

27 February 2009

Australian Securities Exchange  
Company Announcements  
Level 4  
20 Bridge Street  
Sydney NSW 2000

## FELIX RESOURCES ANNOUNCES RECORD HALF YEAR PROFIT

Felix Resources Limited (Felix) is pleased to advise shareholders that it has posted a record profit before tax of \$224.6 million and a record profit after tax of \$166.1 million for the half year ended 31 December 2008, a 228% increase on the previous corresponding period (pcp).

The company's balance sheet is very strong with low debt of \$37 million and cash at the end of December 2008 of \$283 million now increased to approximately \$340 million as at February 2009.

With this result, the Board is pleased to announce the payment of a fully franked dividend of 23 cents per share payable on 31<sup>st</sup> March 2009 to shareholders registered as at 13 March 2009.

This dividend continues the 3 cents per share interim dividend paid in March 2008 plus a special dividend of 20 cents per share in recognition of the exceptional results for this half year. This 23 cent interim dividend follows the FY08 final dividend of 50 cents paid in October 2008.

Shipping of Moolarben coal is expected in early 2010. Adding production from this long life mine will significantly change the profile of the company with a target increase in sales of 10 million tonnes per annum at full production.

Felix advises that discussions regarding a change of control transaction are ongoing, however given the world financial environment it is unlikely that these discussions will be concluded in the near term. Felix will continue to explore these discussions however our focus will be on developing and managing our business as well as investigating other strategic opportunities to add value for shareholders. Felix will advise the market at the appropriate time if the discussions are likely to result in a change of control transaction.

### Key half year highlights

- Record profit before tax of \$224.6 million
- Record profit after tax of \$ 166.1 million
- Interim dividend of 23 cents per share fully franked
- Strong balance sheet
- Negative net debt
- Increase in resources and reserves at Yarrabee open cut and reserves at Ashton open cut
- Coal Preparation Plant construction at Yarrabee ahead of schedule. Now due to complete in May 2009
- Moolarben mine construction commenced and due to complete March 2010
- NCIG port construction 50% complete and due for first shipment in March 2010
- Drilling sites prepared in South Australia's Phillipson Basin
- Re-start production of Ultra Clean Coal from Cessnock pilot plant
- Impairment testing has shown the recoverable amount of operating assets is significantly higher than their carrying value

### Contact details for further information

Brian Flannery  
Managing Director

Craig Smith  
CFO/Company Secretary

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# Felix Resources Ltd

## Statement of Resources and Reserves

Site	Date		Measured Resources (Mt)	Indicated Resources (Mt)	Measured and Indicated Resources (Mt)		Total Resources (Mt)
	Assessed	Ownership			Inferred Resources (Mt)		
Yarrabee open cut	Dec-08	100%	54.6	5.3	59.9	57.3	117.2
Ashton open cut	Dec-08	60%	84.9	25.9	110.8	8.1	118.9
Ashton underground	Dec-08	60%	163.6	112.7	276.3	46.4	322.7
Harrybrandt open cut	Mar-08	100%	0.0	0.0	0.0	102.5	102.5
Minerva open cut	Jun-08	51%	17.4	36.1	53.5	25.0	78.5
Athena underground	Oct-04	51%	0.0	0.0	0.0	560.0	560.0
Moolarben open cut	May-08	80%	257.4	96.5	353.9	52.7	406.6
Moolarben underground	May-08	80%	88.8	114.6	203.4	96.4	299.8
Total			<u>666.7</u>	<u>391.1</u>	<u>1,057.8</u>	<u>948.4</u>	<u>2,006.2</u>
Attributable to Felix equity of each project			<u>489.5</u>	<u>275.8</u>	<u>765.3</u>	<u>610.1</u>	<u>1,375.4</u>

Note: No JORC Resources are available for South Australia EL 3386 or EPCA 1177 - Wilpeena

Site	Date		Proved Reserves (Mt)	Probable Reserves (Mt)	Total Reserves (Mt)
	Assessed	Ownership			
Yarrabee open cut	Dec-08	100%	26.1	1.4	27.5
Ashton open cut	Dec-08	60%	29.2	19.9	49.1
Ashton underground	Dec-08	60%	23.5	23.9	47.4
Moolarben open cut	Jun-08	80%	40.4	237.3	277.7
Moolarben underground	Jun-08	80%	44.1	35.0	79.1
Minerva open cut	Jun-08	51%	13.6	15.2	28.8
Total Reserves			<u>176.9</u>	<u>332.7</u>	<u>509.6</u>
Attributable to Felix			<u>132.3</u>	<u>253.3</u>	<u>385.5</u>

## **Competent Persons Statement**

**(The reserves and resources quoted in this presentation are supported by the following competent persons statements)**

### **Yarrabee and Ashton reserves and resources**

The statement of coal reserves and resources for Yarrabee and Ashton as presented in this report have been extracted from a report prepared by Jonathan Barber.

Mr Barber, a mining engineer with 33 years mining experience, a full time employee of Gemcom Software International and a member of Aus. IMM, has prepared the resource and reserve estimates in this report. Mr Barber has 28 years experience which is relevant to the style of mineralisation and type of deposit under consideration. This experience includes more than five years experience in the estimation, assessment, evaluation and economic extraction of coal resources and reserves. Mr Barber has sufficient experience to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Barber consents to the inclusion in this report of matters based on his information in the form and context in which it appears.

### **Moolarben underground and open-cut resources**

The statement of Moolarben underground and open-cut resources as presented in this report has been extracted from reports prepared by Michael Johnstone.

Mr Johnstone is employed by Minerva Geological Services and is a member of the AusIMM. Mr Johnstone has sufficient experience which is relevant to the style of coal occurrence and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Mineral Resources and Ore Reserves".

Mr Johnstone consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

### **Moolarben open-cut reserves**

The statement of Moolarben open-cut reserves as presented in this report is based on information compiled by David Lennard.

Mr Lennard is employed by SMG Consultants Pty Ltd and has more than 20 years experience which is relevant to the style of mineralisation and type of deposit under consideration. This experience includes more than five years in the estimation, assessment, evaluation and economic extraction of Coal Reserves. Mr Lennard has sufficient experience to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Lennard consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

### **Moolarben underground reserves**

The statement of Moolarben underground reserves is based on information compiled by Philip Graham Fletcher.

Mr Fletcher is employed by SMG Consultants Pty Ltd and is a Member of the Australasian Institute of Mining and Metallurgy. He has more than 15 years experience which is relevant to the style of mineralisation and type of deposit under consideration. This experience includes more than 5 years experience in the estimation, assessment, evaluation and economic extraction of Coal Reserves. Mr Fletcher has sufficient experience which is 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 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Fletcher consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

### **Athena underground resources and Minerva open-cut resources**

The statement of Athena underground resources and Minerva open-cut resources in this report has been compiled by Phillip Sides, a qualified senior geologist employed by JB Mining Services Pty Ltd, with over 18 years experience in exploration and evaluation of coal resources. The Minerva open-cut resources are based on modelling prepared in April 2006 adjusted for tonnes mined to 30 June 2008.

Mr Sides is a Member of the Australian Institute of Geoscientists and as such qualifies as a Competent Person as defined by the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

Mr Sides consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

### **Minerva open-cut reserves**

The statement of coal reserves for Minerva as presented in this report has been extracted from reports prepared by Jim Mahood adjusted for tonnes mined up to 30 June 2008.

Mr Mahood is a Competent Person for the purposes of quoting reserves in accordance with the 2004 Edition of the "Australasian Code for Reporting of Exploration Resources, Mineral Resources and Ore". He holds a Bachelor of Mining Engineering (University of Queensland) and is a Member of the AusIMM. He has 21 years experience in the estimation of coal reserves and mine planning.

Mr Mahood consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

### **Harrybrandt open-cut resources**

The statement of Harrybrandt open-cut resources as presented in this report has been extracted from a report prepared by Greg Jones, a qualified geologist employed by JB Mining Pty Ltd.

Mr Jones has over 20 years experience in coal geology and over 15 years experience in resource evaluation. As a member of the Australian Institute of Geoscientists he qualifies as a Competent Person as defined by the 2004 Edition of the "Australasian Code for Reporting of Exploration Resources, Mineral Resources and Ore Reserves".

Mr Jones consents to the inclusion in the report of matters based on his information in the form and context in which it appears.

# Felix Resources Limited

ABN: 75 000 754 174

## Half-year report - 31 December 2008

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**Appendix 4D**

1. This statement presents results for Felix Resources Limited for the half-year ended 31 December 2008 and, where applicable, comparative results for the previous half-year.

**2. Results for announcement to the market**

	Change (\$m)	Change (%)	Half-year ended 31 December 2008 (\$m)	Half-year ended 31 December 2007 (\$m)
Revenue from ordinary activities	Up 236.2	146.3 %	<b>397.6</b>	161.4
Profit before income tax	Up 155.8	226.4 %	<b>224.6</b>	68.8
Net profit after income tax - ordinary activities	Up 115.5	228.3 %	<b>166.1</b>	50.6
Net profit after income tax attributable to members	Up 115.5	228.7 %	<b>166.0</b>	50.5

**3. Dividends**

	Amount per security	Franked amount per security
<b>Half-year ended 31 December 2008</b>		
A partially franked dividend (30%) was paid in relation to the year ended 30 June 2008 on 31 October 2008	\$ 0.50	\$ 0.0642
A fully franked special dividend of 20 cents per share has been declared for the half-year ended 31 December 2008	\$ 0.20	\$ 0.0857
A fully franked interim dividend of 3 cents per share has been declared for the half-year ended 31 December 2008	\$ 0.03	\$ 0.0128
Record date for determining the dividend entitlement		13 March 2009
Date dividend is payable		31 March 2009

The special dividend and interim dividend have been declared but not provided for.

There is no dividend reinvestment plan in operation.

**4. Net Tangible Assets per security**

	31 December 2008	30 June 2008
Net tangible assets per security	\$ <b>2.24</b>	\$ 1.71

5. Felix Resources has not derived any foreign source income nor received any distributions of Conduit Foreign Income. This dividend does not include any Conduit Foreign Income for the purposes of Subdivision 802-A of the Income Tax Assessment Act 1997.

6. There are no entities over which control has been gained during the period.

7. All other information can be obtained from the attached Directors' report, financial statements, accompanying notes and discussion of results. This statement is based on a financial report which has been subject to review.

## Directors' report

The Directors present their report together with the financial report of Felix Resources Limited (Felix) and of its controlled entities (the Group) for the half-year ended 31 December 2008.

### Directors

The following persons were Directors of Felix since the start of the half-year and up to the date of this report unless otherwise stated:

#### Travers William Duncan

Non-executive Chairman

Mr Duncan was appointed as a non-executive Director on 15 April 2005 and then as Chairman on 2 April 2007.

Mr Duncan is Chairman of the Remuneration Committee and the Nomination Committee, and is a member of the Audit and Risk Management Committee.

#### Brian Flannery

Managing Director

Mr Flannery joined the Board on 15 April 2005 and was appointed as Managing Director on 21 March 2006.

#### Vincent O'Rourke <sup>AM</sup>

Non-executive Director

Mr O'Rourke was appointed as a non-executive Director on 2 August 2007.

Mr O'Rourke accepted the role as Chairman of the Audit and Risk Management Committee on 2 August 2007 and was appointed to the Nomination Committee on 27 August 2007.

#### John Kinghorn

Non-executive Director

Mr Kinghorn has been a non-executive Director since his appointment on 1 September 2005.

Mr Kinghorn is a member of the Nomination Committee, the Remuneration Committee and the Audit and Risk Management Committee.

#### Hans Mende

Non-executive Director

Mr Mende was appointed as a non-executive Director on 29 October 2007.

## Review of entities operations and results

### Financial Performance

Felix made a profit before tax of \$224.6 million for the half-year ended 31 December 2008, up 226.4% on the previous corresponding period (pcp). Revenue of \$397.6 million was up 146.3% over the pcp of \$161.4 million revenue.

Profit after tax (NPAT) at \$166.1 million was up 228.3% over the pcp. This NPAT of \$166.1 million is within the previous guidance of \$160 to \$170 million given the market on 29 January 2009.

Equity attributable sales tonnage for the period was 2.2mt, compared with the pcp of 2.3mt.

#### **Review of entities operations and results Cont.**

This profit result was within the range of expectations and reflected a higher revenue per tonne for the period than the pcp. Whilst there is expected to be downward pressure on coal prices in the next year the lower US\$ exchange rate should assist in maintaining an acceptable A\$ revenue stream, although the contract coal prices beyond April 2009 are still to be agreed with our customers.

Unit costs across the group have remained reasonably stable over the past period however the Company continues to seek opportunities to improve operating efficiencies and thereby ensure costs are kept at minimal levels.

The Company closed out all of its coal swap contracts during the period to realise a before tax gain of \$60.4 million. Under its hedge accounting policy the whole of this gain has been deferred in the hedging reserve to be matched with the underlying hedged sales transactions over the 2009 calendar year. The profit after tax for the 6 months to 31 December 2008 does not include any of this realised gain.

The income tax expense for the period of \$58.5 million (2007: \$18.3 million) gives an effective tax rate of 26.0% (2007: 26.5%) and reflects the additional tax benefit associated with the Company's research and development activities.

The balance sheet remains robust with gearing at 5.4% (June 2008: 14.3%). Felix has conducted a detailed impairment testing exercise to ensure the carrying value of its operating assets is not overstated. Using conservative inputs to the financial model for selling prices, exchange rate and other variables the testing showed the recoverable amount of these assets is significantly in excess of their carrying value.

As at 31 December 2008 the group had forward foreign exchange contracts amounting to US\$147.6 million (2007: US\$151.9 million) at an average exchange rate of US\$0.85 (2007: US\$0.82). This had reduced to US\$49.9 million at 26 February 2009 at an average rate of US\$0.94. These contracts will be used to convert the US\$ revenue for contracted sales to the end of April 2009.

The group continues to be in a strong cash position. Cash generated from operations was \$250.8 million compared to \$1.9 million in the pcp. This is after the payment of income taxes of \$17.3 million. All available recognised tax losses have now been fully utilised. Payments for property, plant and equipment of \$34.2 million reflect the Company's commitment to the development of the Moolarben mine and the construction of the new coal preparation plant at Yarrabee. The higher profitability and cash generation for the period has allowed the Company to pay down \$57.3 million in debt during the half, pay a significant dividend of \$98.2 million (2007: \$11.8 million) and retain \$283.4 million in cash reserves as at 31 December 2008 to assist in funding future growth.

#### **Operations**

The Company's three operating mines have performed well during the half-year with saleable coal production and sales slightly down on the pcp. Coal stocks at the end of December 2008 were up by 100,000 tonnes pcp.

The Ashton open-cut and underground and Minerva open-cut performed well during the half-year but production at Yarrabee was down 10% on the pcp largely due to wet weather in December.

Coal sales for the half year were affected towards the November/December period by customers in the steel industry unable to take the full contracted amount. Some tonnes were placed in the spot thermal market.

Shipment nominations in the January - March 2009 quarter remain robust but again some customers in the steel industry have not taken the full contracted volume. This is particularly so for pci coal from Yarrabee.

Rail haulage at all mines is within contracted performance. The port at Gladstone is delivering quick turnaround of vessels and is virtually demurrage free.

Newcastle Port which services Ashton is still incurring demurrage, although demurrage has reduced since December 2008, due to both good performance of the coal chain and a significantly lower shipping queue.

#### **Development Projects**

Construction work on Moolarben commenced late in the half with work on the site access roads and site office.

Recruitment of senior mine personnel has commenced and the construction team is established onsite.

The mobile mining fleet has been ordered for progressive delivery from July to December 2009 and ordering of the equipment for the coal preparation and handling plant has commenced.

Site works will accelerate from March 2009 with first coal railed from March 2010.

The new NCIG coal terminal at Newcastle is approximately 50% complete and is scheduled to load the first shipment in March 2010.

**Review of entities operations and results Cont.  
Exploration**

Updated JORC resource and reserves figures have been completed.

Yarrabee open-cut resources and reserves have been increased as have Ashton open-cut reserves during the half and extensive drilling is continuing at Yarrabee in order to convert more resources to reserves.

Drilling at Wilpeena and Harrybrandt in the mid-north and north Bowen Basin has been restricted since December by wet weather hampering access for drilling equipment.

Drilling should commence in March at the Phillipson Basin area in South Australia.

**Ultra Clean Coal**

Production of Ultra Clean Coal is underway at the pilot plant near Cessnock in New South Wales. This product is being prepared for testing as a diesel replacement in a stationary engine.

**Marketing**

Demand for thermal coal remains strong with the demand supply position from Australia reasonably balanced. Demand for semi-soft coking coal is also good but pci coal demand has reduced.

The demand for steel in most countries except China has decreased in the short-term. It is expected that this will change as governments implement more infrastructure construction programmes to stimulate the world economy. This will take time. It is expected that demand for some types of coal for steel making will be affected in the short-term. Felix management will closely monitor this situation to place its production in the most suitable markets.

Coal prices for calendar 2009 will be lower than 2008 but somewhat offset by a lower A\$/US\$ exchange rate.

**Dividends - Felix Resources Limited**

A partially franked (30%) dividend of 50 cents per share was paid on 31 October 2008.

The Directors have declared a fully franked special dividend of 20.0 cents per share (2007: Nil cents). The dividend represents a total distribution of \$39.3 million (2007: \$Nil).

The Directors have declared a fully franked interim dividend of 3.0 cents per share (2007: 3.0 cents). The dividend represents a total distribution of \$5.9 million (2007: \$5.9 million).

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

**Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made in accordance with a resolution of directors.



**Brian Flannery**

Managing Director

Brisbane, 27 February 2009





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## **DECLARATION OF INDEPENDENCE BY CHRISTOPHER SKELTON TO THE DIRECTORS OF FELIX RESOURCES LIMITED**

As lead auditor of Felix Resources Limited for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Felix Resources Limited and the entities it controlled during the period.

**BDO Kendalls (QLD)**

**C J Skelton**  
Partner

Brisbane  
27 February 2009

**Felix Resources Limited**  
**Half-year financial report**  
**Income statement**  
**For the half-year ended 31 December 2008**

	Notes	<b>Consolidated</b>	
		<b>Half-year ended</b>	<b>Half-year ended</b>
		<b>31 December</b>	<b>31 December</b>
		<b>2008</b>	<b>2007</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	3	<b>397,593</b>	161,431
Other income	4	<b>19,373</b>	50,385
Changes in coal inventory		<b>17,178</b>	13,030
Raw materials and consumables used		<b>(42,186)</b>	(31,281)
Employee benefits expense		<b>(33,423)</b>	(21,397)
Depreciation and amortisation expense		<b>(15,076)</b>	(14,838)
Transportation expense		<b>(30,366)</b>	(29,880)
External services expense		<b>(53,801)</b>	(41,902)
Government royalties paid and payable		<b>(30,932)</b>	(8,844)
Changes in overburden in advance		<b>3,642</b>	1,417
All other operating expenses		<b>(4,684)</b>	(4,951)
Finance costs		<b>(2,758)</b>	(4,355)
Share of net profits/(losses) of associates accounted for using the equity method		<b>4</b>	(4)
<b>Profit before income tax</b>		<b><u>224,564</u></b>	<u>68,811</u>
Income tax expense		<b><u>(58,480)</u></b>	<u>(18,254)</u>
<b>Profit after income tax from continuing operations</b>		<b><u>166,084</u></b>	<u>50,557</u>
Profit is attributable to:			
Equity holders of Felix Resources Limited		<b>165,975</b>	50,451
Minority interest		<b>109</b>	106
		<b><u>166,084</u></b>	<u>50,557</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share		<b>84.54</b>	25.71
Diluted earnings per share		<b>84.41</b>	25.68
Dividends paid per share		<b>50.00</b>	6.00

This financial statement should be read in conjunction with the accompanying notes.

**Felix Resources Limited**  
**Half-year financial report**  
**Balance sheet**  
**As at 31 December 2008**

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2008</b>	<b>2008</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	283,415	237,093
Trade and other receivables	93,080	72,779
Inventories	49,285	31,812
Derivative financial instruments	-	3,546
Other current assets	50,521	47,614
Total current assets	476,301	392,844
<b>Non-current assets</b>		
Trade and other receivables	16,008	10,435
Investments accounted for using the equity method	190	187
Derivative financial instruments	-	70
Property, plant and equipment	226,234	197,864
Deferred tax assets	34,992	35,526
Intangible assets	191,789	194,519
Exploration and evaluation assets	22,344	17,908
Total non-current assets	491,557	456,509
<b>Total assets</b>	<b>967,858</b>	<b>849,353</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	61,237	55,759
Interest bearing liabilities	11,651	20,856
Derivative financial instruments	41,266	16,416
Current tax liabilities	72,685	19,134
Provisions	608	608
Total current liabilities	187,447	112,773
<b>Non-current liabilities</b>		
Trade & other payables	4,231	4,372
Interest bearing liabilities	25,597	70,367
Deferred tax liabilities	88,881	85,383
Provisions	7,313	7,163
Derivative financial instruments	-	21,804
Total non-current liabilities	126,022	189,089
<b>Total liabilities</b>	<b>313,469</b>	<b>301,862</b>
<b>Net assets</b>	<b>654,389</b>	<b>547,491</b>
<b>EQUITY</b>		
Contributed equity	7	444,833
Reserves	8(a)	19,698
Accumulated profits	8(c)	186,222
Capital and reserves attributable to equity holders of Felix Resources Limited		543,963
Parent entity interest		650,753
Minority interest		3,528
<b>Total equity</b>		<b>654,389</b>

This financial statement should be read in conjunction with the accompanying notes.

**Felix Resources Limited**  
**Half-year financial report**  
**Statement of changes in equity**  
**For the half-year ended 31 December 2008**

	<b>Consolidated</b>	
	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total equity at the beginning of the period</b>	<u><b>547,491</b></u>	<u>402,199</u>
Cash flow hedges:		
(Losses)/gains taken to equity	<b>(9,914)</b>	11,776
Transferred to profit	<b>64,433</b>	(967)
Deferred and current tax	<u><b>(16,355)</b></u>	<u>(3,243)</u>
<b>Net income and transfers recognised directly in equity</b>	<b>38,164</b>	7,566
Profit for the period	<u><b>166,084</b></u>	<u>50,557</u>
<b>Total recognised income and expense for the year</b>	<u><b>204,248</b></u>	<u>58,123</u>
Non-cash share-based payment expense	<b>813</b>	65
Transactions with equity holders in their capacity as equity holders:		
Options exercised	-	156
Dividends paid	<u><b>(98,163)</b></u>	<u>(11,772)</u>
	<u><b>(97,350)</b></u>	<u>(11,551)</u>
<b>Total equity at the end of the half-year</b>	<u><b>654,389</b></u>	<u>448,771</u>
Total recognised income and expense for the period is attributable to:		
Equity holders of Felix Resources Limited	<b>204,139</b>	58,017
Minority interest	<u><b>109</b></u>	<u>106</u>
	<u><b>204,248</b></u>	<u>58,123</u>

This financial statement should be read in conjunction with the accompanying notes.

**Felix Resources Limited**  
**Half-year financial report**  
**Cash flow statement**  
**For the half-year ended 31 December 2008**

	<b>Consolidated</b>	
	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	466,357	151,154
Payments to suppliers and employees	(200,615)	(153,008)
Cash (paid)/received on FX contracts	(63,692)	6,854
Cash received on coal swap contracts	<u>60,440</u>	<u>-</u>
	<b>262,490</b>	<b>5,000</b>
Interest received	8,164	1,166
Interest paid	(2,648)	(4,253)
Income taxes paid	<u>(17,253)</u>	<u>-</u>
<b>Net cash inflow from operating activities</b>	<b><u>250,753</u></b>	<b><u>1,913</u></b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(34,241)	(8,173)
Payments for intangibles	(327)	(70)
Proceeds from sale of property, plant and equipment	159	217
Proceeds from sale of 10% of Moolarben Joint Venture	-	20,000
Payment for exploration and evaluation activities	(4,591)	(2,580)
Advances to other entities	(2,541)	(7,039)
Advances to associated entities	(3,032)	(525)
Advances to directors	(1,779)	-
Repayment of advances to a former director	<u>1,705</u>	<u>-</u>
<b>Net cash (outflow)/inflow from investing activities</b>	<b><u>(44,647)</u></b>	<b><u>1,830</u></b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	-	156
Payment of finance lease liabilities	(4,371)	(3,172)
(Repayment)/proceeds of borrowings	(57,250)	4,250
Dividends paid to company's shareholders	<u>(98,163)</u>	<u>(11,772)</u>
<b>Net cash outflow from financing activities</b>	<b><u>(159,784)</u></b>	<b><u>(10,538)</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>46,322</b>	<b>(6,795)</b>
Cash and cash equivalents at the beginning of the period	<u>237,093</u>	<u>17,460</u>
<b>Cash and cash equivalents at end of the half-year</b>	<b><u>283,415</u></b>	<b><u>10,665</u></b>

This financial statement should be read in conjunction with the accompanying notes.

## **1 Summary of significant accounting policies**

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report, and therefore cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Felix Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments and available-for-sale financial assets which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2008 annual financial report for the financial year ended 30 June 2008, unless otherwise stated.

## 2 Segment information

For the period ended 31 December 2008 the consolidated entity operated predominately in one business and geographic segment. The consolidated entity operated predominantly in Australia. The industry in which the consolidated entity operated was the exploration and extraction of coal resources.

## 3 Revenue

	<b>Consolidated</b>	
	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<b>Sales revenue</b>		
Sale of goods	447,863	152,110
(Loss)/gain on forward foreign exchange contracts	<u>(64,433)</u>	<u>6,617</u>
<b>Total sales revenue</b>	<b><u>383,430</u></b>	<b><u>158,727</u></b>
<b>Other revenue</b>		
Management fees	3,680	1,040
Marketing fees	568	406
Rents and sub-lease rentals	85	92
Interest received - other parties	<u>9,830</u>	<u>1,166</u>
<b>Total other revenue</b>	<b><u>14,163</u></b>	<b><u>2,704</u></b>
<b>Total revenue</b>	<b><u>397,593</u></b>	<b><u>161,431</u></b>

## 4 Other income

	<b>Consolidated</b>	
	<b>Half-year ended</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Foreign exchange gains (net)	18,512	-
Government grants	582	-
Net gain on disposal of 10% interest in Moolarben Joint Venture	-	49,906
Other income	<u>279</u>	<u>479</u>
	<b><u>19,373</u></b>	<b><u>50,385</u></b>

## 5 Significant profits and expenses

	<b>Consolidated Half-year ended</b>	
	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
<b>Profits</b>		
Foreign exchange gains (net)	18,512	-
Net gain on disposal of 10% interest in Moolarben Joint Venture	<u>-</u>	<u>49,906</u>
<b>Expenses</b>		
Demurrage	2,276	4,509
Government royalties	<u>30,932</u>	<u>8,844</u>

## 6 Operating profit

	<b>Consolidated Half-year ended</b>	
	<b>31 December 2008 \$'000</b>	<b>31 December 2007 \$'000</b>
<b>Reconciliation of profit before income tax to operating profit</b>		
Profit before income tax	224,564	68,811
Net gain on disposal of 10% of Moolarben Joint Venture	<u>-</u>	<u>(49,906)</u>
<b>Operating profit</b>	<u>224,564</u>	<u>18,905</u>

## 7 Contributed equity

	<b>Consolidated</b>		<b>Consolidated</b>	
	<b>31 December 2008 Shares</b>	<b>30 June 2008 Shares</b>	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>(a) Share capital</b>				
Ordinary shares				
Fully paid	<u>196,325,038</u>	<u>196,325,038</u>	<u>444,833</u>	<u>444,833</u>
<b>Total contributed equity</b>			<u>444,833</u>	<u>444,833</u>

### (b) Movements in ordinary share capital:

Date	Details	Number of shares	\$'000
1 July 2007	Opening balance	196,155,038	444,378
	Options exercised	170,000	156
	Transfer from options reserve	<u>-</u>	<u>299</u>
30 June 2008	Closing balance	<u>196,325,038</u>	<u>444,833</u>
1 July 2008	Opening balance	<u>196,325,038</u>	<u>444,833</u>
31 December 2008	Closing balance	<u>196,325,038</u>	<u>444,833</u>



## 7 Contributed equity Cont.

### (c) Options over fully paid ordinary shares

	Half-year ended 31 December 2008 No. of options	Year ended 30 June 2008 No. of options
Opening balance	-	120,000
Vesting during the period	65,000	50,000
Exercised during the period	-	(170,000)
Closing balance	<u>65,000</u>	<u>-</u>

## 8 Reserves and accumulated profits

### (a) Composition of reserves

	Consolidated 31 December 2008 \$'000	30 June 2008 \$'000
Capital profits reserve	4,285	4,285
Hedging reserve	13,941	(24,224)
Option reserve	1,048	235
Foreign currency translation reserve	424	424
	<u>19,698</u>	<u>(19,280)</u>

	Consolidated Half-year ended 31 December 2008 \$'000	Year ended 30 June 2008 \$'000
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### (b) Movements in reserves

<i>Hedging reserve</i>		
Opening balance	(24,224)	1,573
Losses recognised	(9,914)	(12,370)
Transferred to profit	64,433	(24,482)
Current tax	(18,354)	290
Deferred tax	2,000	10,765
Closing balance	<u>13,941</u>	<u>(24,224)</u>
<i>Options reserve</i>		
Opening balance	235	399
Non-cash share-based payments expense	813	135
Options exercised, transfer to share capital	-	(299)
Closing balance	<u>1,048</u>	<u>235</u>

## 8 Reserves and accumulated profits Cont.

### (c) Accumulated profits

	<b>Consolidated</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2008</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	118,410	(52,189)
Profit attributable to members of Felix Resources Limited	165,975	188,261
Dividends paid	<u>(98,163)</u>	<u>(17,662)</u>
Closing balance	<u>186,222</u>	<u>118,410</u>

## 9 Dividends

	<b>Half-year ended</b>	
	<b>Consolidated</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>

### (a) Dividends paid during the half-year on ordinary shares

Partially franked (30%) final dividend of 50.00 cents per share (2007: Unfranked, 6.00 cents per share)

	<u>98,163</u>	<u>11,772</u>
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### (b) Dividends declared on ordinary shares and not recognised as a liability

Franked (100%) special dividend of 3.00 cents per share (2007: Unfranked, 3.00 cents per share)

	5,890	5,890
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Franked (100%) interim dividend of 20.00 cents per share (2007: Nil cents per share)

	<u>39,289</u>	<u>-</u>
	<u>45,179</u>	<u>5,890</u>

The tax rate at which dividends are franked is 30%

## 10 Contingencies

Since the last annual reporting date, there have been no significant changes to the contingent liabilities and contingent assets.

## 11 Commitments

### Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is payable as follows:

	<b>Consolidated</b>	
	<b>31 December 2008 \$'000</b>	<b>30 June 2008 \$'000</b>
<b>Plant and equipment</b>		
Not later than one year		
Share of joint ventures	123,991	6,850
Other	<u>7,993</u>	<u>4,989</u>
	<u><b>131,984</b></u>	<u><b>11,839</b></u>
 <b>Freehold land and buildings</b>		
Not later than one year		
Share of joint ventures	<u>6</u>	<u>56</u>
 <b>Exploration expenditure</b>		
Not later than one year		
Share of joint ventures	<u>697</u>	<u>1,034</u>
 <b>Total capital expenditure commitments</b>	<u><b>132,687</b></u>	<u><b>12,929</b></u>

## 12 Related party transactions

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

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2008 annual financial report. All arrangements are consistent with those in place at 30 June 2008, with the exception of the following items.

	<b>Consolidated Half-year ended</b>	
	<b>31 December 2008 \$</b>	<b>31 December 2007 \$</b>
<b>a) Profit after tax includes the following items of expense that resulted from transactions with directors of the company and other key management personnel, including their related parties.</b>		
Payments to Mr. B. Flannery for land access licence fees by Minerva Coal Pty Ltd	<u>100,000</u>	<u>-</u>
Total recognised as expenses	<u><b>100,000</b></u>	<u><b>-</b></u>

## 12 Related party transactions Cont.

Half-year ended	
31 December 2008	30 June 2008
\$	\$

- b) The balance of assets and liabilities include the following items that resulted in transactions with directors of the company and other key management personnel, including their related parties.

### *Non-current property plant & equipment*

Fair value of plant & equipment acquired from Coalroc Contractors Pty Ltd by Ashton Coal Operations Pty Ltd, as operator of the Ashton Coal Joint Venture

	<b>810,000</b>	-
Total recognised as assets	<b>810,000</b>	-

### c) Loans to Directors

Half-year ended	
31 December 2008	31 December 2007
\$	\$

Loan to Mr. B. Flannery for the acquisition of a Grazing Homestead Perpetual Lease in respect of property situated at Minerva. Mr. B. Flannery and Minerva Coal Pty Ltd have entered into a Deed of Licence under which Minerva is using part of the property as an access to its mining lease situated upon the property. The loan is a secured interest bearing loan, interest is compounded daily and payable twice yearly at the rate of 10.45% per annum.

Balance at the start of the year	-	-
Loans advanced	1,821,277	-
Loan repayments received	(42,093)	-
Interest payable for the period	67,907	-
Interest paid	(67,907)	-
Balance at the end of the year	<b>1,779,184</b>	-

## 13 Events occurring after the balance sheet date

### a) Moolarben capital commitments

Since 31 December 2008, the consolidated entity has entered into a share of agreements amounting to \$8,732,000 for the design of the coal preparation plant and purchase of power substation capital equipment for the Moolarben Joint Venture.

### b) Related party transactions with directors

Subsequent to balance date, associate company Ashton Coal Mines Limited has entered into agreements for the sale of coal to a related party of a director of Felix Resources Limited, Mr. H. Mende. Agreements have been entered into for the sale of 162,442 metric tonnes of thermal coal to Energy Coal Marketing Pty Limited. Mr. H. Mende is a major shareholder of Energy Coal Marketing Pty Limited. This transaction is on commercial terms and conditions no more favourable than those available to other parties under similar circumstances.

The directors of the Company declare that:

- (a) The financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, and:
  - (i) Comply with Accounting Standard AASB 134: Interim Financial Reporting, and the *Corporations Regulations 2001*; and
  - (ii) Give a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of the performance for the half-year ended on that date; and
- (b) In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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:



**Brian Flannery**  
Managing Director

Brisbane 27 February 2009

## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FELIX RESOURCES LIMITED FOR THE HALF YEAR ENDED 31 DECEMBER 2008**

### **Scope**

We have reviewed the accompanying half-year financial report of Felix Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, notes to the half-year financial statements and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF FELIX RESOURCES LIMITED  
FOR THE HALF YEAR ENDED 31 DECEMBER 2008 (continued)**

As the auditor of Felix Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's review report was made.

**Conclusion**

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO Kendalls (QLD)**

BDO Kendalls



**C J Skelton**

Partner

Brisbane

27 February 2009