking into account the assumptions detailed within this note.

Probability of vesting conditions being achieved

Inputs to pricing models may require an estimation of reasonable expectations about achievement of future vesting conditions. Vesting conditions must be satisfied for the counterparty to become entitled to receive cash, other assets or equity instruments of the entity, under a share-based payment arrangement.

Vesting conditions include service conditions, which require the other party to complete a specified period of service, and performance conditions, which require specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time) or completion of performance hurdles.

The Group recognises an amount for the goods or services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest and shall revise that estimate, if necessary, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. On vesting date, the entity shall revise the estimate to equal the number of equity instruments that ultimately vested.

The achievement of future vesting conditions are reassessed each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

23 FINANCIAL AND CAPITAL RISK MANAGEMENT

Overview

The financial risks that arise during the normal course of the Group's operations comprise market risk, credit risk and liquidity risk. In managing financial risk, it is policy to seek a balance between the potential adverse effects of financial risks on financial performance and position, and the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various risk management methods available to manage them.

General objectives, policies and processes

The Board is responsible for approving policies on risk oversight and management and ensuring management has developed and implemented effective risk management and internal control. The Board receives reports as required from the Managing Director in which they review the effectiveness of the processes implemented and the appropriateness of the objectives and policies it sets. The Board oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced.

These disclosures are not, nor are they intended to be an exhaustive list of risks to which the Group is exposed.

Financial Instruments

The Group has the following financial instruments:

	2022 \$	2021 \$
Financial assets		
<i>Current</i>		
Cash and cash equivalents	101,675,767	68,995,789
Trade and other receivables	2,744,888	176,394
Loan receivable	509,276	1,716,667
Other current assets	250,000	-
<i>Non-Current</i>		
Loan receivable	466,667	933,333
	105,646,598	71,822,183
Financial liabilities		
<i>Current</i>		
Trade and other payables	18,780,612	19,237,744
Lease liabilities	74,212	664,619
<i>Non-Current</i>		
Trade and other payables	1,430,025	1,473,030
Lease liabilities	299,821	1,347,973
	20,584,670	22,723,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

23 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(a) Market Risk

Market risk can arise from the Group's use of interest-bearing financial instruments and exposure to commodity prices. It is a risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rate (foreign exchange risk) and fluctuations in commodity prices (commodity price risk).

(i) Interest rate risk

The Board manages the Group's exposure to interest rate risk by regularly assessing exposure, taking into account funding requirements and selecting appropriate instruments to manage its exposure. As at the 30 June 2022, the Group has interest-bearing assets, being cash at bank and borrowings (30 June 2021 cash at bank).

As such, the Group's income and operating cash flows is not highly dependent on material changes in market interest rates.

Sensitivity analysis

The Group does not consider this to be a material risk/exposure to the Group and have therefore not undertaken any further analysis.

The weighted average effective interest rate of funds on deposit is 0.77% (30 June 2021: 0.30%).

(ii) Foreign exchange risk

The Group is exposed to foreign exchange risk arising from fluctuations in the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The Group manages risk by matching receipts and payments in the same currency and monitoring movements in exchange rates. The exposure to risks is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2022 US \$	2021 US \$
Financial assets		
Cash	12,775,283	8,578,857
Financial liabilities		
Trade and other payables	1,378,895	1,425,976

Sensitivity analysis

A hypothetical change of 10% in the US dollar exchange rate was used to calculate the Group's sensitivity to foreign exchange rate movements as the Company's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility.

A weakening of the US dollar by 10%, with all other variables held constant, would decrease the Group's equity and profit after taxation by \$784,903 (2021: \$538,648). These sensitivities should not be used to forecast the future effect of movement in the Australian dollar exchange rate on future cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

23 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(iii) Commodity price risk

The risk associated with commodity prices is managed as part of the portfolio risk management strategy.

Fenix Resources entered into iron ore swap arrangements for its Iron Ridge Project for the 12 months from October 2021. The hedge arrangement covers 50,000 tonnes of material per month, calculated at the average monthly iron ore 62 per cent Fe futures index (Platts IODEX), converted to Australian Dollars. The conversion will result in pricing for iron ore fixed at \$230.30 per dry metric tonne and locks in around 45 per cent of planned production for the period.

The group uses derivative financial instruments such as iron ore forward contracts to manage the risk associated with commodity price. All other production is on market-based index pricing terms.

The relationship between commodity prices and foreign currencies is complex and movements in foreign exchange rates can impact commodity prices.

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with financial institutions, as well as trade receivables. Credit risk is managed on a Group basis. For cash balances held with bank or financial institutions, only independently rated parties with a minimum rating of 'AA-' are accepted.

The Board are of the opinion that the credit risk arising as a result of the concentration of the Group's assets is more than offset by the potential benefits gained.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised, none of which are impaired or past due.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2022 \$	2021 \$
Cash and cash equivalents	101,675,767	68,995,789
Trade and other receivables	2,744,888	176,394
Other current assets	250,000	-
Loan receivable	975,943	2,650,000
	105,646,598	71,822,183

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2022 \$	2021 \$
Other receivables		
<i>Counterparties with external credit ratings</i>	-	-
<i>Counterparties without external credit ratings ⁽¹⁾</i>		
Group 1	-	-
Group 2	2,744,888	2,826,394
Group 3	-	-
Total	2,744,888	2,826,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

23 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

	2022 \$	2021 \$
Other current assets – term deposit		
Held with Australian banks and financial institutions		
AA- S&P rating	250,000	-
Total	250,000	-

1 Group 1 — new customers (less than 6 months)

Group 2 — existing customers (more than 6 months) with no defaults in the past

Group 3 — existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered.

	2022 \$	2021 \$
Cash at bank and short-term deposits		
Held with Australian banks and financial institutions		
AA- S&P rating	101,675,767	68,995,789
Total	101,675,767	68,995,789

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Through continuous monitoring of forecast and actual cash flows the Group manages liquidity risk by maintaining adequate reserves to meet future cash needs. The decision on how the Group will raise future capital will depend on market conditions existing at that time.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months \$	6 - 12 months \$	1 – 5 years \$	Over 5 years \$	Total contractual cash flows \$	Carrying amount of liabilities \$
At 30 June 2022						
Trade and other payables	18,776,612	-	1,430,025	-	20,206,637	20,206,637
Lease liabilities	49,564	49,564	338,688	-	437,816	374,033
At 30 June 2021						
Trade and other payables	19,237,744	-	1,473,030	-	20,710,774	20,710,774
Lease liabilities	394,214	395,031	1,502,217	46,470	2,337,932	2,012,592

(d) Capital risk management

The Group's objective when managing capital is to safeguard the ability to continue as a going concern. This is to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board monitors capital on an ad-hoc basis. No formal targets are in place for return on capital or gearing ratios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

24 EARNING/LOSS PER SHARE

Options

Options granted to employees and Directors under the Incentive Option Scheme are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in Note 22.

Performance shares

Performance shares granted to vendors of Prometheus in consideration for the acquisition of 100% of the mining lease M20/118-I are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance shares have not been included in the determination of basic earnings per share. Details relating to the performance shares are set out in Note 22.

	2022	2021
Basic earnings/(loss) per share		
Net profit/(loss) after tax attributable to the members of the Company	\$ 50,694,454	\$ 49,040,926
Weighted average number of ordinary shares	493,819,399	406,764,998
Basic earnings/(loss) per share (cents)	10.27	12.06
Net profit /(loss) after tax attributable to the members of the Company	\$ 50,694,454	\$ 49,040,926
Weighted average number of ordinary shares	493,819,399	406,764,998
Adjustments for calculation of diluted earnings per share		
Options	-	2,000,000
Performance shares	67,500,000	97,500,000
Weighted average number of ordinary shares and potential ordinary shares	561,319,399	506,264,998
Diluted earnings/(loss) per share (cents)	9.03	9.69

25 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This Note provides an overview of the areas that involved a higher degree of judgement or complexity and items which are more likely to be materially adjusted. Detailed information about each of these estimates and judgements is included in the Notes together with information about the basis of calculation for each affected line item in the financial statements.

Significant accounting estimates and judgements

The areas involving significant estimates or judgements are:

- Inventory valuation – Note 7;
- Income tax classification – Note 8;
- Uncertain tax matters – Note 8;
- Units of production amortisation method – Note 13;
- Impairment of assets – Note 14;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

25 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

- Capitalisation of exploration expenditure – Note 14;
- Reclassification to mine properties under development – Note 14;
- Rehabilitation and mine closure – Note 17;
- Identification of leases – Note 18;
- Determination of incremental borrowing rate – Note 18;
- Probability of vesting conditions being achieved– Note 22; and
- Estimation of fair value of share-based payments – Note 22.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

There have been no actual adjustments this year as a result of an error and of changes to previous estimates.

26 CONTINGENCIES

(a) Contingent liabilities

There were no material contingent liabilities not provided for in the financial statements of the Company as at 30 June 2022 or 30 June 2021 other than:

Native Title and Aboriginal Heritage

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

(b) Contingent assets

There were no material contingent assets as at 30 June 2022 or 30 June 2021.

27 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as a liability is as follows:

	2022 ⁽¹⁾ \$	2021 ⁽²⁾ \$
Within one year	59,500	359,804
Later than one year but no later than five years	460,996	112,637
Later than five years	156,349	164,196
	676,845	636,637

1 Commitment for the Iron Ridge Project and Pharos project

2 Commitment for the Iron Ridge Project and under the Scorpion farm-in agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

28 INTEREST IN OTHER ENTITIES

(a) Investments in controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 34(a):

Name of entity	Country of incorporation	2022 Equity holding	2021 Equity holding
Prometheus Mining Pty Ltd ⁽¹⁾	Australia	100%	100%

1 Subsidiary acquired on 22 November 2018.

29 RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Key management personnel compensation

	2022 \$	2021 \$
Short-term employee benefits	854,350	744,440
Post-employment benefits	86,550	77,202
Share-based payments	59,182	14,646
	1,000,082	836,288

Detailed remuneration disclosures are provided within the remuneration report.

Parent entity

The ultimate parent entity and ultimate controlling party is Fenix Resources Limited (incorporated in Australia).

Subsidiaries

Interests in subsidiaries are set out in Note 28.

Transactions with related parties

During the prior year, the Group has lent money to Fenix Newhaul Pty Ltd, a joint venture company of the Group. Loans are repayable within a period of 1 to 2 years and incur an interest rate of 1% (see Note 12).

During the year Fenix-Newhaul Pty Ltd have provided transportation services to the Iron Ridge Project on normal commercial terms and conditions, the expenses recognised during the period were \$62,755,455 (ex GST) (30 June 2021: \$23,488,161 (ex GST)).

There were no other related party transaction during the period.

Transactions with other related parties

Purchases from entities associated with key management personnel

Director, Mr Richard Nicholls-Maltman, is a Principal of Aphelion Legal Pty Ltd which has provided legal services with the Company on normal commercial terms and conditions. The expenses recognised during the period were \$12,045 (30 June 20-21: \$4,840 (ex GST)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

30 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the reporting period:

- On 22 July 2022, Fenix confirmed that it had completed the acquisition of the remaining 50% interest in haulage joint venture company, Fenix-Newhaul Pty Ltd (Fenix-Newhaul) resulting in the consolidation of 100% ownership of the haulage business. In accordance with the Share Sale Agreement the Company has paid Newhaul \$7.5 million in cash and 30,000,000 Fenix fully paid ordinary shares. In addition, Mr Craig Mitchell, has been nominated to join the Board of Fenix, with his appointment as a director to be effective on and from 1 September 2022;
- On 25 July 2022, Mr Robert Brierley tendered his resignation from the position of Managing Director. The Board of Fenix have accepted Mr Brierley's resignation on the basis he will continue in his current role for a period of up to three months to assist the Company in an orderly leadership transition; and
- Management have not completed an assessment of the acquisition accounting for Fenix- Newhaul at the timing of signing the Directors Declaration.

No other material matters have occurred subsequent to the end of the year which requires reporting on other than those which have been noted above or reported to ASX.

Other than as set out above there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

31 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Notes	2022 \$	2021 \$
Profit for the period		50,694,454	49,040,926
<i>Add/(less) non-cash items:</i>			
Depreciation and amortisation	13	6,017,953	1,932,245
Performance rights expense – Directors and Employees	20b	-	14,646
Options expense – Employee share loan	20c	59,182	-
Inventory movement	7	5,716,151	(15,003,135)
Foreign exchange		140,416	148,261
<i>Add/(less) items classified as invested/financing activities:</i>			
Finance costs	5	842,464	96,728
Interest income		(225,503)	(104,118)
Share issue costs claimed as a deduction	8	(83,378)	267,142
Profit from joint venture	15	(4,776,607)	(919,687)
<i>Changes in assets and liabilities during the financial year:</i>			
Increase/(decrease) in receivables		76,026	(216,317)
(Decrease)/increase in payables		(4,003,070)	17,391,702
Increase in employee provision		110,486	103,992
Increase in taxation provision		7,717,417	12,547,879
Net cash inflow used in operating activities		62,285,991	65,300,264

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

32 REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related parties and non-related audit firms:

	2022 \$	2021 \$
<i>Audit and assurance services</i>		
Grant Thornton Audit Pty Ltd		
Audit and review of financial statements	128,603	87,466
<i>Other services</i>		
Grant Thornton Australia Limited		
Due diligence services	47,000	-
Total remuneration	175,603	87,466

From time to time the Consolidated Entity may decide to employ an external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Consolidated Entity are important. These assignments are principally tax advice and due diligence on acquisitions, which are awarded on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

33 PARENT ENTITY INFORMATION

The following information relates to the parent entity, Fenix Resources Limited as at 30 June 2022. The information presented here has been prepared using consistent accounting policies as presented in Note 34.

(a) Summary of financial information

The individual aggregate financial information for the parent entity is shown in the table.

(b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2022 or 30 June 2021.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

(d) Contractual commitments for the acquisition of property, plant and equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 30 June 2022 or 30 June 2021.

	Company	
	2022 \$	2021 \$
Financial position		
Current assets	118,325,097	88,844,933
Total assets	150,518,318	114,152,265
Current liabilities	35,917,424	29,312,516
Total liabilities	42,832,614	36,890,036
Equity		
Issued capital	52,166,431	49,831,949
Reserves	2,759,182	1,297,484
Retained Earnings	52,760,091	26,132,796
Total equity	107,685,704	77,262,229
Financial performance		
Profit for the year	51,418,518	49,040,926
Total comprehensive loss	51,418,518	49,040,926

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

34 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Fenix Resources Limited (**Company** or **Fenix**) is a company incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. Fenix Resources Limited is the ultimate parent entity of the Group.

The consolidated financial statements of Fenix Resources Limited for the year ended 30 June 2022 comprise the Company and its controlled subsidiaries (together referred to as the **Group** and individually as **Group entities**).

Statement of compliance

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Group Interpretations and the *Corporations Act 2001*. Fenix Resources Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

Critical accounting estimates and significant judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within Note 25.

New and amended standards adopted by the Group

The Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to their operations and effective for the current annual reporting period.

IFRIC has published two agenda decisions clarifying how arrangements in respect of a specific part of cloud technology, Software-as-a-Service (SaaS), should be accounted for. The Company has taken the guidance for cloud computing into account for the year ended 30 June 2022 with no significant impact on the current or prior periods.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior years.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting period and in the foreseeable future.

Accounting Policies

In order to assist in the understanding of the financial statements, the following summary explains the principle accounting policies that have been adopted in the preparation of the financial report. These policies have been applied consistently to all of the periods presented, unless otherwise stated.

(a) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of subsidiaries of the Company at the end of the reporting period. Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Where a subsidiary has entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of subsidiaries is contained in Note 28 to the financial statements.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 34(i).

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Fenix Resources Limited.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(b) Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting to the chief operating decision maker, which has been identified by the Company as the Board.

(c) Foreign Currency Translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Fenix Resources Limited's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that balance sheet;

income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

(d) Revenue Recognition

Revenue is measured as the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured it is probable that future economic benefits will flow to the entity.

Revenue for other business activities is recognised on the following basis:

Iron Ore Sales

The Group generates revenue from the sale of iron ore. Revenue is recognised at a point in time when control of the promised goods or services passes to the customer. In most instances, control passes when the goods are delivered to a destination specified by the customer, typically on board the customer's appointed vessel. The amount of revenue recognised reflects the consideration to which the Group expects to be entitled in exchange for the goods.

Where the Group's sales invoices are provisionally priced at the date of shipment, a subsequent final invoice, which is typically once the vessel has arrived at its destination, is issued and adjustments arise as a consequence of changes in moisture or ore quality.

Interest income

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Inventories

Ore stockpiles are physically measured or estimated and valued at the lower of cost and net realisable value. Cost is determined on a weighted average basis and comprises mining costs, direct materials, direct labour, haulage, depreciation and an appropriate proportion of project overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(f) Income Tax and Other Taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fenix Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flow arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(h) Exploration and Evaluation Expenditure

The Group's policy with respect to exploration and evaluation expenditure is to use the area of interest method.

This method allows the costs associated with the acquisition, exploration, and evaluation of a prospect to be aggregated on the consolidated statement of financial position and matched against the benefits derived from commercial production once this commences.

Costs

Exploration lease acquisition costs relating to exploration provinces are initially capitalised and then amortised over the shorter term of the lease or the expected life of the project.

All other exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are charged as expenses as incurred except where:

- such evaluation costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively, by its sale; or
- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Areas of interest are recognised at permit level. Subsequent to the recognition of an area of interest, all further costs relating to the Area of Interest are initially capitalised. Each area of interest is reviewed at least bi-annually to determine whether economic quantities of reserves exist or whether further exploration and evaluation work is required to support the continued carry forward of capitalised costs. To the extent it is considered that the relevant expenditure will not be recovered, it is written off.

In the statement of cash flows, those cash flows associated with the capitalised exploration and evaluation expenditure are classified as cash flows used in investing activities exploration and evaluation expenditure expensed is classified as cash flows used in operating activities.

Future restoration costs

The Group's aim is to avoid or minimise environmental impacts resulting from its operations and reviews work scope and cost estimates for restoration annually.

Provision is made in the consolidated statement of financial position for the estimated costs of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The estimated costs are capitalised as part of the cost of the related project where recognition occurs in the operating locations. The costs are then recognised as an expense on a units of production basis during the production phase of the project.

(i) Impairment of Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's values in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

As assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had the impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(j) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand, cash in bank accounts, money market investments readily convertible to cash within two working days, and bank bills but net of outstanding bank overdrafts.

(k) Trade and Other Receivables

Receivables are initially recognised at the transaction price, less allowances for expected credit loss.

(l) Investments and Other Financial Assets

Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(m) Mine Properties, Property Plant And Equipment

Recognition and measurement

Mine properties, property, plant and equipment is stated at cost less accumulated depreciation and amortisation and accumulated impairment losses.

Items of mine properties, property, plant and equipment are initially recognised at cost at the date of acquisition when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be reliably measured. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only where it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably.

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised in profit or loss.

Mine properties under development

Mine properties under development represents the costs incurred in preparing mines for production and includes plant and equipment under construction and operating costs incurred before production commences.

Once production commences, these costs are transferred to property, plant and equipment and mine properties as appropriate, and are depreciated and amortised using the units of production method based on the estimated economically recoverable resource contained in the mine plan to be extracted to which they relate or are written off if the mine property is abandoned.

Mine properties

Mine properties represent the accumulation of all pre-production expenditure incurred in relation to areas of interest for which the technical feasibility and commercial viability of the extraction of mineral resources are demonstrable.

Production is deemed to commence when the mine assets are installed and ready for use in the location and condition necessary for them to be capable of operating in the manner intended by management. These costs are capitalised to the extent they are expected to be recouped through the successful exploitation of the related mining leases.

Mine properties include:

- Capitalised expenditure in relation to exploration,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

evaluation, feasibility, and acquisition costs incurred on projects for which the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

- The cost of rehabilitation and mine closure relating to assets reflected in mine properties.
- Capitalised development and production stripping costs.
- Pre-production operating costs, net of pre-production revenue, previously accumulated and carried forward in mine properties under development, transferred to mine properties in relation to areas of interest in which mining has now commenced.
- Associated mine infrastructure including access roads, evaporation ponds, tailings facility and the airstrip.
- Mining contractor mobilisation costs.

Mine properties are amortised on a units of production basis over the economically recoverable ore reserve contained in the relevant mine plan.

When further development expenditure is incurred in respect of a mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when it is probable that the additional future economic benefits associated with the expenditure will flow to the Group. Otherwise, such expenditure is classified as part of the cost of production.

Right-of-use assets

Right-of-use (ROU) assets, representing the Group's right to use an underlying leased asset for the lease term, are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Depreciation and amortisation

Depreciation commences when an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of assets is calculated using either the straight-line method or units of production method to allocate the assets' cost, net of residual values, over the estimated useful lives of the assets.

Mine-related plant and equipment is depreciated on a units of production basis, except for assets with a useful life less than the life of mine, for which the straight-line method is applied. Non-mine-related plant and equipment is depreciated on a straight-line basis. The depreciation rates used when applying the straight-line method vary between 5% to 50% per annum.

Mine properties are amortised on a units of production basis over the life of the estimated ore reserve of the mine.

Units of production method

Where the useful life of an asset is directly linked to the extraction of ore from a mine, the asset is depreciated using the units of production method. The units of production method results in depreciation and amortisation charges proportional to the depletion of the estimated ore reserve of the mine. The unit of account used in the calculation is tonnes of ore.

(n) Plant and Equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced.

Depreciation is calculated using both the diminishing value and straight-line methods to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives:

- Office equipment 2 - 20 years
- Field Equipment 3 - 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(o) Leases

Lease assessment

Applying the definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease, by determining whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Control is considered to exist if the Group has the right to obtain substantially all of the economic benefits from the use of an explicitly or implicitly identified asset over which the supplier does not have a substantive substitution right, and the right to direct the use of that asset throughout the period of use.

Lease term

The lease term is the non-cancellable term of the lease and any periods covered by:

- an extension option, if that option is reasonably certain to be exercised, and;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

- a termination option, if that option is reasonably certain not to be exercised.

Non-lease components

At inception or on reassessment of a contract that contains a lease component, the consideration in the contract is allocated to each lease component on the basis of their relative stand-alone prices, unless an election is made to account for the lease and non-lease components as a single lease component.

Non-lease components are excluded from future lease payments and recognised separately as incurred as operating expenses on a straight-line basis in profit or loss.

Initial recognition

Leases are recognised as an ROU asset and a corresponding lease liability at the commencement date, which is the date the leased asset is available for use by the Group.

Short-term leases and leases of low-value assets

All leases are accounted for by recognising an ROU asset and a lease liability except for:

- short-term leases (defined as leases with a lease term of 12 months or less and which do not contain a purchase option) and;
- leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as incurred as operating expenses on a straight-line basis over the lease term in profit or loss.

Lease liabilities

Initial measurement

Lease liabilities are initially measured at the present value of lease payments to be paid after the commencement date over the lease term, discounted using the lessee's incremental borrowing rate, if the interest rate implicit in the lease cannot be readily determined.

The lessee's incremental borrowing rate (IBR) is the rate the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. To determine the IBR, the Group obtains external interest rate advice and adjusts the interest rates to reflect the lease conditions and the underlying asset.

Lease payments included in the measurement of the lease liabilities comprise:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts payable under residual value guarantees; and

- payments arising from purchase, extension, or termination options reasonably certain to be exercised by the Group.

Variable lease payments not dependent on an index or a rate, for example, variable lease payments linked to the use of an underlying asset, are not included in the measurement of lease liabilities, and are recognised as operating expenses in profit or loss as incurred.

Subsequent measurement

The lease liability is subsequently measured on an amortised cost basis using the effective interest method, where the lease liability is increased to reflect the accretion of interest and reduced by the lease payments made, over the lease term.

Interest expense is recognised as interest expense on lease liabilities in profit or loss over the lease term, on the remaining lease liability balance for each period.

Remeasurement

Lease liabilities are remeasured if:

- there is a lease modification that is not accounted for as a separate lease; or
- there are changes in: the lease term; the assessment to exercise a purchase option; amounts payable under a residual guarantee; in-substance fixed payments; or future lease payments arising from a change in an index or rate.

A revised discount rate is applied when there is a change in the assessment to exercise a purchase option, the lease term or floating interest rates. A corresponding adjustment is recognised in the ROU asset, or in profit or loss if the carrying amount of the ROU asset has been reduced to nil.

ROU assets

ROU assets, representing the Group's right to use the underlying leased asset for the lease term, are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Initial measurement

The initial cost of ROU assets includes:

- the initial measurement of the related lease liabilities recognised;
- any lease payments made on or before the commencement date, less any lease incentives received;
- initial direct costs incurred; and
- restoration cost estimates, recognised and measured applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Subsequent measurement

ROU assets are subsequently depreciated, in accordance with the Group's existing depreciation accounting policy, over the shorter of the estimated useful life of the underlying asset and the lease

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

term. If it is reasonably certain that the Group will either obtain ownership of the underlying asset by the end of the lease term or exercise a purchase option, the ROU asset is depreciated over its estimated useful life.

ROU assets are assessed for any impairment in accordance with the Group's existing impairment accounting policy.

(p) Acquisition of Assets

Where an entity or operation is acquired, the identifiable assets acquired (and, where applicable, identifiable liabilities assumed) are to be measured at the acquisition date at their relative fair values of the purchase consideration.

Where the acquisition is a group of assets or net assets, the cost of acquisition will be apportioned to the individual assets acquired (and, where applicable, liabilities assumed). Where a group of assets acquired does not form an entity or operation, the cost of acquisition is apportioned to each asset in proportion to the fair values of the assets as at the acquisition date.

(q) Share-Based Payment Transactions

Benefits to Employees and consultants (including Directors)

The Group provides benefits to employees and consultants (including Directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares or options ("equity-settled transactions").

The costs of these equity settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value of performance rights granted is determined using the single barrier share option pricing model. The fair value of options granted is determined by using the Black-Scholes option pricing technique. Further details of options and performance rights granted are disclosed in Note 22.

The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period).

At each subsequent reporting date until vesting, the cumulative charge to the profit or loss is the product of: (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity

instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is valued as if it will vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

Benefits to Vendors

The Group provides benefits to vendors of the Group in the form of share-based payment transactions, whereby the vendor has render services in exchange for shares or rights over shares or options ("equity-settled transactions").

The fair value is measured by reference to the value of the goods or services received. If these cannot be reliably measured, then by reference to the fair value of the equity instruments granted.

The cost of these equity-settled transactions is recognised over the period in which the service was received.

(r) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximately their fair value due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

Provisions are measured at the present value and the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost in profit or loss.

Rehabilitation and mine closure

The Group has obligations to dismantle and remove certain items of mine properties, property, plant and equipment and to restore and rehabilitate the land on which they sit.

A provision is recognised for the estimated cost of settling the rehabilitation and restoration obligations existing at the reporting date, discounted to present value using high quality corporate bond market yields at the reporting date, that match the timing of the estimated future cash outflows as closely as possible.

Where the obligation is related to an item of mine properties, property, plant and equipment, its cost includes the present value of the estimated costs of dismantling and removing the asset and restoring the site on which it is located. The related rehabilitation asset for the Iron Ridge Project is included in mine properties.

The discounted value reflects a combination of an assessment of the nature and extent of the work required, the future cost of performing the work required, the timing of cash flows and the discount rate. Over time, the discounted value is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. This increase in the provision, being the periodic unwinding of the discount due to the passage of time, is recognised as a finance cost in profit or loss.

The provision is reassessed at least annually. A change in any of the assumptions used to determine the provisions could have a material impact on the carrying amount of the provision. Any change in the provision is reflected as an addition to, or deduction from, the related rehabilitation asset in mine properties and amortised as appropriate.

(t) Employee Entitlements

The Group's liability for employee entitlements arising from services rendered by employees to reporting date is recognised in other payables. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, and annual leave which will be settled within one year, have been measured at their nominal amount and include related on-costs.

(u) Profit/loss Per Share

Basic profit/loss per share

Basic earnings per share is determined by dividing the operating loss attributable to the equity holder of the Group after income tax by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings/loss per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that will arise from the exercise of options outstanding during the year.

(v) Trade and Other Payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial period that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

(w) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(x) Dividends

The Group adopted a dividend policy in August 2021 that provides for, to the extent that dividends can be fully franked, a payment of 50% and 80% of after-tax earnings to shareholders in the form of dividends, either annually or semi-annually.

(y) Comparatives

Comparative figures have been restated to conform with the current year's presentation. This has had no impact on the financial statements.

(z) Parent Entity Financial Information

The financial information for the parent entity, Fenix Resources Limited, disclosed in Note 33 has been prepared on the same basis as the consolidated financial statements except as set out below:

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost and subject to an annual impairment review.

DIRECTORS' DECLARATION

The Directors of the Group declare that:

1. The financial statements, comprising the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of cash flows, consolidated statement of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2022 and of the performance for the year ended on that date of the consolidated entity.
2. In the Directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
3. The Group has included in the notes to the financial statements and explicit an unreserved statement of compliance with International Financial Reporting Standards.
4. The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



John Welborn

Non-Executive Chairman

Perth

29 August 2022

Independent Auditor's Report

To the Members of Fenix Resources Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Fenix Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter**How our audit addressed the key audit matter****Mine properties, property plant and equipment - Note 13**

The Group maintains \$13,493,829 of mineral properties and \$11,715,715 of property, plant and equipment.

In accordance with AASB 136 *Impairment of Assets*, the Group assesses internal and external information to identify whether there is any indication that the assets may be impaired. Assessing these indicators of impairment, including reviewing the assets' residual value, units of production expected to be obtained from the asset, and operating results compared to budgeted forecasts, requires significant management judgement and estimation, heightening the risk of material misstatement.

This area is a key audit matter due to the inherent estimation uncertainty and judgement in assessing events or circumstances that indicate possible impairment.

Our procedures included, amongst others:

- Understanding the capital assets initiation, capitalisation, amortisation and recognition processes;
- Agreeing the reconciliation between the capital assets register and general ledger;
- Sampling and performing tests of details on significant additions and disposal of assets to ascertain the accuracy of transactions recorded;
- Performing depreciation reasonableness test to ascertain the accuracy of expense recorded;
- Reviewing management's assessment of impairment indicators in accordance with AASB 136;
- Checking amortisation calculations against production data and reserve estimates; and
- Assessing adequacy of disclosure in the financial report

Inventories – Note 7

During the year, the Group continued iron ore production and, as at 30 June 2022, had iron ore stockpiles totalling \$9,286,984.

Critical to determining the amount and carrying value of the ore stockpiles are the cost and net realisable value assumptions adopted by the Group.

The work-in-process volumes and stockpiles are estimated using industry, engineering, and scientific data. To determine the net realisable value, the Group estimates the cost of processing, commodity prices and timing of sales of the ore produced, among other estimates and judgements.

This area is a key audit matter due to the inherent estimation uncertainty and judgements applied by management to determine the quantity and value of the inventory.

Our procedures included, amongst others:

- Understanding and documenting the inventory requisition and recognition process, including the iron ore inventory valuation model;
- Assessing the existence of iron ore inventory on hand at year-end to an external confirmation obtained from independent surveyors;
- Assessing the competence, capability and objectivity of management's experts used to assist in the valuation of inventory;
- Reviewing management's inventory calculation model for the valuation of iron ore at year-end and testing management's assumptions and estimates used in determining the carrying value;
- Assessing whether inventory is recorded at the lower of cost and net realisable value; and
- Reviewing the adequacy of disclosure in the financial report.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 13 to 20 of the Directors' report for the year ended 30 June 2022.

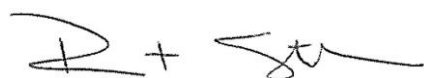
In our opinion, the Remuneration Report of Fenix Resources Limited, for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



B P Steedman
Partner – Audit & Assurance

Perth, 29 August 2022

ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and shown elsewhere in this report is set out below. The information is current as at 20 July 2022.

(a) Distribution of Shareholders

Category (size of holding)	Holders	Total Units	% Issued Share Capital
1 – 1,000	170	64,795	0.01%
1,001 – 5,000	1,594	4,924,190	0.95%
5,001 – 10,000	1,040	8,556,669	1.66%
10,001 – 100,000	2,920	108,513,351	21.02%
100,001 – and over	673	394,154,915	76.36%
Total	6,397	516,213,920	100.00%

(b) Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 330 as at 20 July 2022 (being 1,694 shares based on a share price of \$0.295 at 20 July 2022).

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary Shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Performance Shares

There are no voting rights attached to any class of performance shares that are on issue.

(d) 20 Largest Shareholders — Ordinary Shares as at 20 July 2022

Rank	Name	Ordinary Shares Held	% of Issued Capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,428,433	4.54%
2	CITICORP NOMINEES PTY LIMITED	15,244,322	2.95%
3	MR JOHN PAUL WELBORN	12,200,000	2.36%
4	ROB BRIERLEY	12,000,000	2.32%
5	GARRY & DONELLA PLOWRIGHT <THE PLOWRIGHT FAMILY A/C>	11,065,089	2.14%
6	BNP PARIBAS NOMS PTY LTD <DRP>	9,973,567	1.93%
7	TITAN ASSETS PTY LTD	7,212,904	1.40%
8	MR KENNETH JOSEPH HALL <HALL PARK A/C>	6,600,000	1.28%
9	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,496,643	1.26%
10	KLOSTERS HOLDINGS PTY LTD <MILBON HOLDINGS A/C>	6,300,000	1.22%
11	MRS RACHEAL JANE OSMAN <R & K OSMAN FAMILY A/C>	5,735,502	1.11%
12	PRE-OWNED ROAD TANKERS PTY LTD	5,000,000	0.97%
13	ALET INVESTMENTS PTY LTD	4,715,000	0.91%
14	MR CAMERON ARMSTRONG & MRS ANN LOUISE ARMSTRONG <CAMERON ARMSTRONG FAM A/C>	4,006,690	0.78%
15	SCORPION MINERALS LIMITED	4,000,000	0.77%
16	MR CHRISTOPHER JAMES ANDREW HARRIS	3,780,000	0.73%
17	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	3,643,559	0.71%
18	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	3,630,131	0.70%
19	SHARNEM PTY LTD <SHARNEM INVESTMENT A/C>	3,454,725	0.67%
20	MR TIMOTHY NORMAN WILHELM & MRS ANGELA STEPHANIE WILHELM <T & A WILHELM SUPER FUND A/C>	3,164,321	0.61%
Total of Top 20		29.38%	29.38%
Balance of register		70.62%	70.62%
Total		100.00%	100.00%

ADDITIONAL INFORMATION

(e) Substantial Shareholders

As at 20 July 2022, there were no shareholders holding 5% or more of the issued capital of the Company disclosed in accordance with section 671B of the Corporations Act 2001.

(f) Unquoted Securities – as at 20 July 2022

Set out below are the classes of unquoted securities currently on issue:

Number	Class
37,500,000	Class C Performance Shares
30,000,000	Class D Performance Shares

(g) Distribution of holders – Class C Performance Shares

Category (size of holding)	Holders	Total Units	% Issued Share Capital
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	12	37,500,000	100.00%
Total	12	37,500,000	100.00%

(h) Distribution of holders – Class D Performance Shares

Category (size of holding)	Holders	Total Units	% Issued Share Capital
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	-	-
100,001 – and over	12	30,000,000	100.00%
Total	12	30,000,000	100.00%

(i) Securities Subject to Escrow

As at 20 July 2022 there are no securities currently subject to escrow.

(j) Unquoted Equity Security Holders with Greater than 20% of an Individual Class

As at 20 July 2022 the following classes of unquoted securities had holders with greater than 20% of that class on issue:

ADDITIONAL INFORMATION

	% Interest
<i>Class C Performance Shares</i>	
AGNI INTERNATIONAL PTE LTD	20.62%
RACHEAL OSMAN <R & K OSMAN FAMILY A/C>	20.12%
GARRY & DONELLA PLOWRIGHT <THE PLOWRIGHT FAMILY A/C>	20.12%
<i>Class D Performance Shares</i>	
AGNI INTERNATIONAL PTE LTD	20.62%
RACHEAL OSMAN <R & K OSMAN FAMILY A/C>	20.12%
GARRY & DONELLA PLOWRIGHT <THE PLOWRIGHT FAMILY A/C>	20.12%

(k) On-market Buy-Back

Currently there is no on-market buy-back of the Company's securities.

(l) Corporate Governance

Pursuant to the ASX Listing Rules, the Company's Corporate Governance Statement will be released in conjunction with this report. The Company's Corporate Governance Statement is available on the Company's website at: <http://fenixresources.com.au/about/corporate-governance/>



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