FENIX RESOURCES LIMITED

ABN 68 125 323 622

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2021

CORPORATE DIRECTORY

Directors

Warwick Davies	*Interim Non-Executive Chairman*
Robert Brierley	*Managing Director*
Garry Plowright	*Non-Executive Director*
Richard Nicholls-Maltman	*Non-Executive Director*

Company Secretary
Shannon Coates

Auditor
Grant Thornton Audit Pty Ltd
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Perth WA 6000

Bankers
National Australia Bank Limited
50 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 year ended 30 June 2021.

REVIEW OF OPERATIONS

During the year ended 30 June 2021, the Company made significant progress on the Iron Ridge iron ore project (**Iron Ridge Project** or the **Project**) in Western Australia's Mid-West, which culminated in production commencing in December 2020 and the first shipment dispatched in February 2021.

IRON RIDGE PROJECT - OPERATIONS

Mining and Production

Following a positive final investment decision in September 2020, on 21 December 2020, the Company announced that production had commenced at the Iron Ridge Project, with Lump and Fines products being stockpiled at the Port of Geraldton in preparation for the first shipment, which subsequently took place in February 2021.

Subsequent to the maiden shipment, eight additional ships were successfully loaded in the reporting period, resulting in more than half a million tonnes of product shipped from the Iron Ridge Project.

Average grade shipped was 61.2% Fe for fines and 63.9% Fe for lump product, exceeding expectations and the Ore Reserve model.

The average lump to fines ratio of 52.5%:47.5%, is significantly higher than the life-of-mine assumed average of 25%:75%. This increased proportion of lump production coincided with a period of record lump premium prices, enhancing financial performance during the period. Fenix continues to expect a reversion to previously assumed levels as the planned pit deepens.

Production Summary

Production Summary (kwmt)	June Q FY21	March Q FY21	Dec Q FY21	Project to Date
Ore Mined	369.6	298.4	19.4	687.4
Lump Ore Produced	196.4	117.0	9.0	322.4
Fine Ore Produced	161.3	122.2	7.8	291.3
Lump Ore Hauled	154.1	105.3	7.9	267.3
Fine Ore Hauled	154.1	114.1	1.7	269.9
Lump Ore Shipped	129.3	112.7	0	242.0
Fine Ore Shipped	151.4	107.2	0	258.6
C1 Cash Cost (A$/wmt Shipped FOB)	85.3	93.2	N/A	88.8

Approvals & Permitting

Fenix holds three miscellaneous licences (L20/83, L20/84, and L20/85) and a general-purpose lease, securing all the necessary tenure for continued operations at the Iron Ridge Project.

During the year ended 30 June 2021, the Stage 1 Mining Proposal and Mine Closure Plan was approved by the DMIRS (refer to ASX announcement titled "Fenix secures approval for Iron Ridge Mining Proposal" on 13 August 2020), followed by approval of the Stage 1 Project Management Plan and Clearing Permit (refer to ASX announcement titled "Key Mining Approvals Granted for Iron Ridge Project" on 15 September 2020), paving the way for commencement of mine development.

The Company also executed the Mining Co-operation and Benefits Agreement (**MCB Agreement**) with the Wajarri Yamatji # 1 Native Title Claimant Group. This milestone marked the Company's commitment to providing benefits for the communities in which it operates.

Offtake Agreements and Service Provider Contracts

During the reporting period, the Company announced the execution of a binding offtake terms sheet with Sinosteel International Holding Company Limited (**Sinosteel Binding Offtake Terms Sheet**). Fenix has sales arrangements in place for 100% of projected iron production from the Iron Ridge Project, after Atlas Iron subsidiary Weld Range Iron Ore Pty Ltd previously took up a marketing election on 50% of production and sales for the Project (refer ASX release dated 31 August 2020 "Marketing agent for 50% of Iron Ridge production secured").

On 19 October 2020, the Company announced that it had awarded the drill & blast, mining, and crushing & screening contract for the Iron Ridge Project to MACA Limited (**MACA**). Early stage works commenced in September 2020 using local contractors, with MACA mobilising heavy earthmoving equipment to site in the December Quarter. Open pit mining and crushing and screening operations commenced in December 2020.

On 26 October 2020, the Company announced the execution of a contract for the road transport component of its Iron Ridge Project with Fenix Newhaul Pty Ltd (formerly Premium Minehaul Pty Ltd) (Fenix Newhaul). As announced on 7 May 2019, Fenix Newhaul is the incorporated joint venture company established to implement the strategic alliance between the Company and Craig Mitchell, the founder and former owner of Mitchell Corp, a major supplier of transport and logistics services to the Western Australian mining industry. Fenix Newhaul is 50% owned by the Company and 50% owned by Newhaul Pty Ltd (formerly Minehaul Pty Ltd), an entity controlled by Mr Mitchell.

Port Infrastructure Acquisition

On 14 October 2020, the Company announced that it had executed a binding terms sheet with Sinosteel Midwest Corporation Limited (**SMC**) to acquire SMC's iron ore storage shed, truck unloading and conveyor systems located at the Geraldton Port.

SMC owns the Weld Range Iron Ore Project, which is adjacent to Fenix's Iron Ridge Project, and is a wholly owned subsidiary of Sinosteel Group Corporation Limited, a Chinese State Owned Enterprise. Additional to the sale and purchase of the Port infrastructure, SMC and the Company also reached agreement to cooperate on commercial terms to ensure that the Iron Ridge Project has the necessary lease area to fit all of its infrastructure during the economic life of the Iron Ridge Project.

Port Access and Lease Agreements

During the year ended 30 June 2021, the Company also announced that it had executed a Port Lease Agreement and a Port Access and Services Agreement with Mid West Ports Authority for the export of iron ore products through the Port of Geraldton. The Agreement allows Fenix to export 1.25 million tonnes per annum of iron ore. The initial term of the agreement is four years, with two additional two-year extensions able to be triggered at Fenix's election.

CORPORATE

Financial

On 20 August 2020, the Company announced a two-tranche equity capital raising to raise $15 million (before costs). The equity capital raising was completed on 8 October 2020, with a total of 103,448,276 shares issued at an issue price of $0.145 per share. The funds raised have been used towards development of the Iron Ridge Project.

During the year ended 30 June 2021, the Company received $5.9 million and issued a total of 77,000,000 fully paid ordinary shares in the capital of the Company upon exercise of the following unlisted options:

(i) 57,000,000 unlisted options exercisable at $0.08 per option, on or before 21 November 2021;
(ii) 10,000,000 unlisted options exercisable at $0.07 per option, on or before 31 December 2021; and
(iii) 10,000,000 unlisted options exercisable at $0.06 per option, on or before 31 December 2021.

Board Changes

On 10 November 2020, the Company announced the appointment of Mr Warwick Davies as Non-Executive Director. 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. 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.

Mr Davies was subsequently appointed interim Non-Executive Chairman following the resignation of Mr Garrett Dixon, effective 19 February 2021.

During the period, the Company also announced that Mr Garry Plowright would step down from his Executive role with the Company and move into a Non-Executive Director role, effective 1 January 2021.

Effective 17 May 2021, Mr Richard Nicholls-Maltman was appointed Independent Non-Executive Director. 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.

Richard was also appointed as the Fenix representative on the Fenix Newhaul Pty Ltd Board, effective 1 June 2021.

Appointment of General Manager – Operations

On 10 September 2020, the Company announced the appointment of Mr Chris Tuckwell as General Manager of Operations. Mr Tuckwell is responsible for the development of the Iron Ridge Project and is acting as Registered Mine Manager on site. Mr Tuckwell is a qualified Engineer and experienced Executive of mining and mine contracting companies with notable experience as Managing Director of MACA Limited and Chief Operating Officer of African Mining Services, a wholly owned subsidiary of Ausdrill Limited (now known as Perenti Global Limited).

Appointment of Company Secretary

On 1 July 2020, the Company announced the appointment of Ms Shannon Coates as Company Secretary.

Ms Coates is a qualified Lawyer, Chartered Secretary, and graduate of the AICD's Company Directors course. She has more than 25 years' experience in corporate law and compliance, is Managing Director of Perth-based corporate advisory firm Evolution Corporate Services and is currently Company Secretary to a number of ASX listed companies, with a strong focus on resources.

At the same time, Mr Matthew Foy resigned as Company Secretary.

Tenements

As at the date of this report, 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%

Location	Project	Tenement	Interest
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%

Farm-in and Joint Venture Agreement

On 8 February 2021, the Company announced that it had executed a farm-in and joint venture terms sheet with Scorpion Minerals Limited (**Scorpion**) (ASX: SCN) to earn a 70% interest in the Iron Ore Rights over tenements E20/953 (currently the subject of an option to acquire between Scorpion and Element 25 Limited) and E20/948 (currently 100%-owned by Scorpion) (together the **Tenements**) (**Farm-In and Joint Venture Agreement**).

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

A summary of the material terms of the Farm-In and Joint Venture Agreement is contained in the ASX announcement titled "Farm in to Iron Ore rights adjoining Iron Ridge Project" on 8 February 2021.

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 2021. 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.

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 2021

JORC Classification	Mt	Fe%	AL_2O_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**

Iron Ridge Mineral Resource as at 21 August 2019

JORC Classification	Mt	Fe%	AL_2O_3%	LOI%	P%	SiO_2%	TiO_2%
Inferred	0.5	62.5	2.80	3.13	0.046	4.41	0.12
Indicated	10.0	64.3	2.56	1.90	0.046	3.21	0.09
Total	**10.5**	**64.2**	**2.57**	**1.96**	**0.046**	**3.26**	**0.09**

Mineral Resources totalled 9.8 Mt at 64.4 Fe% as at 30 June 2021, inclusive of Ore Reserves. This represents a 6.67% decrease in Mineral Resources when compared to the total Mineral Resources as previously released to the ASX on 21 August 2019 titled "Significant Increase in Iron Ridge Mineral Resource". Depletion in the Mineral Resource occurred due to iron ore production, which commenced in December 2020.

Iron Ridge Ore Reserves as at 30 June 2021

JORC Classification	Mt	Fe%	AL_2O_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**

Iron Ridge Ore Reserves as at 4 November 2020

JORC Classification	Mt	Fe%	AL_2O_3%	LOI%	P%	SiO_2%	TiO_2%
Probable	7.76	63.9	2.79	2.00	0.05	3.46	0.09
Total	**7.76**	**63.9**	**2.79**	**2.00**	**0.05**	**3.46**	**0.09**

Ore Reserves totalled 7.1 Mt at 64.09 Fe% as at 30 June 2021. This represents an 8.5% decrease in Ore Reserves when compared to the total Ore Reserves as previously released to the ASX on 4 November 2019 titled "Feasibility Study Generates Outstanding Cashflow". 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 currently employed by Mining Plus (UK) Ltd. Mr Battista has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for the Reporting of Exploration Results, Mineral Resources, and Ore Reserves (JORC Code). The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcement and all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. In relation to the production target and forecast financial information referred to in the report, the Company confirms that all material assumptions underpinning the production target and the forecast financial information derived from the production target continue to apply and have not materially changed since the announcement of the feasibility study on 4 November 2019.

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 the 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

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

Warwick Davies	Interim Non-Executive Chairman (appointed 19 February 2021), Non-Executive Director (appointed 9 November 2020)
Robert Brierley	Managing Director (appointed 1 March 2018), 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)
Garret Dixon	Non-Executive Chairman (appointed 1 January 2020, resigned 19 February 2021)

PRINCIPAL ACTIVITIES

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

DIVIDENDS

A dividend of 5.25 cents per share will be paid on 5 October 2021 in respect of the financial year (30 June 2020: Nil). Details of the Group's dividend policy are set out in Note 21.

FINANCIAL SUMMARY

The Group made a net profit after tax of $49,040,926 for the financial year ended 30 June 2021 (30 June 2020: loss $1,274,638). At 30 June 2021, the Group had net assets of $77,262,229 (30 June 2020: $7,453,575) and cash assets of $68,995,789 (30 June 2020: $1,292,625).

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 16 July 2021, 2,000,000 fully paid ordinary shares were issued upon the exercise of 2,000,000 unlisted options exercisable at $0.08 per option;
- on 22 July 2021, Fenix announced that it had entered into iron ore swap arrangements for 50,000 tonnes per month of 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 per dry metric tonne (dmt), flat over the period; and
- on 23 August 2021, Fenix announced the adoption of a dividend policy which provides that, to the extent that dividends can be fully franked, Fenix will distribute between 50% and 80% of after-tax earnings to shareholders in the form of dividends, either annually or semi-annually.

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.

INFORMATION ON DIRECTORS

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

Mr Warwick Davies	**Non-Executive Director & Chairman (Independent)** *Appointed 9 November 2020 as Non-Executive Director, and appointed interim Chairman on 19 February 2021*
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. 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	Audit & Risk Committee | Remuneration Committee
Equity Interests	30,000 ordinary shares
Directorships held in other listed entities	Current directorships: - Executive Director – Resource Mining Corporation Limited from August 2004 No other listed directorships have been held by Mr Davies in the previous three years.
Mr Robert Brierley	**Managing Director** *Managing Director (appointed 1 March 2019), Non-Executive Director (appointed 1 June 2018), Executive Director (appointed 21 November 2018)*
Experience	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. Additionally, he has over 13 years of experience in financial markets, predominantly as Head of Equities Research. 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.
Committee Memberships	None
Equity Interests	18,750,000 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	Audit & Risk Committee | Remuneration Committee
Equity Interests	7,029,587 ordinary shares 19,615,385 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*
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	Audit & Risk Committee | Remuneration Committee
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 Garret Dixon	**Former Non-Executive Chairman** *Appointed 1 January 2020, resigned 19 February 2021*
Experience	Mr Dixon is an experienced and accomplished Senior Executive with extensive experience in the resources, transport and contracting sectors in Australia and overseas. His work in both private and ASX listed companies spans more than three decades, having worked in senior executive roles for major mine owners, mine operators and contractors in the iron ore, gold, coal, nickel and bauxite commodities markets. He has worked for many years in the iron ore industry and previously developed mines from start up to production. Mr Dixon has a Bachelor of Engineering (Hons) and a Master of Business Administration and is a member of the Australian Institute of Company Directors.
Directorships held in other listed entities	Current directorships: - Non-Executive Chairman - Dynamic Drill and Blast Holdings Ltd from May 2020, listed on ASX August 2020 - Non-Executive Director - Chalice Gold Mines Limited from August 2020 - Non-Executive Director – BCI Minerals Ltd from June 2020 Former directorships: - Watpac Ltd – from February 2014 to February 2019 No other listed directorships have been held by Mr Dixon 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 Managing Director of Perth-based corporate advisory firm Evolution Corporate Services and is currently Company Secretary to a number of ASX listed companies, with a strong focus on resources.

Meetings of Directors

During the financial year there has been:

- eleven (11) meetings of Directors;
- two (2) meetings of the Audit & Risk Committee; and
- five (5) meetings of the Remuneration Committee.

	Directors' Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
W Davies [(1)]	7	7	1	1	3	3
R Brierley [(2)]	11	11	-	2	-	1
R Nicholls-Maltman [(3)]	1	2	-	-	-	-
G Plowright [(4)]	11	11	2	2	5	5
G Dixon [(5)]	7	7	1	1	3	3

1 *Mr Davies was appointed 9 November 2020 and transitioned to the role of Non-Executive Chairman on 19 February 2021.*
2 *Mr Brierley attended meetings of the Audit & Risk Committee and Remuneration Committee by invitation.*
3 *Mr Nicholls-Maltman appointed on 17 May 2021. Mr Nicholls-Maltman attended a Board meeting by invitation prior to appointment.*
4 *Mr Plowright transitioned from the role of Executive Director to Non-Executive Director on 1 January 2021.*
5 *Mr Dixon resigned on 19 February 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.

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. As at the date of this report the review and development of the Remuneration Framework is ongoing.

B. REMUNERATION GOVERNANCE

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

The Board has established a Remuneration Committee (**Committee**) which operated in accordance with its charter as approved by the Board. The Committee currently comprises of two independent Non-Executive Directors and one non-independent Non-Executive Director.

The primary purpose of the Committee is to support and advise the Board in fulfilling its responsibility to Shareholders by:

- ensuring competitive and reasonable remuneration, enabling the Company to attract and retain key talent;
- aligning remuneration to the Company's strategic and business objectives and the creation of Shareholder value; and
- ensuring transparent policies which are easily understood and acceptable to Shareholders.

At the 2020 annual general meeting, the Company's remuneration report was passed by the requisite majority of Shareholders (100% 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

- Warwick Davies, appointed 9 November 2020 and transitioned to Non-Executive Chairman on 19 February 2021
- Garry Plowright, transitioned from Executive Director to Non-Executive Director on 1 January 2021
- Richard Nicholls-Maltman, appointed 17 May 2021

Non-Executive Directors – Former

- Garret Dixon – appointed 1 January 2020, resigned 19 February 2021

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 2021 $	30 June 2020 $	30 June 2019 $	30 June 2018 $	30 June 2017 $
Revenue from continuing operations	114,377,844	71,730	31,808	18,904	38,811
Net profit/(loss) attributable to members of the Company	49,040,926	(1,274,638)	(2,613,166)	(923,420)	(554,611)
Share price	0.345	0.076	0.100	0.045	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 2021 financial year was 9.5% and from 1 July 2021 is 10%, 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 subject to the following key performance indicators, measured at 30 June 2021:

- 20% based on acceptable safety, environmental, heritage and community performance as judged by the Board
- 40% based on first shipment before 28 February 2021
- 40% based on positive operating cashflow from 1 January to 30 June 2021

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 2021, remuneration for a Non-Executive Director/Chairman was between $50,000 and $144,000 per annum exclusive of superannuation. There are no termination or retirement benefits paid to Non-Executive Directors (other than statutory superannuation). Total remuneration for all Non-Executive Directors was last voted on by Shareholders on 30 November 2010, whereby it is not to exceed $300,000 per annum. Directors' fees cover all normal Board activities.

REMUNERATION REPORT (AUDITED) (continued)

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.

At the date of this report the Company has not entered into any agreements with Non-Executive Directors which include performance-based components.

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.

During the year the Company has engaged remuneration consultants. As at the date of this report the review and development of the Remuneration Framework is ongoing.

At the 2020 annual general meeting, the resolution relating to the adoption of the remuneration report was passed 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-Mar-19	No fixed term	3 months	200,000	3 months
	01-Sep-20	No fixed term	3 months	300,000	3 months
	01-May-21	No fixed term	3 months	470,000	3 months

Executives – Former

Name	Effective date	Term of agreement	Notice period	Base salary per annum [1] $	Termination payments
Garry Plowright, Executive Director	21-Nov-18	No fixed term	1 month	72,000	1 month

1 *Mr Plowright's base salary was based on a time commitment of 8 days per month. Mr Plowright transitioned from the role of Executive Director to Non-Executive Director on 1 January 2021.*

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 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 (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.*

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 2021:

Name	Fully paid ordinary shares	Options	Performance rights	Performance shares
R Brierley	16,750,000	2,000,000	-	-
W Davies [1]	30,000	-	-	-
R Nicholls-Maltman [2]	-	-	-	-
G Plowright [3]	7,029,587	-	-	19,615,385

1 *Mr Davies was appointed 9 November 2020 and transitioned to the role of Non-Executive Chairman on 19 February 2021.*
2 *Mr Nicholls-Maltman was appointed on 17 May 2021.*
3 *Mr Plowright transitioned from the role of Executive Director to Non-Executive Director on 1 January 2021.*

REMUNERATION REPORT (AUDITED) (continued)

Remuneration of KMP for the 2020 financial year is set out below:

	Short-term benefits				Post-employment benefits		Share based payments		Total
	Cash salary	Consulting fees	Bonus	Non-cash benefits [(1)]	Super-annuation	Termi-nation	Performance rights [(2)]	Options [(3)]	
	$	$	$	$	$	$	$	$	$
Executive Directors – Current									
R Brierley	200,000	-	-	600	19,005	-	183,167	166,483	569,255
G Plowright	72,000	-	-	600	6,845	-	-	-	79,445
Non-Executive Director – Current									
G Dixon [(4)]	72,000	-	-	-	6,840	-	-	166,483	245,323
Non-Executive Director – Former									
B Tarratt [(5)]	48,000	-	-	50	4,565	-	-	-	52,615
P Tomasevic [(6)]	52,955	-	-	430	4,085	-	-	-	57,470
Total	444,955	-	-	1,680	41,340	-	183,167	332,966	1,004,108

1 *Other benefits include the provision of a mobile phone allowance.*
2 *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.*
3 *Options granted as part of remuneration have been valued in accordance with AASB 2 – Share Based Payments.*
4 *Mr Dixon was appointed 1 January 2020.*
5 *Mr Tarratt resigned on 1 January 2020.*
6 *Mr Tomasevic resigned on 18 March 2020.*

H. SHARE BASED COMPENSATION

Performance rights

During the year ended 30 June 2021, the following performance rights were granted, vested and/or lapsed to KMP:

Grant date	Grant value [(1)] $	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 $
Robert Brierley - *Managing Director*							
11-Apr-18	480,000	6,000,000	4,500,000	1,500,000	-	-	-

1 *The value of performance rights is calculated as the fair value of the rights at grant date and allocated to remuneration equally over the period from grant date to expected vesting date.*

REMUNERATION REPORT (AUDITED) (continued)

The key conditions of awards affecting remuneration in the current and future reporting periods are set out below:

Type of grant	Grant date	Expected vesting dates	Expiry date	Exercise price $	Average fair value [1] $	Service and/or performance condition	Achieved	Vested
Performance rights	11-Apr-18	22-May-19 to 31-Aug-20	13-May-22	-	0.08 [2][3]	Performance [4]	100%	100%

1 *The value of performance rights is calculated as the fair value of the rights at grant date, which is equal to the share price on grant date. The values are allocated to remuneration equally over the period from grant date to expected vesting date.*
2 *Performance rights can only be converted if they have vested. Upon conversion each performance right is convertible into one ordinary share which will rank equally with all other issued ordinary shares.*
3 *The value of performance rights granted are calculated in accordance with AASB2 Share based Payments at grant date. Refer to Note 22 of the financial statements for details of the assumptions used in calculating the value of each performance right as at their grant date.*
4 *Performance rights have been split equally into 4 tranches with a continuous service condition. Each tranche will vest on completion of any of the below milestones:*
Milestone 1 *The Company entering into a binding offtake with a third party for the purchase from the Company of a minimum combined total of 6,000,000 tonnes of iron ore produced from the Iron Ridge Project;*
Milestone 2 *Completion of a feasibility study that derives a Net Present Value (NPV) (utilising a discount rate of 10%) of the Iron Ridge Project of not less than $50 million and is signed off and validated by an independent consultant and agreed by the Board;*
Milestone 3 *Securing necessary funding to commence production at the Iron Ridge Project, including via equity or debt (or a combination of both) or other funding mechanism such as joint venture or forward payments on offtake agreement;*
Delineating a material resource upgrade at the Iron Ridge Project of:
Milestone 4 *An initial upgrade of the existing JORC-code compliant resource to a total of not less than 6Mt @65% Fe at a cut-off grade of no less than 50% Fe with at least 60% of the total resource categorised in at least the Indicated category in accordance with the JORC Code (2012); and*
Milestone 5 *A further upgrade of the JORC-code compliant resource to a total of not less than 8Mt @65% Fe at a cut-off grade of no less than 50% Fe with at least 60% of the total resource categorised in at least the Indicated category in accordance with the JORC Code (2012);*
Milestone 6 *Obtaining all environmental and mining licence approvals necessary to commence mining at the Iron Ridge Project.*

The performance rights were issued to incentivise KMP as part of their remuneration package. The performance rights were issued to encourage continued improvement in the performance of the Company and individuals, as well as to provide a method to share in the added value created contributing to the attainment of the results. The issue of the performance rights is 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.

Options

	Grant date [1]	Grant value [2] $	Number granted	Value per option [3] $	Expiry date	Vesting date	Number exercised	Vested %
Robert Brierley - *Managing Director*								
	21-Feb-20	88,326	5,000,000	0.0177	31-Dec-21	21-Feb-20	5,000,000	100%
	21-Feb-20	78,157	5,000,000	0.0156	31-Dec-21	21-Feb-20	5,000,000	100%
Garret Dixon – Former *Non-Executive Chairman* [4]								
	21-Feb-20	88,326	5,000,000	0.0177	31-Dec-21	21-Feb-20	5,000,000	100%
	21-Feb-20	78,157	5,000,000	0.0156	31-Dec-21	21-Feb-20	5,000,000	100%

1 *The securities were approved on the 18 February 2020 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.*
4 *Mr Dixon resigned on 19 February 2021.*

REMUNERATION REPORT (AUDITED) (continued)

The options carry no dividend or voting rights. No conditions must be satisfied for the options to vest. When exercisable, each option is convertible into one ordinary share of Fenix Resources Limited. The table above shows the number of options over ordinary shares in the Company provided as remuneration during the year to KMP is shown in the table above.

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 2021 and 2020 financial years:

	Fixed remuneration	At risk STI	At risk LTI	Fixed remuneration	At risk STI	At risk LTI
	2021			2020		
Executive Directors – Current						
R Brierley	60%	40%	-	39%	61%	-
Non-Executive Director – Current						
W Davies (1)	100%	-	-	-	-	-
R Nicholls-Maltman (2)	100%	-	-	-	-	-
G Plowright (3)	100%	-	-	-	-	-
Executive Directors – Former						
G Plowright (3)	100%	-	-	100%	-	-
Non-Executive Director – Former						
G Dixon (4)	100%	-	-	32%	68%	-
B Tarratt (5)	-	-	-	100%	-	-
P Tomasevic (6)	-	-	-	100%	-	-

1 *Mr Davies was appointed 9 November 2020 and transitioned to the role of Non-Executive Chairman on 19 February 2021.*
2 *Mr Nicholls-Maltman was appointed on 17 May 2021.*
3 *Mr Plowright transitioned from the role of Executive Director to Non-Executive Director on 1 January 2021.*
4 *Mr Dixon was appointed on 1 January 2020 and resigned on 19 February 2021.*
5 *Mr Tarratt resigned on 1 January 2020.*
6 *Mr Tomasevic resigned on 18 March 2020.*

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 2021 financial year:

	Balance at the start of the year/period	Granted/ Acquired	Exercised/ Vested	Lapsed	Other changes	Balance at year end
Executives – Current						
R Brierley						
Fully paid ordinary shares	5,250,000	-	11,500,000	-	-	16,750,000
Options	12,000,000	-	(10,000,000)	-	-	2,000,000
Performance rights	1,500,000	-	(1,500,000)	-	-	-
Non-Executive Directors – Current						
W Davies (1)						
Fully paid ordinary shares	-	30,000	-	-	-	30,000

REMUNERATION REPORT (AUDITED) (continued)

	Balance at the start of the year/period	Granted/ Acquired	Exercised/ Vested	Lapsed	Other changes	Balance at year end
R Nicholls-Maltman [(2)]						
Fully paid ordinary shares	-	-	-	-	-	-
G Plowright [(3)]						
Fully paid ordinary shares	5,029,587	-	2,000,000	-	-	7,029,587
Options	2,000,000	-	(2,000,000)	-	-	-
Performance shares	19,615,385	-	-	-	-	19,615,385
Non-Executives Directors – Former						
G Dixon [(4)]						
Fully paid ordinary shares	-	-	10,000,000	-	(10,000,000)	-
Options	10,000,000	-	(10,000,000)	-	-	-

1 *Mr Davies was appointed 9 November 2020 and transitioned to the role of Non-Executive Chairman on 19 February 2021.*
2 *Mr Nicholls-Maltman was appointed on 17 May 2021.*
3 *Mr Plowright transitioned from the role of Executive Director to Non-Executive Director on 1 January 2021.*
4 *Mr Dixon resigned on 19 February 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 was $4,840 (ex GST).

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 99,500,000 and broken-down as follows:

<u>Options</u>

- Issued to Directors 2,000,000

Options over ordinary shares can be exercised at $0.08.

<u>Performance shares</u>

- Issued to Directors 19,615,385
- Issued to vendors 77,884,615

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 2021 has been received and can be found on page 22.

AUDITOR'S REMUNERATION

During the financial year no fees were paid or payable for services provided by related entities of Grant Thornton Audit Pty Ltd.

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

WARWICK DAVIES
Non-Executive Chairman

Perth
14 September 2021

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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 audit of Fenix Resources Limited for the year ended 30 June 2021, 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

M D Dewhurst
Partner – Audit & Assurance

Perth, 14 September 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue	1	114,377,844	-
Cost of sales	2	(51,560,030)	-
Gross profit/(loss)		62,817,814	-
Other income	3	297,548	50,000
Other expenses	4	(2,200,143)	(1,346,368)
Profit on joint venture	15	919,687	-
Operating profit/(loss)		61,834,906	(1,296,368)
Finance income		117,770	21,730
Finance costs	5	(96,728)	-
Profit/(loss) before income tax expense		61,855,948	(1,274,638)
Income tax expense	8	(12,815,022)	-
Profit/(loss) after income tax expense for the period attributable to the owners of the Group		49,040,926	(1,274,638)
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		49,040,926	(1,274,638)
Basic earnings/(loss) per share (cents per share)	24	12.06	(0.46)
Diluted earnings/(loss) per share (cents per share)	24	9.69	(0.46)

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 2021

	Notes	2021 $	2020 $
Current Assets			
Cash and cash equivalents	10	68,995,789	1,292,625
Inventories	7	15,003,135	-
Other current assets – term deposit	11	-	50,000
Trade and other receivables	11	3,129,342	49,324
Loan receivable	12	1,716,667	-
		88,844,933	1,391,949
Non-Current Assets			
Mine properties, property, plant and equipment	13	24,127,110	1,371
Capitalised exploration and evaluation expenditure	14	-	6,203,553
Loan receivable	12	933,333	-
Interest in joint venture	15	919,692	5
		25,980,135	6,204,929
Total Assets		**114,825,068**	**7,596,878**
Current Liabilities			
Trade and other payables	16	19,237,744	132,002
Provisions	17	115,293	11,301
Provision for income tax	8	9,294,860	-
Lease liabilities	18	664,619	-
		29,312,516	143,303
Non-Current Liabilities			
Trade and other payables	16	1,473,030	-
Provisions	17	2,176,301	-
Lease liabilities	18	1,347,973	-
Deferred tax liability	9	3,253,019	-
		8,250,323	-
Total Liabilities		**37,562,839**	**143,303**
Net Assets		**77,262,229**	**7,453,575**
Equity			
Issued capital	20a	49,831,949	27,755,148
Reserves	20b	1,297,484	2,606,557
Retained earnings	20c	26,132,796	(22,908,130)
Total Equity		**77,262,229**	**7,453,575**

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 2021

	Issued Capital $	Reserves $	Accumulated Losses $	Total $
Balance at 1 July 2019	27,755,148	2,053,372	(21,633,492)	8,175,028
Loss for the year	-	-	(1,274,638)	(1,274,638)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(1,274,638)	(1,274,638)
Transactions with owners in their capacity as owners				
Performance rights/options expense recognised during the year	-	553,185	-	553,185
Balance at 30 June 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/(loss) 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**

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 2021

	Notes	2021 $	2020 $
Cash flows from operating activities			
Receipts from customers		114,379,339	-
Payments to suppliers, consultants and employees		(49,142,727)	(737,300)
Interest received		13,652	27,296
Cash flow boost incentive	3	50,000	50,000
Net cash provided by/(used in) operating activities	31	65,300,264	(660,004)
Cash flows from investing activities			
Payments for plant and equipment		(14,729,271)	-
Payments for exploration and evaluation		(143,008)	(2,261,286)
Movement in term deposits	11	50,000	-
Loans to other entities	12	(2,650,000)	-
Net cash used in investing activities		(17,472,279)	(2,261,286)
Cash flows from financing activities			
Proceeds from new issues of shares		15,000,000	-
Proceeds from exercise of options		5,860,000	-
Share issue costs	20	(836,560)	-
Net cash provided by financing activities		20,023,440	-
Net increase/(decrease) in cash held		67,851,425	(2,921,290)
Cash and cash equivalents at the beginning of the period		1,292,625	4,213,915
Effect of exchange rates on cash holdings in foreign currencies		(148,261)	-
Cash and cash equivalents at the end of the period	10	**68,995,789**	**1,292,625**

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 2021

1 REVENUE

	2021 $	2020 $
Western Australia Iron Ore	114,377,844	-

The Group achieved operating status for the Iron Ridge Project on 21 December 2020, reaching production for accounting purposes. Accordingly, for the period 21 December 2020 to 30 June 2021, revenues derived from mining activities and associated costs at the Iron Ridge Project have been recognised in profit or loss, and depreciation and amortisation of mine assets commenced on 21 December 2020.

2 COST OF SALES

	2021 $	2020 $
Cash costs of production	64,632,209	-
Inventory product movement	(15,003,135)	-
Depreciation and amortisation (1)	1,930,956	-
	51,560,030	-

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

The Group achieved operating status for the Iron Ridge Project on 21 December 2020, reaching production for accounting purposes. Accordingly, for the period 21 December 2020 to 30 June 2021, depreciation and amortisation of mine assets commenced on 21 December 2020.

Cash costs of production

Cash 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. Refer to Note 7 and Note 34(e) for further details on the Group's accounting policy for inventory.

3 OTHER INCOME

	2021 $	2020 $
Other Income		
Other income	247,548	-
Cash flow boost incentive payments (1)	50,000	50,000
Total other income	297,548	50,000

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.*

4 OTHER EXPENSES

	Notes	2021 $	2020 $
Administrative expense			
Advertising and marketing costs		109,191	77,991
Advisory costs		76,087	71,653
Compliance costs		315,747	123,305
Consultants		123,399	61,568
Employee benefits expense (1)		1,277,168	361,006
Other administrative expenses		282,616	93,653
Total administrative expense		2,184,208	789,176
Share-based payments expense			
Director options	20(b)	-	332,966
Performance rights expense	20(b)	14,646	220,219
Total share-based payments expense		14,646	553,185
Exploration expense (2)		-	2,616
Depreciation	13	1,289	1,391
Total other expenses		2,200,143	1,346,368

1 *A portion of the employee benefits expense has been capitalised as an exploration and evaluation assets and recognised in costs of production.*
2 *Exploration costs incurred that did not meet the criteria to be capitalised.*

A reconciliation of employee benefits expense is as follows:

	2021 $	2020 $
Employee benefits expense		
Wages and salaries	1,589,926	525,554
Superannuation	149,918	44,380
Provision for annual leave	103,992	7,179
Other costs	61,941	3,554
Total employee benefits expense	1,905,777	580,667
Employee benefits included in		
Capitalised as exploration expenditure	146,134	219,661
Costs of production	482,475	-
Administrative expenses	1,277,168	361,006
Total employee benefits expense	1,905,777	580,667

5 FINANCE COSTS

	2021 $	2020 $
Finance costs		
Interest on Right of Use assets	94,368	-
Unwinding of provisions	2,360	-
Total finance costs	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 on 21 December 2020, reaching production for accounting purposes. During the prior year, the Group only had one operating segment, being mineral exploration of the Iron Ridge Project. Prior year comparatives have been updated to show the Trucking Joint Venture, which was considered immaterial during the prior year.

	Iron Ridge Project $	Trucking Joint Venture $	Unallocated $	Total $
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 (1)	41,780,245	919,692	72,125,131	114,825,068
Reportable segment liabilities	(37,189,807)	-	(373,032)	(37,562,839)
For the year ended 30 June 2020				
Income from external sources	-	-	71,730	71,730
Reportable segment loss	-	-	(1,274,638)	(1,274,638)
Reportable segment assets (2)	5,928,449	5	1,668,419	7,596,878
Reportable segment liabilities	(66,511)	-	(76,792)	(143,303)

1 *Unallocated includes cash held of $68,995,789.*
2 *Unallocated includes cash held of $1,342,625.*

7 INVENTORIES

	2021 $	2020 $
Ore Stockpiles	15,003,135	-

The Group achieved operating status for the Iron Ridge Project on 21 December 2020, reaching production for accounting purposes. Ore stockpiles represent Iron Ore lump and Fines extracted, that are expected to be sold at a profit.

7 INVENTORIES (continued)

Inventories are valued at the lower of cost and net realisable value. At the reporting date, all inventory on hand is valued at cost (30 June 2020: nil inventory).

No provision was required to write down inventories to their recoverable value at 30 June 2021 (30 June 2020: nil inventory).

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 2021 and 30 June 2020 are:

	2021 $	2020 $
Statement or profit or loss and other comprehensive income		
Current income		
Current income tax expense	9,294,860	-
Deferred income tax		
Relating to origination and reversal of temporary differences	3,520,162	-
Income tax expense reported in income statement	12,815,022	-
Statement of changes in equity		
Deferred income tax		
Capital raising costs	(267,142)	-
Income tax benefit reported in equity	(267,142)	-

8 TAXATION (continued)

	2021 $	2020 $
Reconciliation of income tax to prima facie tax payable		
Profit/(loss) before income tax	61,855,948	(1,274,638)
Income tax expense/(benefit) at 30% (30 June 2020: 27.5%)	18,556,784	(350,525)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible expenses (non-assessable income)	(10,455)	152,126
Tax loss not brought to account as a deferred tax asset now utilised	(7,489,754)	-
Temporary differences brought to account	1,758,447	198,399
Total income tax benefit	12,815,022	-

The current year tax rate has changed from 27.5% to 30%. The different tax rate will result in a difference between the net deferred tax assets unrecognised (see Note 9) and the tax loss not brought to account as a deferred tax asset now utilised.

As at 30 June 2021 the franking account balance is nil.

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.

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:

	2021 $	2020 $
Deferred tax liabilities		
Trade and other receivables	(32,804)	-
Property, plant and equipment	(803,194)	-
Mine properties	(3,910,421)	-
Intercompany investments and loans	(275,907)	-
Deferred tax assets		
Trade and other payables	151,612	-
Provisions - current	34,588	-
Right of use assets	603,778	-
Provisions – non-current	652,890	-
Business related costs – statement of profit or loss	14,819	-
Unrealised foreign exchange losses	44,478	-
Business related costs - equity	267,142	-
Net deferred tax assets/(liabilities)	(3,253,019)	-

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

	2021 $	2020 $
Deferred tax assets and liabilities not recognised relate to the following:		
Revenue losses	-	5,565,938
Provisions - current	-	3,108
Business related costs - equity	-	9,216
Capital losses	7,415	-
Net deferred tax assets unrecognised	7,415	5,578,262

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.

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) 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.

	2021 $	2020 $
Cash at bank	55,945,789	92,625
Deposits at call	13,050,000	1,200,000
	68,995,789	1,292,625

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.

	2021 $	2020 $
Trade and other receivables		
Trade receivables	71,747	248
Other receivables	2,802,535	33,463
Prepayments	150,413	15,084
Accrued interest	104,647	529
	3,129,342	49,324
Other Current Assets		
Term deposit	-	50,000
	-	50,000

12 LOAN RECEIVABLE

	2021 $	2020 $
Current loan receivable	1,716,667	-
Non-current loan receivable	933,333	-
	2,650,000	-

During the 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 3 years and incur an interest rate ranging from 1% to 10% per annum.

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

	Right of use asset					
	Property $	Plant and equipment $	Buildings $	Plant and equipment $	Mine properties under development $	Mine properties $
Cost						
At 1 July 2020	-	-		3,811	-	-
Transfer from exploration and evaluation assets (1)	-	-		-	7,438,298	-
Additions	419,996	55,773	2,544,680	5,047,896	4,536,189	6,015,152
Transfer between classes (2)	-	-	-	4,926,404	(11,974,487)	7,048,083
At 30 June 2021	419,996	55,773	2,544,680	9,978,111	-	13,063,235

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

	Right of use asset					
	Property $	**Plant and equipment $**	**Buildings $**	**Plant and equipment $**	**Mine properties under development $**	**Mine properties $**
Accumulated depreciation, amortisation and impairment						
At 1 July 2020	-	-	-	(2,440)	-	-
Depreciation and amortisation	(40,833)	(5,422)	(296,879)	(728,191)	-	(860,920)
At 30 June 2021	(40,833)	(5,422)	(296,879)	(730,631)	-	(860,920)
Net book value	**379,163**	**50,351**	**2,247,801**	**9,247,480**	**-**	**12,202,315**
Total carrying value						**24,127,110**

1 *Items reclassified upon the Iron Ridge Project entering development (see Note 14).*
2 *Items reclassified upon the Group achieved operating status for the Iron Ridge Project on 21 December 2020, reaching production for accounting purposes.*

Following the transition to production for accounting purposes at the Iron Ridge Project on 21 December 2020, mine properties under development were transferred to mine properties and plant and equipment, as appropriate.

Mine properties include $2.18 million relating to the rehabilitation provision.

A reconciliation of depreciation is as follows:

	Note	2021 $	2020 $
Depreciation			
Costs of production		1,930,956	-
Administrative expenses	4	1,289	1,391
		1,932,245	1,391

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.

14 EXPLORATION AND EVALUATION ASSETS

	Note	2021 $	2020 $
Iron Ridge Project			
Opening balance		6,203,553	4,380,204
Exploration expenditure incurred		1,234,745	1,823,349
Expenditure reclassified to mine properties under development	13	(7,438,298)	-
Closing balance		-	6,203,553

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 2021.

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.

15 INTEREST IN JOINT VENTURE

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.

	2021 $	2020 $
Opening balance	5	5
Share of net profit of joint venture using the equity method	919,687	-
Closing balance	919,692	5

15 INTEREST IN JOINT VENTURE (continued)

Interests in joint ventures

Set out below is the joint venture of the Group as at 30 June 2021. The entity 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			
			30 June 2021	50	N/A [1]
			30 June 2020	50	N/A [1]

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

Summarised financial information

The tables below provide summarised financial information of the JVC. As at 30 June 2021, in the opinion of the Directors, the JVC was immaterial for the year ended 30 June 2020 to the Group and no comparative information has been disclosed. 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 and modifications for differences in accounting policy.

Summarised statement of financial position	2021 $
Total current assets	7,071,946
Total non-current assets	30,190,995
Total current liabilities	(14,847,866)
Total non-current liabilities	(20,575,691)
Net assets	1,839,384
Reconciliation to carrying amounts	
Closing net assets 30 June	-
Profit for the period	1,839,384
Closing net assets	1,839,384
Groups share in equity	50%
Groups share	919,692
Investment	5
Profit recognised	919,687
Carrying amount	919,692

Summarised statement of profit or loss and other comprehensive income	2021 $
Revenue	23,427,111
Cost of sales	(14,263,990)
Operating expense	(3,285,354)
Interest income	90
Other expense	(3,391,347)
Income tax expense	(647,126)
Profit from continuing operations	1,839,384
Profit for the period	1,839,384
Other comprehensive (loss)/gain	-
Total comprehensive gain	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.

15 INTEREST IN JOINT VENTURE (continued)

Carrying value of interest in joint venture

The JVC has a carrying value of $920k 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.

	2021 $	2020 $
Current		
Trade payables	6,650,197	79,288
Sundry payables	99,533	-
Accruals	12,488,014	52,714
	19,237,744	132,002
Non-current		
Trade payables	1,473,030	-

17 PROVISIONS

	2021 $	2020 $
Current - Employee benefits		
Opening balance	11,301	4,121
Additional provisions	113,596	19,742
Amount utilised	(9,604)	(12,562)
Closing balance	115,293	11,301
Non-current - Rehabilitation and mine closure		
Opening balance	-	-
Additional provisions	2,176,301	-
Closing balance	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

	2021 $	2020 $
Current		
Lease liabilities	664,619	-
Non-current		
Lease liabilities	1,347,973	-
	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.

	Less than 6 months $	6 - 12 months $	1 - 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount of liabilities $
At 30 June 2021						
Lease liability	394,214	395,031	1,502,217	46,470	2,337,932	2,012,592

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.

<u>Extension and termination options</u>

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.

18 LEASE LIABILITIES (continued)

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.

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 2021 and 2020, 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 Group did not have any financial instruments that are recognised in the financial statements where their carrying value differed from the fair value. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

20 ISSUED CAPITAL

(a) Issued Capital

	2021 Shares	2020 Shares	2021 $	2020 $
Fully paid	470,213,920	285,765,644	49,831,949	27,755,148

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 2019			**272,515,633**		**27,755,148**
Issue of shares - conversion performance rights		07-Jul-19	1,500,000	-	-
Issue of shares - conversion performance shares		20-Jan-20	11	-	-
Issue of shares - conversion performance rights		31-Jan-20	11,750,000	-	-
Less: Share issue costs			-		-
Balance at 30 June 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**

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	2021 $	2020 $
Share based payments reserve			
Balance at 1 July		2,606,557	2,053,372
Performance rights expense – Directors and employees	22(b)	14,646	220,219
Options expense – Director share options		-	332,966
Transfer of reserve upon exercise of options		(1,323,719)	-
Balance at 30 June		1,297,484	2,606,557

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

	2021 $	2020 $
Balance at 1 July	(22,908,130)	(21,633,492)
Net profit/(loss) attributable to owners of the Company	49,040,926	(1,274,638)
Balance at 30 June	26,132,796	(22,908,130)

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.

Subsequent to year-end, on 14 September 2021, 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 or paid for the prior year ended 30 June 2020.

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	2021 $	2020 $
As part of share-based payment expense			
Options issued	22(a)	-	332,966
Performance rights issued	22(b)	14,646	220,219
As part of capitalised exploration assets			
Ordinary shares	22(d)	462,500	-
		477,146	553,185

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.

Set out below are summaries of options granted:

	2021		2020	
	Average exercise price per option	Number of options	Average exercise price per option	Number of options
Opening balance	$0.076	79,000,000	$0.080	59,000,000
Granted during the period	-	-	$0.065	20,000,000
Exercised during the period	$0.076	(77,000,000)	-	-
Closing balance	$0.080	2,000,000	$0.076	79,000,000
Vested and exercisable	$0.080	2,000,000	$0.076	79,000,000

22 SHARE-BASED PAYMENTS (continued)

Series	Grant date	Expiry date	Exercise price	2021 Number of options	2020 Number of options
(i)	10-Sep-18 (1)	9-Sep-21	$0.08	-	25,000,000
(ii)	10-Sep-18 (1)	30-Nov-20	$0.08	-	25,000,000
(iii)	10-Sep-18 (1)	9-Sep-21	$0.08	2,000,000	9,000,000
(iv)	21-Feb-20 (2)	31-Dec-21	$0.06	-	10,000,000
(v)	21-Feb-20 (2)	31-Dec-21	$0.07	-	10,000,000
				2,000,000	79,000,000
Weighted average remaining contractual life of options outstanding at the end of the year:				0.19 years	1.03 years

1 *The securities were approved on the 10 September 2018 at the Company's General Meeting.*
2 *The securities were approved on the 18 February 2020 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.

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 2020: $332,966).

(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.

Movement in the performance rights for the current year is shown below:

Grant date	Expiry date	Exercise price	Balance at start of the period	Granted during the period	Converted during the period	Forfeited during the period	Balance at period end	Vested at period end
19-Feb-19	18-Feb-22	-	125,000	-	-	(125,000)	-	-
11-Apr-19	13-May-22	-	1,500,000	-	(1,500,000)	-	-	-
			1,625,000	-	(1,500,000)	(125,000)	-	-

The Company notes that on 9 April 2020, 9 June 2020 and 23 July 2020 performance rights granted on 19 February 2019 were cancelled for nil consideration following cessation of eligible participants' employment with the Company. The cancellation of vested performance rights did not impact the amount recognised for services received over the vesting period. The cancellation of unvested performance rights was accounted for as a reversal of previously recognised expense during the prior reporting period.

A share-based payment expense has been recognised over the respective vesting periods.

22 SHARE-BASED PAYMENTS (continued)

Key inputs used in the fair value calculation of the performance rights which have been granted during the year ended 30 June 2019 were as follows:

Number Granted	Exercise price	Expected vesting dates	Expiry date	Share price at grant date	Fair value per performance right	Total fair value
Grant date:19 Feb 2019 (1)						
7,750,000	$ -	22-May-19 to 23-Jul-20	18-Feb-22	$0.066	$0.066	$511,400
Grant date: 11 Apr 2019 (2)						
6,000,000	$ -	22-May-19 to 23-Jul-20	13-May-22	$0.080	$0.080	$480,000

1 *Performance rights have been split equally into 4 tranches. Each tranche will vest on completion of any of the below milestones:*

Milestone 1 The Company entering into a binding offtake with a third party for the purchase from the Company of a minimum combined total of 6,000,000 tonnes of iron ore produced from the Iron Ridge Project;

Milestone 2 Completion of a feasibility study that derives a Net Present Value (NPV) (utilising a discount rate of 10%) of the Iron Ridge Project of not less than $50 million and is signed off and validated by an independent consultant and agreed by the Board;

Milestone 3 Completion of a transportation study and execution of agreements for trucking and port for transportation of iron ore from The Iron Ridge Project which has been signed off and validated by an independent consultant and agreed by The Board;

Milestone 4 Securing necessary funding to commence production at the Iron Ridge Project, including via equity or debt (or a combination of both) or other funding mechanism such as joint venture or forward payments on offtake agreement;

Delineating a material resource upgrade at the Iron Ridge Project of:

Milestone 5 An initial upgrade of the existing JORC-code compliant resource to a total of not less than 6Mt @65% Fe at a cut-off grade of no less than 50% Fe with at least 60% of the total resource categorised in at least the Indicated category in accordance with the JORC Code (2012); and

Milestone 6 A further upgrade of the JORC-code compliant resource to a total of not less than 8Mt @65% Fe at a cut-off grade of no less than 50% Fe with at least 60% of the total resource categorised in at least the Indicated category in accordance with the JORC Code (2012);

Milestone 7 Obtaining all environmental and mining licence approvals necessary to commence mining at the Iron Ridge Project.

2 *Performance rights have been split equally into 4 tranches. Each tranche will vest on completion of any of the below milestones:*

Milestone 1 The Company entering into a binding offtake with a third party for the purchase from the Company of a minimum combined total of 6,000,000 tonnes of iron ore produced from the Iron Ridge Project;

Milestone 2 Completion of a feasibility study that derives a Net Present Value (NPV) (utilising a discount rate of 10%) of the Iron Ridge Project of not less than $50 million and is signed off and validated by an independent consultant and agreed by the Board;

Milestone 3 Securing necessary funding to commence production at the Iron Ridge Project, including via equity or debt (or a combination of both) or other funding mechanism such as joint venture or forward payments on offtake agreement;

Delineating a material resource upgrade at the Iron Ridge Project of:

Milestone 4 An initial upgrade of the existing JORC-code compliant resource to a total of not less than 6Mt @65% Fe at a cut-off grade of no less than 50% Fe with at least 60% of the total resource categorised in at least the Indicated category in accordance with the JORC Code (2012); and

Milestone 5 A further upgrade of the JORC-code compliant resource to a total of not less than 8Mt @65% Fe at a cut-off grade of no less than 50% Fe with at least 60% of the total resource categorised in at least the Indicated category in accordance with the JORC Code (2012);

Milestone 6 Obtaining all environmental and mining licence approvals necessary to commence mining at the Iron Ridge Project.

22 SHARE-BASED PAYMENTS (continued)

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:

	2021 $	2020 $
Performance rights granted during prior periods	14,646	296,508
Reversal of performance rights expense	-	(76,289)
	14,646	220,219

(c) 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.

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 share and performance shares issues in connection with the acquisition.

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

The fair value of the performance shares was determined using a share option pricing model, after assigning a probability of achievement this was determined to be $0. An assigned average of 8.6% probability of achievement in relation to the performance hurdles. An assessment that the performance hurdles are unlikely to be met has been made and as a result the value of these rights was recorded as $0.

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 the 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 (see Note 20(a)).

22 SHARE-BASED PAYMENTS (continued)

(d) Share capital to vendors

During the 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.

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.

23 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Financial Instruments

The Group has the following financial instruments:

	2021 $	2020 $
Financial assets		
Current		
Cash and cash equivalents	68,995,789	1,292,625
Trade and other receivables	2,978,929	34,240
Loan receivable	1,716,667	-
Other current assets	-	50,000
Non-Current		
Loan receivable	933,333	-
	74,624,718	1,376,865
Financial liabilities		
Current		
Trade and other payables	19,237,744	131,997
Non-Current		
Trade and other payables	1,473,030	-
	20,710,774	131,997

(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 2021, the Group has interest-bearing assets, being cash at bank and borrowings (30 June 2020 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 0.30% (30 June 2020: 0.43%).

23 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(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:

	2021 US $	2020 US $
Financial assets		
Cash	8,578,857	-
Financial liabilities		
Trade and other payables	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 $538,648 (2020: nil). These sensitivities should not be used to forecast the future effect of movement in the Australian dollar exchange rate on future cash flows.

(iii) Commodity price risk

The risk associated with commodity prices is managed as part of the portfolio risk management strategy. Substantially all of the Group's commodity production is sold on market-based index pricing terms. The Group has not use derivatives on the commodity production sold.

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.

23 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

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:

	2021 $	2020 $
Cash and cash equivalents	68,995,789	1,292,625
Trade and other receivables	2,978,929	34,240
Other current assets	-	50,000
Loan receivable	2,650,000	-
	74,624,718	1,376,865

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.

	2021 $	2020 $
Cash at bank and short-term deposits		
Held with Australian banks and financial institutions		
AA- S&P rating	68,995,789	1,292,625
A+ S&P rating	-	-
Unrated	-	-
Total	68,995,789	1,292,625
Other receivables		
Counterparties with external credit ratings	2,802,535	33,463
Counterparties without external credit ratings (1)		
Group 1	-	-
Group 2	2,826,394	777
Group 3	-	-
Total	5,628,929	34,240
Other current assets – term deposit		
Held with Australian banks and financial institutions		
AA- S&P rating	-	50,000
Total	-	50,000

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.

23 FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

(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 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
At 30 June 2020						
Trade and other payables	131,997	-	-	-	131,997	131,997

(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.

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.

24 EARNING/LOSS PER SHARE (continued)

	2021	2020
Basic earnings/(loss) per share		
Net profit/(loss) after tax attributable to the members of the Company	$ 49,040,926	$ (1,274,638)
Weighted average number of ordinary shares	406,764,998	278,826,429
Basic earnings/(loss) per share (cents)	12.06	(0.46)
Net profit /(loss) after tax attributable to the members of the Company	$ 49,040,926	$ (1,274,638)
Weighted average number of ordinary shares	406,764,998	278,826,429
Adjustments for calculation of diluted earnings per share		
Options	2,000,000	-
Performance shares	97,500,000	
Weighted average number of ordinary shares and potential ordinary shares	506,264,998	-
Diluted earnings/(loss) per share (cents)	9.69	(0.46)

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;
- 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.

25 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 2021 or 30 June 2020 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 2021 or 30 June 2020.

27 COMMITMENTS

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

	2021 (1) $	2020 (1) $
Within one year	359,804	35,041
Later than one year but no later than five years	112,637	124,599
Later than five years	164,196	175,382
	636,637	335,022

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

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	2021 Equity holding	2020 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

	2021 $	2020 $
Short-term employee benefits	744,440	446,635
Post-employment benefits	77,202	41,340
Share-based payments	14,646	516,133
	836,288	1,004,108

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 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 3 years and incur an interest rate ranging from 1% to 10% per annum (see Note 12). There were no outstanding loans to or from related parties at as 30 June 2020.

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 $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 $4,840 (ex GST).

30 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of the reporting period:

- on 16 July 2021, 2,000,000 fully paid ordinary shares were issued upon the exercise of 2,000,000 unlisted options exercisable at $0.08 per option.
- on 22 July 2021, Fenix announced that it had entered into iron ore swap arrangements for 50,000 tonnes per month of 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 per dry metric tonne (dmt), flat over the period.
- on 23 August 2021, Fenix announced the adoption of a dividend policy which provides that, to the extent that dividends can be fully franked, Fenix will distribute between 50% and 80% of after-tax earnings to shareholders in the form of dividends, either annually or semi-annually.

30 EVENTS SUBSEQUENT TO REPORTING DATE (continued)

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 RECONCILATION OF PROFIT/LOSS AFTER INCOME TAX TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Notes	2021 $	2020 $
Profit/(loss) for the period		49,040,926	(1,274,638)
Add/(less) non-cash items:			
Depreciation and amortisation	13	1,932,245	1,391
Performance rights expense – Directors and Employees	20b	14,646	220,219
Options expense – Director share options	20b	-	332,966
Inventory movement	7	(15,003,135)	-
Foreign exchange		148,261	-
Add/(less) items classified as invested/financing activities:			
Finance costs	5	96,728	-
Interest income		(104,118)	-
Share issue costs claimed as a deduction	8	267,142	-
Profit from joint venture	15	(919,687)	-
Changes in assets and liabilities during the financial year:			
Increase/(decrease) in receivables		(216,317)	99,398
(Decrease)/increase in payables		17,391,702	(46,520)
Increase/(decrease) in employee provision		103,992	7,180
Increase/(decrease) in taxation provision		12,547,879	-
Net cash inflow/(outflow) used in operating activities		65,300,264	(660,004)

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:

	2021 $	2020 $
Audit and assurance services		
Grant Thornton Audit Pty Ltd		
Audit and review of financial statements	87,466	37,899
Total remuneration	87,466	37,899

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 2021. 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.

	Company	
	2021 $	2020 $
Financial position		
Current assets	88,844,933	1,386,693
Total assets	**114,152,265**	**7,596,879**
Current liabilities	29,312,516	143,303
Total liabilities	**36,890,036**	**143,303**
Equity		
Contributed equity	49,831,949	27,755,148
Share-based payment reserves	1,297,484	2,606,558
Accumulated losses	26,132,796	(22,908,130)
Total equity	**77,262,229**	**7,453,576**
Financial performance		
Profit/(loss) for the year	49,040,926	(1,274,638)
Total comprehensive loss	**49,040,926**	**(1,274,638)**

(b) Guarantees entered into by the parent entity

The parent entity did not have any guarantees as at 30 June 2021 or 30 June 2020.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 or 30 June 2020.

(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 2021 or 30 June 2020.

34 STATEMENT OF SIGNIFICANT ACCOUNTING POLICES

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 2021 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 2021 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 2021 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.

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.

(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.

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 re-valued 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 re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation 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 fair value and subsequently measured at amortised cost, less provision for doubtful debts. Current receivables for GST are due for settlement within 30 days and other current receivables within 12 months.

(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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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.

Pre-production revenues are offset against capitalised pre-production costs.

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, 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;
- 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 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 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 2021 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:

Warwick Davies
Non-Executive Chairman

Perth
14 September 2021

Grant Thornton

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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 2021, 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 2021 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.

Grant Thornton

Key audit matter	How our audit addressed the key audit matter
Mine properties, property, plant and equipment – Notes 13 and 14	
During the year, the Group transitioned to the production phase at Iron Ridge. The transition involves a stepped process from exploration through development to production and each stage requires specific accounting treatments and considerations to be applied. These steps include estimation and judgement which increases the risk of accounting errors and material misstatement. The company is also required to assess whether an asset is impaired at the end of each accounting period. This area is a key audit matter due to the degree of management estimation and judgement required in assessing the treatment under accounting standards.	Our procedures included, amongst others: • Understanding initiation, capitalisation and amortisation processes for mine properties and property, plant and equipment asset categories; • Obtaining the management reconciliation of capitalised mine properties and agreeing to the general ledger; • Obtaining and assessing management's treatment of the transition from exploration through to the production stage; • Sampling and performing test of details on significant asset additions to ascertain accuracy of transactions recorded; • Performing depreciation reasonableness test to ascertain accuracy of expense recorded; • Checking the amortisation calculations against production data and reserve estimates; • Reviewing management's assessment of impairment in accordance to AASB 136 Impairment of Assets; and • Assessing the appropriateness of the related financial statement disclosures.
Inventories – Note 7	
During the year the Group commenced iron ore production and as at 30 June 2021 had iron ore stockpiles totalling $15,003,135. Critical to the determination of the carrying value of the ore stockpiles are the cost and net realisable value assumptions adopted by the Group. This includes the use of experts in assessing items such as volume, moisture and density. This area is a key audit matter due to the estimates and judgements utilised in determining the quantities and valuing the inventory.	Our procedures included, amongst others: • Understanding and documenting the inventory requisition and recognition process, including the iron ore inventory valuation model; • Confirming existence of iron ore inventory on hand at year end to an independent surveyor's report; • Assessing the competence, capabilities and objectivity of management's independent surveyor; • 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; • Testing whether inventory is recorded at the lower of cost and net realisable value; and • Assessing the appropriateness of the related financial statement disclosures.

Joint venture accounting – Note 15	
The company entered into the Joint Arrangement during the 2020 financial year but activity did not commence until the 2021 financial year following Fenix Resources' transition to the production stage. This arrangement requires assessment under AASB 11 Joint Arrangements. The standard requires judgements to be made around joint control as well as the nature of the Joint Arrangement. This area is a key audit matter due to the degree of management estimation and judgement required in assessing the treatment under accounting standards.	Our procedures included, amongst others: • Obtaining and reviewing management's accounting paper on the treatment of the Joint Arrangement; • Reviewing the contractual arrangement and other supporting information to form our own assessment of the Joint Arrangement; • Auditing the trial balance of the Joint Arrangement to ensure financial information is accurately reflected in the financial statements of Fenix Resources Limited; • Documenting systems and processes at the entity in order to understand the control environment; and • Assessing the appropriateness of the related financial statement disclosures.

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 2021, 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.

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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: https://www.auasb.gov.au/auditors_responsibilites/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 12 to 20 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Fenix Resources Limited, for the year ended 30 June 2021 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M Dewhurst

M D Dewhurst
Partner – Audit & Assurance

Perth, 14 September 2021

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 31 August 2021.

(a) Distribution of Shareholders

Category (size of holding)	Holders	Total Units	% Issued Share Capital
1 – 1,000	166	68,611	0.01%
1,001 – 5,000	1,228	3,723,048	0.79%
5,001 – 10,000	853	6,919,919	1.47%
10,001 – 100,000	2,379	90,619,661	19.19%
100,001 – and over	614	370,882,681	78.54%
Total	**5,240**	**472,213,920**	**100.00%**

(b) Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 331 as at 31 August 2021 (being 1,725 shares based on a share price of $0.29 at 31 August 2021).

(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 31 August 2021

Rank	Name	Ordinary Shares Held	% of Issued Capital
1	CITICORP NOMINEES PTY LIMITED	18,816,783	3.98%
2	KLOSTERS HOLDINGS PTY LTD <MILBON HOLDINGS A/C>	15,400,000	3.26%
3	ROB BRIERLEY	13,500,000	2.86%
4	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	9,253,279	1.96%
5	BNP PARIBAS NOMS PTY LTD <DRP>	8,184,240	1.73%
6	ALET INVESTMENTS PTY LTD	7,015,000	1.49%
7	TUBECHANGERS PTY LTD <KING FAMILY A/C>	6,000,000	1.27%
8	EXXTEN PTY LTD	5,100,000	1.08%
9	GARRY & DONELLA PLOWRIGHT <THE PLOWRIGHT FAMILY A/C>	5,029,587	1.07%
10	TITAN RECRUITMENT PTY LTD	5,020,365	1.06%
11	MR KENNETH JOSEPH HALL <HALL PARK A/C>	5,000,000	1.06%
12	ZERRIN INVESTMENTS PTY LTD	4,750,000	1.01%
13	MR ROBERT JAMES SHAW BRIERLEY <BRIERLEY FAMILY A/C>	4,500,000	0.95%
14	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,963,899	0.84%
15	PRE-OWNED ROAD TANKERS PTY LTD	3,542,000	0.75%
16	MR CARRICK DURRANT RYAN <CD & RV RYAN FAMILY NO2 A/C>	3,200,000	0.68%
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,101,976	0.66%
18	LS MAJESTIC HOLDINGS (VIC) PTY LTD	3,000,000	0.64%
19	MR TIMOTHY NORMAN WILHELM & MRS ANGELA STEPHANIE WILHELM <T & A WILHELM SUPER FUND A/C>	2,820,300	0.60%
20	UBS NOMINEES PTY LTD	2,800,000	0.59%
	Total of Top 20	**129,997,429**	**27.54%**
	Balance of register	**342,216,491**	**72.46%**
	Total	**472,213,920**	**100.00%**

(e) Substantial Shareholders

As at 31 August 2021, 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 31 August 2021

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

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

(g) Distribution of holders – Class B 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%**

(h) Distribution of holders – Class B 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%**

(i) Distribution of holders – Class B 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%**

(j) Securities Subject to Escrow

As at 31 August 2021 there are no securities currently subject to escrow.

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

As at 31 August 2021 the following classes of unquoted securities had holders with greater than 20% of that class on issue:

	% Interest
Class B Performance Shares	
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%
Class C Performance Shares	
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%
Class D Performance Shares	
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%

(l) On-market Buy-Back

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

(m) 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/