# FENIX RESOURCES LIMITED

ABN 68 125 323 622

# INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2022

## CORPORATE DIRECTORY

**Directors**
John Welborn *Non-Executive Chairman*
Garry Plowright *Non-Executive Director*
Craig Mitchell *Non-Executive Director*

**Company Secretary**
Shannon Coates

**Auditor**
Grant Thornton Audit Pty Ltd
Central Park
Level 43, 152-158 St Georges Terrace
Perth WA 6000

**Bankers**
National Australia Bank Limited
50 St Georges Terrace
Perth WA 6000

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Level 5, 191 St Georges Terrace
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**Stock Exchange Listing**
Australian Securities Exchange
ASX Code - **FEX**

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# 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 half-year ended 31 December 2022 (**Period**).

## DIRECTORS

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

| | |
|---|---|
| John Welborn | Non-Executive Chairman |
| Robert Brierley | Managing Director (resigned 25 July 2022) |
| Garry Plowright | Non-Executive Director |
| Craig Mitchell | Non-Executive Director (appointed 01 September 2022) |

## PRINCIPAL ACTIVITIES

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

## DIVIDENDS

On 29 August 2022, Fenix Resources Limited declared a final dividend of 5.25 cents per share fully franked for the financial year ended 30 June 2022. The Group has adopted a dividend policy of distributing between 50% and 80% of after-tax profits as fully franked dividends, subject to the availability of franking credits. Based on the policy, Fenix Resources Limited dividends for all periods presented are, or will be, fully franked based on a statutory tax rate.

No interim dividend has been declared for the half year ended 31 December 2022. A decision of a final dividend for the current financial year will be made in August 2023 based on the full year financial results and subject to the Group's dividend policy.

## FINANCIAL SUMMARY

The Group made a net profit after tax of $10,934,871 for the financial half-year ended 31 December 2022 (31 December 2021: $13,965,573). At 31 December 2022, the Group had net assets of $106,239,995 (30 June 2022: $108,221,265) and cash assets of $48,782,602 (30 June 2022: $101,675,767).

## 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 below.

## REVIEW OF OPERATIONS

During the half year ended 31 December 2022, the Company achieved strong performances in mining, hauling and shipping more than 650,000 wet metric tonnes (wmt) of high-quality high-grade iron ore products from the Iron Ridge iron ore mine ("Iron Ridge" or the "Project") in Western Australia's Mid-West. During the period the Company celebrated the achievement of two million dry metric tonnes of cumulative project sales since commencement.

### IRON RIDGE PROJECT – OPERATIONS

#### Health & Safety

Fenix is committed to maintaining a safe work environment for all personnel. No Lost Time Injuries (LTI) were recorded at the Company's Iron Ridge mining operations or the Company's Geraldton Port operations during the half year ending 31 December 2022.

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

**Mining & Production**

During the half year ended 31 December 2022, Fenix loaded 11 ships with a total of 659,351 wet metric tonnes (wmt) of iron ore from Iron Ridge (270,755 wmt of lump and 388,596 wmt of fines).

As at 31 December 2022, Fenix has shipped 2,496,851 tonnes of high quality iron ore products from its Iron Ridge mine.

Average grade shipped during the half year ended 31 December 2022 was 64.5% Fe for lump products and 62.2% Fe for fines products, demonstrating the exceptionally high-grade qualities of the Iron Ridge deposit.

The current project-to-date lump to fines ratio of 46:54 continues to be significantly higher than the feasibility study assumption of a life-of-mine average of 25:75. Fenix continues to actively manage the mining, crushing, screening, haulage and port loading procedures to ensure lump is maximised as these products attract a premium price.

**Production Summary**

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

Revenue decreased compared to the prior corresponding period primarily as a result of the reduction in the Platts TSI 62 Index price. The average Index price for the period was US$101/dmt CFR (prior period: US$136/dmt). Fenix also loaded 11 ships during the period (prior period: 12 ships), resulting in lower volumes sold of 659,351wmt (prior period: 697,980wmt).

C1 cash costs for the period averaged A$81.25/wmt representing a reduction of 10% when compared with the prior corresponding period. The reduction in operating costs was achieved through disciplined cost management and the initial benefits delivered from the integration of 100% ownership of the Fenix-Newhaul haulage business.

**Fenix Newhaul**

During the half year ended 31 December 2022, Fenix completed the acquisition and integration of the Fenix-Newhaul haulage business, positioning Fenix as a fully integrated mining, haulage and logistics company. This transaction delivered strong savings during the period.

**Exploration**

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

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

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

## CORPORATE

### Fenix FY22 Final Dividend

Fenix has a dividend policy to distribute between 50% and 80% of after-tax profits as fully franked dividends, subject to the availability of franking credits. Based on the full year profit of $50.7 million, Fenix declared a fully franked dividend of 5.25c per share on 29 August 2022. The total dividend payment of $28.7 million was paid on 5 October 2022.

### Leadership Team

On 25 July 2022, Fenix announced that Managing Director, Mr Rob Brierley, had tendered his resignation. Mr Brierley's resignation date was 21 October 2022. Following the departure of Mr Brierley, the Board appointed current Non-Executive Chairman Mr John Welborn as Interim Executive Chairman.

During the period, Fenix made several new leadership appointments (see ASX announcement dated 1 September 2022 for full details):

- Mr Stuart Ausmeier was appointed as Chief Financial Officer of Fenix; and
- Mr Craig Mitchell was appointed as a Director of Fenix following the consolidation of 100% ownership in Fenix-Newhaul.

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

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

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

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

### Hedging

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

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

**Quotation Period Adjustments**

During the period, market iron ore prices declined sharply during July through to early November. However, prices recovered sharply from early November onwards. As a result, quotation period adjustments arising from the prior half-year's shipments resulted in a total cash outflow of US$4.5 million (~A$6.5 million) during July-August 2022, with positive quotation period adjustments expected in the current half-year period, should the current price levels remain.

**Capital Structure**

In July 2022, Fenix consolidated 100% ownership in Fenix-Newhaul by acquiring the remaining 50% interest in the business. As part of the initial consideration of this transaction the Company issued 30 million new shares (see ASX announcement dated 21 June 2022 for full details).

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

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

**Stakeholder Engagement**

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

**Growth Opportunities**

Fenix is actively evaluating opportunities for growing the Company's business including the potential to acquire new regional exploration, development and production assets. The Company's growth strategy is focused on extending the current mine life of Iron Ridge, expanding current production volumes, and potentially adding new mining operations and logistics functions to the existing portfolio. Fenix will continue to assess corporate and asset opportunities that have a strategic fit, build upon the Company's strengths and importantly, have the potential to generate additional revenues, profitability, and increase shareholder value.

**Tenements**

As at 31 December 2022, the Company's interests in tenements are set out below:

| 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 |

### MATTERS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

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

### AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

**Signed in accordance with a resolution of the directors**

**John Welborn**
Chairman
Perth
24 February 2023

Grant Thornton

**Grant Thornton Audit Pty Ltd**
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# 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 review of Fenix Resources Limited for the half-year ended 31 December 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B P Steedman
Partner – Audit & Assurance

Perth, 24 February 2023

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

| | Notes | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|---|
| Revenue | 2 | 85,043,188 | 114,604,156 |
| Cost of sales | 3 | (76,707,697) | (97,058,543) |
| **Gross profit** | | 8,335,491 | 17,545,613 |
| Other income | 5 | 815,850 | 1,146,265 |
| Other expenses | 6 | (3,209,986) | (977,099) |
| Profit on joint venture | 16 | 7,709,358 | 2,083,655 |
| **Operating profit** | | 13,650,713 | 19,798,434 |
| Finance income | | 404,959 | 187,213 |
| Finance costs | 7 | (631,575) | (81,307) |
| **Profit/(loss) before income tax expense** | | 13,424,097 | 19,904,340 |
| Income tax expense | 9 | (2,489,226) | (5,938,767) |
| **Profit/(loss) after income tax expense for the period attributable to the owners of the Group** | | 10,934,871 | 13,965,573 |
| **Other comprehensive income** | | | |
| Other comprehensive income for the period, net of tax | | - | - |
| Total comprehensive income/(loss) for year attributable to owners of Fenix Resources Limited | | 10,934,871 | 13,965,573 |
| Basic earnings/(loss) per share (cents per share) | 23 | 1.95 | 2.93 |
| Diluted earnings/(loss) per share (cents per share) | 23 | 1.81 | 2.57 |

*The accompanying notes form part of these consolidated financial statements.*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2022

| | Notes | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | | 48,782,602 | 101,675,767 |
| Inventories | | 10,646,252 | 9,286,984 |
| Other current assets – term deposit | 11 | 290,000 | 250,000 |
| Trade and other receivables | 11 | 15,303,895 | 6,603,070 |
| Income tax receivable | | 3,020,212 | - |
| Loan receivable | 12 | 9,288 | 509,276 |
| | | 78,052,249 | 118,325,097 |
| **Non-Current Assets** | | | |
| Mine properties, property, plant and equipment | 13 | 58,309,291 | 25,563,563 |
| Exploration and evaluation expenditure | 14 | 1,157,474 | 1,139,474 |
| Intangible assets | 15 | 27,065,478 | - |
| Loan receivable | 12 | - | 466,667 |
| Interest in joint venture | 16 | - | 5,696,320 |
| | | 86,532,243 | 32,866,024 |
| **Total Assets** | | **164,584,492** | **151,191,121** |
| **Current Liabilities** | | | |
| Trade and other payables | 17 | 18,773,351 | 18,760,598 |
| Provisions | 18 | 880,104 | 225,779 |
| Provision for income tax | | - | 16,856,835 |
| Borrowings and lease liabilities | 19 | 7,685,556 | 74,212 |
| | | 27,339,011 | 35,917,424 |
| **Non-Current Liabilities** | | | |
| Trade and other payables | 17 | 946,787 | 1,430,024 |
| Provisions | 18 | 1,963,502 | 1,914,125 |
| Borrowings and lease liabilities | 19 | 12,828,748 | 299,821 |
| Deferred tax liability | 10 | 15,266,449 | 3,408,462 |
| | | 31,005,486 | 7,052,432 |
| **Total Liabilities** | | **58,344,497** | **42,969,856** |
| **Net Assets** | | **106,239,995** | **108,221,265** |
| **Equity** | | | |
| Issued capital | 20 | 62,224,937 | 52,166,431 |
| Reserves | | 8,198,257 | 2,759,182 |
| Retained earnings | | 35,816,801 | 53,295,652 |
| **Total Equity** | | **106,239,995** | **108,221,265** |

*The accompanying notes form part of these consolidated financial statements.*

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2022

| | Issued Capital $ | Reserves $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|
| **Balance at 1 July 2021** | **49,831,949** | **1,297,484** | **26,132,796** | **77,262,229** |
| Profit for the half-year | - | - | 13,965,573 | 13,965,573 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive profit for the half-year | - | - | 13,965,573 | 13,965,573 |
| **Transactions with owners in their capacity as owners** | | | | |
| Dividend Payable | - | - | (24,791,223) | (24,791,223) |
| Share issue costs | (16,591) | - | - | (16,591) |
| Contributions from options issued during the half-year | 160,000 | - | - | 160,000 |
| Transfer of reserve upon exercise of options | 37,859 | (37,859) | - | - |
| **Balance at 31 December 2021** | **50,013,217** | **1,259,625** | **15,307,146** | **66,579,988** |
| **Balance at 1 July 2022** | **52,166,431** | **2,759,182** | **53,295,652** | **108,221,265** |
| Profit for the half-year | - | - | 10,934,871 | 10,934,871 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive profit for the half-year | - | - | 10,934,871 | 10,934,871 |
| **Transactions with owners in their capacity as owners** | | | | |
| Dividend payable | - | - | (28,413,722) | (28,413,722) |
| Share issue costs | 8,506 | - | - | 8,506 |
| Acquisition of Fenix Newhaul | 8,550,000 | - | - | 8,550,000 |
| Share based payments | - | 6,939,075 | - | 6,939,075 |
| Transfer of reserve upon exercise of performance rights | 1,500,000 | (1,500,000) | - | - |
| **Balance at 31 December 2022** | **62,224,937** | **8,198,257** | **35,816,801** | **106,239,995** |

*The accompanying notes form part of these consolidated financial statements.*

## CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For the half-year ended 31 December 2022

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Receipts from customers | 78,627,618 | 105,948,952 |
| Payments to suppliers, consultants, and employees | (72,163,956) | (91,679,587) |
| Interest received | 533,849 | 55,536 |
| Interest expense | (600,730) | (34) |
| Transaction costs of borrowings | (13,701) | - |
| Income taxes paid | (21,998,462) | - |
| **Net cash from/(used) in operating activities** | (15,570,382) | 14,324,867 |
| **Cash flows from investing activities** | | |
| Payments for plant and equipment | (1,393,541) | (4,965,003) |
| Prepaid purchases of property, plant and equipment | (1,100,000) | - |
| Payments for exploration and evaluation | (18,000) | (108,261) |
| Proceeds from sale of plant and equipment | 400,000 | - |
| Movement in term deposits | - | (250,000) |
| Proceeds from loans and borrowings | (5,032,658) | - |
| Repayment of loans made to other entities | 18,643 | 389,248 |
| Net cash from acquisition of Fenix Newhaul | (2,821,300) | - |
| **Net cash used in investing activities** | (9,946,856) | (4,934,016) |
| **Cash flows from financing activities** | | |
| Proceeds from exercise of options | - | 160,000 |
| Dividends paid | (28,034,589) | (24,047,437) |
| **Net cash (used)/from financing activities** | (28,034,589) | (23,887,437) |
| **Net increase / (decrease) in cash held** | (53,551,827) | (14,496,586) |
| Cash and cash equivalents at the beginning of the period | 101,675,767 | 68,995,789 |
| Effects of exchange rates on cash held | 658,662 | 134,614 |
| Cash and cash equivalents at the end of the period | 48,782,602 | 54,633,817 |

*The accompanying notes form part of these consolidated financial statements.*

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide a full understanding of financial performance, financial position and financing and investing activities of the consolidated entity as full year financial statements. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Fenix Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, other a new intangible accounting policy, see Note 15.

## 2 REVENUE

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| Western Australia Iron Ore | 85,043,188 | 114,604,156 |

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 hedging arrangements.

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

- Lapsed during the period: Fenix entered iron ore swap arrangements for its Iron Ridge Project for the 12 months from October 2021 to September 2022. The hedge arrangement covered 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 resulted in pricing for iron ore fixed at $230.30 per dry metric tonne and locked in around 45 per cent of planned production for the period.
- Current: In June 2022, Fenix entered into further iron ore swap arrangements for its Iron Ridge Project for the 9 months from October 2022 to June 2023. The hedge arrangement covers 35,000 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 $180.66 per dry metric tonne and locks in 31 per cent of planned production for the period.
- Current: In December 2022, Fenix entered into further iron ore swap arrangements for its Iron Ridge Project for the 6 months from January 2023 to June 2023. The hedge arrangement covers 15,000 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 $156.00 per dry metric tonne and locks in a further 14 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. 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.

## 3 COST OF SALES

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| Costs of production | 69,967,372 | 84,863,819 |
| Inventory product movement | 48,602 | 9,526,396 |
| Depreciation and amortisation | 6,691,723 | 2,668,328 |
| | 76,707,697 | 97,058,543 |

*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.

## 4 BUSINESS ACQUISITION

On 22 July 2022, the Company acquired the remaining 50% of the ordinary share capital and voting rights of Fenix-Newhaul Pty Ltd. As a result, Fenix Fenix-Newhaul became a wholly owned subsidiary of the Company from its previously equity held interest. Refer to Note 16: Interest in Joint Venture.

The acquisition of Fenix-Newhaul has been treated as a business combination and has been provisionally accounted for in accordance with AASB 3: Business Combinations.

Details of the purchase consideration, the net assets acquired, and goodwill are shown in the following tables.

| | Note | 22 July 2022 $ |
|---|---|---|
| Cash Consideration | | 7,500,000 |
| Share Consideration | 20 | 8,550,000 |
| Milestone Consideration | 22 | 6,433,987 |
| Fair Value of Interest in Joint Venture, as revalued | 16 | 13,405,678 |
| | | 35,889,665 |

In consideration for 50% equity in Fenix-Newhaul, Fenix;

- paid $7,500,000 cash consideration;
- issued 30,000,000 fully paid ordinary shares; and
- may issue up to 60,000,000 shares upon the achievement of certain milestones (Milestone Consideration).

*Share consideration*

The fair value of the fully paid ordinary shares was based on Fenix's closing share price of $0.285 on 21 July 2022, the day before the Acquisition Date. As a result the 30,000,000 shares issued are recorded as having a fair value of $8,550,000.

**4 BUSINESS ACQUISITION (continued)**

*Milestone Consideration*

Milestone Consideration includes 60,000,000 fully paid consideration shares on the following terms:

- Milestone 1 — 20,000,000 consideration shares will convert into fully paid ordinary shares upon an aggregate of 3,000,000 dmt of minerals being hauled during the period between 21 December 2020 and 31 May 2027 (or if after 31 May 2027, but before 31 May 2029, 20,000,000 fully paid shares or cash to the value of, at Fenix's sole election);
- Milestone 2 — 20,000,000 consideration shares will convert into fully paid ordinary shares upon an aggregate of 6,000,000 dmt of minerals being hauled during the period between 21 December 2020 and 31 May 2027 (or if after 31 May 2027, but before 31 May 2029, 20,000,000 Fenix shares or cash to the value of, at Fenix's sole election); and
- Milestone 3 — 20,000,000 consideration shares will convert into fully paid ordinary shares upon an aggregate of 10,000,000 dmt of minerals being hauled during the period between 21 December 2020 and 31 May 2027 (or if after 31 May 2027, but before 31 May 2029, 20,000,000 Fenix shares or cash to the value of, at Fenix's sole election).

The fair value of consideration was calculated by reference to the fair value of the consideration shares issued in connection with the acquisition in accordance with AASB 2, see Note 22.

*Fair value of identifiable assets and liabilities acquired*

Fair value of identifiable assets and liabilities acquired are as follows:

| | | 22 July 2022<br>$ |
|---|---|---|
| Cash and Cash Equivalents | | 4,678,700 |
| Inventory | | 1,097,596 |
| Other Current Assets | | 4,836,793 |
| Property, Plant and Equipment | | 32,089,769 |
| Deferred tax liabilities arising from the fair value uplift to Property, Plant and Equipment | | (442,031) |
| Intangible asset (Fenix Contract) | 15 | 18,519,643 |
| Intangible asset (Assembled Workforce) | 15 | 1,102,724 |
| Deferred tax liabilities arising from identifiable intangible assets | | (5,886,710) |
| Goodwill | 15 | 9,078,308 |
| Trade & Other Payables | | (6,163,103) |
| Provisions | | 108,951 |
| Borrowings and lease liability – Current | | (6,482,711) |
| Borrowings and lease liability – Non-Current | | (11,743,876) |
| Deferred tax liability | | (4,904,388) |
| **Net assets acquired** | | **35,889,665** |

The fair values of the net assets acquired have been provisionally determined as at 31 December 2022 and will be finalised in due course.

## 4 BUSINESS ACQUISITION (continued)

Accounting policies - Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirers previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## 5 OTHER INCOME

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| Other Income | | |
| Rebates and other income | 815,850 | 1,146,265 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

### 6 OTHER EXPENSES

| | Notes | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|---|
| Administrative expense | | | |
| Advertising and marketing costs | | 155,646 | 43,126 |
| Advisory costs | | 540,181 | 59,978 |
| Compliance costs | | 200,729 | 162,023 |
| Consultants | | 78,300 | 78,300 |
| Office costs and management fees | | 1,222,888 | 15,489 |
| Employee benefits expense | | 751,951 | 555,515 |
| Foreign exchange loss | | (624,697) | (25,217) |
| Other administrative expenses | | 379,900 | 87,803 |
| Total administrative expense | | 2,704,898 | 977,017 |
| Share-based payments expense | 22 | 505,088 | - |
| Depreciation | 13 | - | 82 |
| Total other expenses | | 3,209,986 | 977,099 |

A reconciliation of employee benefits expense is as follows:

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| Employee benefits expense | | |
| Wages and salaries | 1,544,528 | 1,128,251 |
| Superannuation | 146,583 | 107,663 |
| Provision for annual leave | (41,038) | 66,819 |
| Other costs | 158,566 | 45,125 |
| Total employee benefits expense | 1,808,640 | 1,347,858 |
| Employee benefits included in | | |
| Costs of production | 1,056,688 | 792,343 |
| Administrative expenses | 751,952 | 555,515 |
| Total employee benefits expense | 1,808,640 | 1,347,858 |

## 7 FINANCE COSTS

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| Finance costs | | |
| Interest on Right of Use assets | 13,205 | 67,977 |
| Unwinding of provisions | 48,384 | 13,296 |
| Loss on lease disposal | - | - |
| Discount on value of outstanding loan | 18,707 | - |
| Interest expense | 530,744 | 34 |
| Other borrowing costs | 20,535 | - |
| Total finance costs | 631,575 | 81,307 |

## 8 OPERATING SEGMENTS

The Group has three reportable segments during the period, being the Iron Ridge Project, Fenix Newhaul and the Trucking Joint Venture. On 22 July 2022, the Company acquired the remaining 50% of the ordinary share capital and voting rights of Fenix-Newhaul Pty Ltd. As a result, Fenix-Newhaul became a wholly owned subsidiary of the Group from its previously equity held interest. During the prior period the Group had two reportable segments, being the Iron Ridge Project and the 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.

| | Revenue from external sources $ | Reportable segment profit/(loss) $ | Reportable segment assets [(1)] $ | Reportable segment liabilities $ |
|---|---|---|---|---|
| | | *For the half-year ended 31 December 2022* | | |
| Iron Ridge Project | 85,743,020 | 11,438,349 | 42,459,572 | (20,715,140) |
| Fenix Newhaul | 26,828,204 | 2,749,275 | 76,159,775 | (37,520,835) |
| Trucking Joint Venture | - | 7,709,379 | - | - |
| Intersegment revenues | (26,717,848) | - | - | - |
| Unallocated & eliminations | 5,662 | (10,962,132) | 45,965,145 | (108,522) |
| Total | 85,859,038 | 10,934,871 | 164,584,492 | (58,344,497) |
| | *For the half-year ended 31 December 2021* | | *For the year ended 30 June 2022* | |
| Iron Ridge Project | 115,750,421 | 12,940,324 | 36,965,964 | (42,510,243) |
| Trucking Joint Venture | - | 2,083,655 | 5,696,320 | - |
| Unallocated & eliminations | 187,213 | (1,058,406) | 108,528,837 | (459,613) |
| Total | 115,937,634 | 13,965,573 | 151,191,121 | (42,969,856) |

1 *Unallocated activities include cash held of $44,002,334 for the half-year ended 31 December 2022 and $101,675,767 for the year ended 30 June 2022.*

## 9 TAXATION

Major components of income tax expense for the periods ended 31 December 2022 and 31 December 2021 are:

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| **Statement of profit or loss and other comprehensive income** | | |
| *Current income* | | |
| Current income tax expense | 2,107,299 | 4,453,869 |
| Adjustments in respect of previous current income tax | 14,115 | - |
| *Deferred income tax* | | |
| Relating to origination and reversal of temporary differences | 442,596 | 1,484,898 |
| Adjustment in respect of prior year tax losses / DTA | (74,784) | |
| Income tax expense reported in income statement | 2,489,226 | 5,938,767 |
| Statement of changes in equity | | |
| Deferred income tax | | |
| Capital raising costs | 8,505 | 16,591 |
| Income tax benefit reported in equity | 8,505 | 16,591 |
| | | |
| Reconciliation of income tax to prima facie tax payable | | |
| Profit/(loss) before income tax | 13,424,097 | 19,904,340 |
| Income tax expense/(benefit) at 30% (31 December 2020: 30%) | 4,027,229 | 5,971,302 |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income: | | |
| Non-deductible expenses (non-assessable income) | (2,159,133) | 240 |
| Under over in respect of prior years | (60,668) | |
| Temporary differences brought to account | 681,798 | (32,775) |
| Total income tax expense | 2,489,226 | 5,938,767 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2022

### 10 DEFERRED TAX ASSETS AND LIABILITIES

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:

| | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|
| *Deferred tax liabilities* | | |
| Trade and other receivables | (214,450) | (55,798) |
| Inventory | (61,786) | - |
| Property, plant and equipment | (6,329,096) | (106,206) |
| Capitalised exploration and evaluation expenditure | (347,242) | (341,842) |
| Mine properties | (9,531,143) | (4,093,208) |
| Intercompany investments and loans | - | (5,612) |
| *Deferred tax assets* | | |
| Trade and other payables | 250,656 | 188,208 |
| Provisions - current | 264,031 | 67,734 |
| Right of use assets | 103,991 | 112,210 |
| Provisions – non-current | 589,051 | 574,237 |
| Business related costs – statement of profit or loss | 26,952 | 18,363 |
| Unrealised foreign exchange losses | (209,683) | 49,687 |
| Business related costs - equity | 192,270 | 183,765 |
| Net deferred tax assets/(liabilities) | (15,266,449) | (3,408,462) |

### 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.

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

| | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|
| *Trade and other receivables* | | |
| Trade receivables | 8,898,069 | 2,346,000 |
| Tax receivables | 3,964,365 | 3,907,481 |
| Other receivables | 1,114,056 | - |
| Prepayments | 1,255,129 | 154,089 |
| Accrued interest | 72,276 | 195,500 |
| | 15,303,895 | 6,603,070 |
| *Other Current Assets* | | |
| Term deposit | 290,000 | 250,000 |
| | 290,000 | 250,000 |

## 12 LOAN RECEIVABLE

Loan amounts outstanding at the end of the period are with Fenix's joint venture party, Schwarze Brothers Pty Ltd.

During the prior period, the Group has lent money to Fenix-Newhaul Pty Ltd, a joint venture company of the Group. Loans with Fenix-Newhaul have been repaid during the period, prior to acquisition (see Note 4).

Loans are recognised at amortised cost and shown as current if amounts are due for repayment within 12 months from the reporting date. All loans with Fenix-Newhaul were repaid prior to acquisition.

| | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|
| Current loan receivable | 9,288 | 509,276 |
| Non-current loan receivable | - | 466,667 |
| | 9,288 | 975,943 |

## 13 MINE PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

| | | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|---|
| **Carrying value** | | | |
| Right of use assets | Property | 284,577 | 312,524 |
| | Plant and equipment | 37,770 | 41,495 |
| Mine properties, property, plant and equipment | Plant and equipment | 10,566,992 | 11,715,715 |
| | Mine properties | 12,156,764 | 13,493,829 |
| Trucks and Trailers | Trucks | 15,399,512 | - |
| | Trailers | 11,675,907 | - |
| Land | Land | 5,509,185 | - |
| Plant and equipment | Work in progress | 982,213 | - |
| | Plant and equipment | 1,696,371 | - |
| **Total carrying value** | | **58,309,291** | **25,563,563** |

<u>Right of use assets</u>

| | Property $ | Plant and equipment $ |
|---|---|---|
| **Cost** | | |
| *At 1 July 2022* | 423,800 | 56,271 |
| Additions | 7,593 | 994 |
| *At 31 December 2022* | 431,393 | 57,265 |
| **Accumulated depreciation, amortisation and impairment** | | |
| *At 1 July 2022* | (111,276) | (14,776) |
| Depreciation and amortisation | (35,540) | (4,719) |
| *At 31 December 2022* | (146,816) | (19,495) |
| **Net book value** | **284,577** | **37,770** |

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

Mine properties, property, plant and equipment

| | Plant and equipment $ | Mine properties $ |
|---|---|---|
| **Cost** | | |
| *At 1 July 2022* | 15,057,573 | 17,340,579 |
| Additions | 55,321 | 28,317 |
| Movement in provisions | - | 16,168 |
| *At 31 December 2022* | 15,112,894 | 17,385,064 |
| **Accumulated depreciation, amortisation and impairment** | | |
| *At 1 July 2022* | (3,341,858) | (3,846,750) |
| Depreciation and amortisation | (1,204,044) | (1,381,550) |
| *At 31 December 2022* | (4,545,902) | (5,228,300) |
| **Net book value** | **10,566,992** | **12,156,764** |

Mine properties include $1.91 million relating to the rehabilitation provision.

Plant and Equipment

| | Work in progress $ | Plant and equipment $ |
|---|---|---|
| **Cost** | | |
| *At 1 July 2022* | - | - |
| Cost on acquisition of Fenix-Newhaul | 833,727 | 2,862,374 |
| Reallocations | (100,097) | 100,097 |
| Additions | 248,583 | 179,649 |
| Disposals | - | (6,600) |
| *At 31 December 2022* | 982,213 | 3,135,520 |
| **Accumulated depreciation, amortisation and impairment** | | |
| *At 1 July 2022* | - | - |
| Accumulated depreciation on acquisition of Fenix Newhaul | - | (1,124,720) |
| Depreciation and amortisation | - | (314,429) |
| *At 31 December 2022* | - | (1,439,149) |
| **Net book value** | **982,213** | **1,696,371** |

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

Trucks and Trailers

| | Trailers $ | Trucks $ |
|---|---|---|
| **Cost** | | |
| *At 1 July 2022* | - | - |
| Cost on acquisition of Fenix Newhaul | 17,384,440 | 12,592,267 |
| Additions | 803,515 | 4,015,680 |
| Disposals | - | (435,037) |
| *At 31 December 2022* | 18,187,955 | 16,172,910 |
| **Accumulated depreciation, amortisation and impairment** | | |
| *At 1 July 2022* | - | - |
| Accumulated depreciation on acquisition of Fenix Newhaul | (1,967,630) | (3,345,423) |
| Depreciation and amortisation | (820,813) | (1,253,835) |
| Reversal of disposal of asset | - | 102,255 |
| *At 31 December 2022* | (2,788,443) | (4,497,003) |
| **Net book value** | **15,399,512** | **11,675,907** |

Fenix Newhaul Properties

| | Land $ |
|---|---|
| **Cost** | |
| *At 1 July 2022* | - |
| Cost on acquisition of Fenix-Newhaul | 4,899,863 |
| Additions | 696,046 |
| *At 31 December 2022* | 5,595,909 |
| **Accumulated depreciation, amortisation and impairment** | |
| *At 1 July 2022* | - |
| Accumulated depreciation on acquisition of Fenix Newhaul | (45,129) |
| Depreciation and amortisation | (41,595) |
| *At 31 December 2022* | (86,724) |
| **Net book value** | **5,509,185** |

A reconciliation of depreciation is as follows:

| | Note | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|---|
| Depreciation | | | |
| Costs of production | | 6,691,723 | 6,017,870 |
| Administrative expenses | 6 | - | 82 |
| | | 6,691,723 | 6,017,952 |

### 14 EXPLORATION AND EVALUATION ASSETS

| | Note | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|---|
| *Iron Ridge Project* | | | |
| Opening balance | | 1,139,474 | - |
| Acquisition of Pharos Project | | - | 1,020,000 |
| Exploration expenditure incurred | | 18,000 | 119,474 |
| Closing balance | | 1,157,474 | 1,139,474 |

### 15 INTANGIBLE ASSETS

The intangible assets held by the group increased as a result of the acquisition of Fenix Newhaul. See Note 4 for further information.

| | Note | Customer Contracts $ | Assembled workforce $ | Goodwill $ | Total $ |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| *At 1 July 2022* | | - | - | - | |
| Cost on acquisition of Fenix-Newhaul | 4 | 18,519,643 | 1,102,724 | 9,078,308 | 28,700,675 |
| Additions | | - | - | - | - |
| *At 31 December 2022* | | 18,519,643 | 1,102,724 | 9,078,308 | 28,700,675 |
| **Accumulated amortisation and impairment** | | | | | |
| *At 1 July 2022* | | - | - | - | |
| Depreciation and amortisation | | (1,543,303) | (91,894) | - | (1,635,197) |
| *At 31 December 2022* | | (1,543,303) | (91,894) | - | (1,635,197) |
| **Net book value** | | **16,976,340** | **1,010,830** | **9,078,308** | **27,065,478** |

*Amortisation methods and useful lives*

The group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

- Customer Contracts 5 years.
- Assembled workforce 5 years.

*Customer contracts*

The customer contracts were acquired as part of a business combination (see Note 4 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised over the life of the remaining contract, with no terminal values assumed.

*Assembled workforce*

The assembled workforce was acquired as part of a business combination (see Note 4 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised over the life of the remaining contract, with no terminal values assumed.

## 15 INTANGIBLE ASSETS (continued)

<u>Impairment tests for goodwill</u>

Goodwill is monitored by management at the level of the three operating segments identified in Note 8.

The Group test whether goodwill has suffered any impairment on an annual basis.

<u>Accounting policies – Intangible assets</u>

*Goodwill*

Goodwill is measured as described in Note 4 and has been allocated to the Fenix Newhaul cash-generating unit. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 8).

*Customer contracts and Assembled workforce*

Customer contracts and assembled workforce acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

## 16 INTEREST IN JOINT VENTURE

*Interests in joint ventures*

Set out below are the joint ventures of the Group as at 31 December 2022. The entities listed below has 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 | | |
| | | 31 December 2022 | 100 | N/A [1] |
| | | 30 June 2022 | 50 | N/A [1] |
| Schwarze Brothers Pty Ltd | Western Australia | Equity method | | |
| | | 31 December 2022 | 40 | N/A [1] |
| | | 30 June 2022 | 40 | N/A [1] |

1 *Fenix-Newhaul Pty Ltd was fully acquired on 22 July 2022, see Note 4.*
2 *As the entities are private entity no quoted prices are available.*

## 16 INTEREST IN JOINT VENTURE (continued)

The tables below provide summarised financial information of the Fenix-Newhaul joint venture company. As at 31 December 2022, in the opinion of the Directors, the Schwarze Brothers Pty Ltd joint venture company was immaterial to the Group and no further information has been disclosed.

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 to or received with Fenix Newhaul Pty Ltd.

On 22 July 2022, the Company acquired the remaining 50% of the ordinary share capital and voting rights of Fenix-Newhaul Pty Ltd. As a result, Fenix Fenix-Newhaul became a wholly owned subsidiary of the Company from its previously equity held interest. Upon change in status a revaluation gain was recognised.

| | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|
| Opening balance | 5,696,320 | 919,692 |
| Share of net profit of joint venture using the equity method to 22 July 2022 | 309,811 | 4,776,628 |
| Revaluation of investment | 7,399,547 | - |
| Carrying Value of Interest on acquisition | (13,405,678) | - |
| Closing balance | - | 5,696,320 |

## 17 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.

| | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|
| *Current* | | |
| Trade payables | 12,014,780 | 11,235,602 |
| Sundry payables | 398,563 | 147,900 |
| Accruals | 5,380,149 | 6,776,370 |
| Dividend payable | 979,859 | 600,726 |
| | 18,773,351 | 18,760,598 |
| *Non-current* | | |
| Trade payables | 946,787 | 1,430,024 |

## 18 PROVISIONS

| | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|
| *Current - Employee benefits* | | |
| Opening balance | 225,779 | 115,293 |
| Provision on acquisition of Fenix Newhaul | - | - |
| Movement in provisions | 1,147,923 | 189,498 |
| Amount utilised | (493,597) | (79,012) |
| Closing balance | 880,104 | 225,779 |
| *Non-current - Rehabilitation and mine closure* | | |
| Opening balance | 1,914,125 | 2,176,301 |
| Movement in provision | 16,168 | 21,844 |
| Unwinding of provision | 33,209 | (284,020) |
| Closing balance | 1,963,502 | 1,914,125 |

## 19 BORROWINGS AND LEASE LIABILITIES

| | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|
| *Current* | | |
| Lease liabilities | 75,700 | 74,212 |
| Chattel mortgages | 7,609,856 | - |
| | 7,685,556 | 74,212 |
| *Non-current* | | |
| Lease liabilities | 270,936 | 299,821 |
| Chattel mortgages | 12,557,812 | - |
| | 12,828,748 | 374,033 |

*Borrowings*

This note provides information about the contractual terms of the company's interest-bearing loans and borrowings.

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

## 19 BORROWING AND LEASE LIABILITIES (continued)

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs are recognised as an asset in the balance sheet and expensed in the statement of profit or loss over the term of the loan.

## 20 ISSUED CAPITAL

### (a) Issued Capital

| | 31 December 2022 Shares | 30 June 2022 Shares | 31 December 2022 $ | 30 June 2022 $ |
|---|---|---|---|---|
| Fully paid | 583,713,920 | 516,213,920 | 62,224,937 | 52,166,431 |

*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 2022** | | | **516,213,920** | | **52,166,431** |
| Issue of shares - Acquisition of Fenix Newhaul | 22(a) | 21-Jul-22 | 30,000,000 | 0.285 | 8,550,000 |
| Issue of shares - conversion performance shares | 22(a) | 06-Oct-22 | 37,500,000 | - | - |
| Less: Share issue costs claimed as a deduction | 9 | | - | - | 8,506 |
| Transfer of reserve upon exercise of options | | | - | - | 1,500,000 |
| **Balance at 31 December 2022** | | | **583,713,920** | | **62,224,937** |

## 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 29 August 2022, Fenix Resources Limited determined a final dividend of 5.25 cents per share fully franked. Fenix Resources Limited dividends for all periods presented are, or will be, fully franked based on a tax rate of 30 per cent.

No dividends have been declared for the half year ended 31 December 2022.

*Dividend policy*

The Group has 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.

### 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 | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|---|
| As part of share-based payment reserve | | 505,088 | - |
| As part of acquisition of Fenix Newhaul | 4 | 14,983,987 | |
| Total share based payments | | 15,489,075 | - |

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

**(a) Share capital issues for acquisition of Fenix Newhaul**

In consideration for 50% equity in Fenix-Newhaul, Fenix;

- paid $7,500,000 cash consideration,
- issued 30,000,000 fully paid ordinary shares,
- will pay up to 60,000,000 shares, to be issued upon the achievement of certain milestones.

*Share consideration*

The fair value of the fully paid ordinary shares was based on Fenix's closing share price of $0.285 on 21 July 2022, the day before the Acquisition Date, the 30,000,000 shares had a fair value of $8,550,000.

*Milestone Consideration*

Milestone Consideration includes 60,000,000 fully paid consideration shares based on the following terms:

Milestone 1 20,000,000 consideration shares, will convert into fully paid ordinary shares upon an aggregate of 3,000,000 dmt of minerals being hauled during the period between 21 December 2020 and 31 May 2027 (or if after 31 May 2027, but before 31 May 2029, 20,000,000 fully paid shares or cash to the value of, at Fenix's sole election);

Milestone 2 20,000,000 consideration shares will convert into fully paid ordinary shares upon an aggregate of 6,000,000 dmt of minerals being hauled during the period between 21 December 2020 and 31 May 2027 (or if after 31 May 2027, but before 31 May 2029, 20,000,000 Fenix shares or cash to the value of, at Fenix's sole election); and

Milestone 3 20,000,000 consideration shares will convert into fully paid ordinary shares upon an aggregate of 10,000,000 dmt of minerals being hauled during the period between 21 December 2020 and 31 May 2027 (or if after 31 May 2027, but before 31 May 2029, 20,000,000 Fenix shares or cash to the value of, at Fenix's sole election).

The fair value of the milestone consideration was estimated by applying the following key assumptions:

| Milestone | Estimated achievement date | Probability of achievement % | Estimated Share Price $ | Years to payment | Discount Rate % | Fair Value $ |
|---|---|---|---|---|---|---|
| 1 | May-2023 | 100 | 0.233 | 1.0 | 2.96 | 4,522,762 |
| 2 | Aug-2025 | 75 | 0.141 | 3.3 | 3.14 | 1,911,225 |
| 3 | Aug-2027 | 0 | 0.073 | 6.3 | 3.30 | - |

**22 SHARE-BASED PAYMENTS (continued)**

**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.

**22 SHARE-BASED PAYMENTS (continued)**

**(b) 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-I.

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.

*During the prior financial periods*

Class A Performance Shares had not met the requirement for conversion and all unconverted Class A Performance Shares held by each holder were automatically consolidated into one Share each.

Class B Performance Shares had met the requirement for conversion and all Class B Performance Shares were converted into 30,000,000 ordinary fully paid shares were issued to holders of the performance shares.

*During the financial period*

In October 2022, the Company advised that 37,500,000 Class C Performance Shares had met the requirement for conversion and, pursuant to the terms and conditions of the Performance Shares, all Class C Performance Shares were converted into 37,500,000 ordinary fully paid shares were issued to holders of the performance shares (see Note 20).

## 22 SHARE-BASED PAYMENTS (continued)

Outstanding milestones are as follows

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.

There has been no change to the assigned probabilities, or the shares expected to vest since 30 June 2022.

## 23 EARNING/LOSS PER SHARE

| | 31 December 2022 $ | 31 December 2021 $ |
|---|---|---|
| Basic earnings/(loss) per share | | |
| Net profit/(loss) after tax attributable to the members of the Company | $ 10,934,871 | $ 13,965,573 |
| Weighted average number of ordinary shares | 560,317,181 | 476,931,311 |
| Basic earnings/(loss) per share (cents) | 1.95 | 2.93 |
| | | |
| Net profit /(loss) after tax attributable to the members of the Company | $ 10,934,871 | $ 13,965,573 |
| Weighted average number of ordinary shares | 560,317,181 | 476,931,311 |
| Adjustments for calculation of diluted earnings per share | | |
| Performance shares | 30,000,000 | 67,500,000 |
| Performance rights | 2,510,869 | - |
| Retention rights | 2,929,348 | - |
| Consideration shares | 7,172,913 | - |
| Weighted average number of ordinary shares and potential ordinary shares | 602,931,311 | 544,431,311 |
| Diluted earnings/(loss) per share (cents) | 1.81 | 2.57 |

*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.

*Retention rights*

Retention rights granted to employees under the employee incentive 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 rights*

Performance rights granted to employees under the employee incentive 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.

### 23 EARNING/LOSS PER SHARE (continued)

*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.

*Milestone Consideration – consideration shares*

Consideration shares granted to Newhaul Pty Ltd in part consideration for the acquisition of 50% of the Fenix Newhaul Pty Ltd 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.

### 24 CONTINGENCIES

There have been no changes to contingent assets or liabilities since the last annual reporting date, 30 June 2022.

### 25 COMMITMENTS

Fenix entered iron ore swap arrangements for its Iron Ridge Project for the 6 months from January 2023 to June 2023. The total swap arrangements 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 see pricing for ore fixed at $173.25 per dry metric tonne.

There have been no other changes to commitments since the last annual reporting date, 30 June 2022.

### 26 RELATED PARTY TRANSACTIONS

*Share capital issued*

On 22 July 2022, 30,000,000 shares were issued to Exxten Pty Ltd in part consideration of the acquisition of Fenix Newhaul Pty Ltd. Mr Mitchell is a director and shareholder of Exxten Pty Ltd.

On 22 July 2022, 60,000,000 consideration shares were issued to Newhaul Pty Ltd in part consideration of the acquisition of Fenix Newhaul Pty Ltd. Mr Mitchell is a director and shareholder of Newhaul Pty Ltd.

On 6 October 2022, 37,000,000 Class C Performance Shares had met the requirement for conversion and each Class C Performance Shares was converted into ordinary fully paid shares. Mr Plowright was the holder of 7,544,379 Class C Performance Shares which were converted into 7,544,379 ordinary fully paid shares.

*Director appointment*

On 1 September 2022, Mr Craig Mitchell was appointed Non-Executive Director. The appointment of Mr Mitchell to the Board of Fenix is in accordance with the agreement with Newhaul to consolidate 100% ownership of the Company's haulage company, Fenix-Newhaul.

### 26 RELATED PARTY TRANSACTIONS (continued)

*Management services*

On 1 September 2022, Mr Craig Mitchell was appointed Non-Executive Director. Mr Mitchell is a director and shareholder of Newhaul Pty Ltd.

From 1 September 2022 to 31 December 2022, Newhaul Pty Ltd provided management services to Fenix Newhaul. An amount of $865,185 (inc. GST) has been invoiced from Newhaul and recorded in other expenses.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. Other than the items noted above there have been no changes to related party transactions since the last annual reporting date, 30 June 2022.

### 27 EVENTS SUBSEQUENT TO REPORTING DATE

In the opinion of the Directors, no event of a material nature or transaction has arisen since period end and the date of this report that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or its state of affairs.

## DIRECTORS' DECLARATION

In the opinion of the Directors:

1. The consolidated financial statements, and accompanying notes of Fenix Resources Limited, are in accordance with the *Corporations Act 2001*, including:

   (a) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

   (b) Complying with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001; and*

2. There are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the Directors.

On behalf of the Directors

**John Welborn**
Chairman
Perth
24 February 2023

Grant Thornton

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# Independent Auditor's Review Report

## To the Members of Fenix Resources Limited

### Report on the review of the half-year financial report

#### Conclusion

We have reviewed the accompanying half-year financial report of Fenix Resources Limited (the Company) and its subsidiaries (the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, and the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Fenix Resources Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Fenix Resources Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

B P Steedman
Partner – Audit & Assurance

Perth, 24 February 2023