

# FELIX RESOURCES

19 January 2004

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

## **FELIX RESOURCES LIMITED QUARTERLY REPORT** **for the Quarter ended 31 December 2003**

The Directors are pleased to submit the following Report on the operating performance of Felix Resources Limited for the December 2003 Quarter.

### **SIGNIFICANT EVENTS**

- Yarrabee Coal Company acquisition finalised
- Head office relocation from Sydney to Brisbane
- Yarrabee half-yearly sales at record levels
- Three-year coal sales contract entered into, commencing April 2004
- PricewaterhouseCoopers Securities Limited (PwCS) litigation settled

### **Contact details for further information**

Mr Jon Parker  
Managing Director

Mr Mark McCauley  
CFO & Company Secretary

Electronic copies of this Report are available on website: [www.felixresources.com.au](http://www.felixresources.com.au)  
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## YARRABEE COAL COMPANY

## Operating Performance

|                                   | December Quarter |                | Financial Year-to-Date |                |
|-----------------------------------|------------------|----------------|------------------------|----------------|
|                                   | 2004<br>('000)   | 2003<br>('000) | 2004<br>('000)         | 2003<br>('000) |
| Overburden Removal (bcm*)         | 3,254            | 2,600          | 6,540                  | 5,592          |
| Raw Coal Mined (tonnes)           | 367              | 354            | 690                    | 723            |
| Coal Sold (tonnes)                | 459              | 218            | 633                    | 519            |
| Coal Stocks at month-end (tonnes) | 229              | 286            | 229                    | 286            |

\*Bank cubic metres

Table 1

For the half-year compared to the same period last financial year: primary mining activity (Overburden Removal) increased 17% from 5,592,000 to 6,540,000 bcm; coal production decreased 4.6% from 723,000 to 690,000 tonnes; and coal sales (including domestic sales but excluding purchased coal) increased 22% from 519,000 to 633,000 tonnes - a record for the Yarrabee operation (Table 1).

Above-average coal stocks at 31 December (229,000 tonnes) favourably positioned the operation for the Christmas shutdown and wet season.

At Yarrabee North, Overburden Removal commenced in November, and coal production is scheduled to begin during the first half of 2004.

## Exploration

YTD capitalised exploration expenditure on Yarrabee exploration tenements was \$446,165.

At Yarrabee North (EPC 621), evaluation of data from drilling carried out in the first Quarter on two of the three deposits, representing approximately 65-70% of the total resources at Yarrabee North, upgraded the resource estimates to a depth of 60m from Indicated to measured status. The 1,369,000 tonnes reduction is within the reliability range for indicated resources in the Yarrabee Coalfield (Table 2). Yarrabee North contains approximately 30% of Yarrabee's total coal resources to 60m.

| Date            | Measured Resources<br>(Mt) | Indicated Resources<br>(Mt) | Total Resources<br>(Mt) |
|-----------------|----------------------------|-----------------------------|-------------------------|
| 13 January 2004 | 4,594,000                  | 3,947,000                   | 8,541,000               |
| 31 March 2003   | 0                          | 9,910,000                   | 9,910,000               |

Table 2

The resources in Table 1 are reported in accordance with the 1999 Australasian Code for Reporting Identified Mineral Resources and Ore Reserves (*JORC Code*) and the 2003 Edition of Australian Guidelines for Estimating and Reporting of Inventory Coal, Coal Resources and Coal Reserves. They have been calculated on an air-dried basis and are part of an inventory of shallow coal resources available to the company for its future opencut operations.

The Competent Persons responsible for the estimation of the coal resources in Table 1 are Peter Goscombe, who is a Fellow of the Australasian Institute of Mining & Metallurgy, and Phillip Sides, who is a Member of the Australian Institute of Geoscientists. Each has the relevant experience to qualify as a Competent Person, as defined by the *JORC Code*. Peter Goscombe is Principal of Peter Goscombe & Associates (ABN 58 409 718 319), while Phillip Sides is a full time employee of JB Mining Services Pty Ltd (ABN 99 050 708 596). Both consent to the inclusion of the coal resources in this Report in the form and context in which they appear.

At Yarrabee East (EPC 717), preliminary evaluation of a 66 hole reconnaissance drilling programme carried out in the first quarter has extended the strike length of a potentially minable deposit of coal in the central part of the permit by 1800m to 3300m. The geology of the deposit differs from others in the Yarrabee Coalfield and suggests that EPC 717, and the adjoining MDL 160, contain significant resources of coal that may be amenable to shallow underground mining. Further work is planned in 2004 to clarify the structure of the seams and the mineability of the coal.

### **Marketing**

A new three-year contract has been settled with a Japanese steel mill to supply 350,000 tonnes per year from April 2004 at fixed USD prices (+/- 5% range). Negotiations for remaining 2004 sales are continuing.

The current market outlook is particularly strong for high quality PCI coal. Prices have risen strongly in US dollars, offsetting most of the effects of the appreciating Australian dollar. The thermal coal outlook is also positive, though this sector is more volatile and more reliant on spot sales.

### **NORTHERN IRELAND BALLYMONEY MINE & POWER PROJECT**

The Company submitted an application to renew the Ballymoney Prospecting Licence in November.

### **OTHER ASSETS**

#### **South Australian Tenements**

No exploration or development activities on the SASE (90% Felix) iron ore tenements or Felix' South Australian coal tenements were undertaken during the Quarter.

#### **South Australian Other Base Metal Deposits – Farm-in EL2587**

Minofaur expenditure under the farm-in arrangement over EL 2587 was \$35,917 for the December Quarter, and \$264,504 on a cumulative basis.

Activities encompassed the planning and execution of an aircore drilling program to assess the gold potential of the western margin of the Hawks Nest magnetic complex. Fifty aircore holes were drilled totalling 831 metres through cover and saprolite to sample top of bedrock. Assay work is underway.

### **ACQUISITIONS AND GROWTH STRATEGY**

The Company continues to examine acquisition opportunities in line with its strategy of growth through acquisition.

**OTHER EVENTS**

The acquisition of Yarrabee Coal Company was finalised on 8 October and the Sydney office has since been successfully relocated to Brisbane.

In December, a legal dispute regarding a financial services contract entered into with PricewaterhouseCoopers Securities Limited (PwCS) was settled resulting in Felix Resources paying \$500,000 to PwCS.

**CORPORATE INFORMATION**

|                   |   |   |
|-------------------|---|---|
| <b>Directors:</b> | Ian McCauley<br>Jon Parker<br>John Rawlins<br>Tony McLellan | Non Executive Chairman<br>Managing Director<br>Executive Director<br>Non Executive Director |
|-------------------|---|---|

**Company Secretary:** Mark McCauley

|                           |   |   |
|---------------------------|---|---|
| <b>Registered Office:</b> | <i>Physical Address:</i><br>Level 8, 260 Queen St<br>Brisbane<br>Qld 4000 | <i>Mailing Address:</i><br>PO Box 10470<br>Brisbane Adelaide Street<br>Qld 4000 |
|---------------------------|---|---|

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**Issued Capital:** As at 31 December 2003 there were 627,589,232 ordinary listed shares on issue and 165,120,000 unlisted options.

**Top Ten Shareholders:**

|   |        |
|---|--------|
| Resource Management & Mining Pty Ltd      | 48.00% |
| National Nominees Ltd                     | 4.97%  |
| JP Morgan Nominees Australia Limited      | 2.94%  |
| HSCB Custody Nominees (Australia) Limited | 2.51%  |
| BCY (OCS) Nominees Limited                | 2.41%  |
| AMCI Holdings Australia Pty Ltd           | 2.08%  |
| Bank of New York (Nominees) Limited       | 1.90%  |
| ANZ Nominees Limited                      | 1.44%  |
| Smittco Nominees Limited                  | 0.96%  |
| Fitel Nominees Limited                    | 0.95%  |

**Proposed Reporting Dates:**

|                            |                    |
|----------------------------|--------------------|
| December Half-year Results | - 20 February 2004 |
| March Quarter, Report      | - 19 April 2004    |