

Appendix 4D

Half year report

1. Company details

Name of Entity	Felix Group Holdings Limited
ABN	65 159 858 509
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

2. Results for announcements to the market

	31 Dec 2020	31 Dec 2019	Up/Down	% Change
Revenues from ordinary activities	\$2,439,605	\$1,800,093	Up	36%
Loss from ordinary activities after tax attributable to the owners of Felix Group Holdings Limited	\$7,540,023	\$3,468,207	Up	117%
Total comprehensive loss attributable to the owners of Felix Group Holdings Limited	\$7,545,907	\$3,470,527	Up	117%

Dividends

- No final dividend was paid in relation to the year ended 30 June 2020.
- No interim dividend will be in relation to the half-year ended 31 December 2020 in relation to the IPO.

Comments

- The loss for the consolidated entity after providing for income tax amounted to \$7,540,023 (31 December 2019: \$3,468,207).
- The loss was impacted by one-off expenses incurred during the six months to 31 December 2020.

Further information on the results is detailed in 'the Directors' report which is part of this interim report.

3. Net tangible assets

	Reporting period (cents)	Previous period (cents)
Net tangible assets per ordinary security	\$0.10	\$7.05

4. Control gained over entities

No control has been gained over entities during the period.

Appendix 4D

Half year report

5. Loss of control over entities

No loss of control has occurred over entities during the period

6. Details of associates and joint venture entities

There are no associates or joint ventures

7. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report. The review report is unqualified.

8. Audit qualification or review

Details of attachments (if any):

The Interim Report of Felix Group Holdings Limited for the half-year ended 31 December 2020 is attached.

9. Signed



Michael Bushby
Director

25 February 2021

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Directors' report

Directors

The directors present their report, together with the financial statements, on the consolidated entity consisting of Felix Group Holdings Limited ("Felix" or 'the Company') and the entities it controlled ('the Consolidated Entity' or "the Group") at the end of, or during, the half-year ended 31 December 2020.

The following persons were directors of Felix Group Holdings Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

- Michael Peter Davis
- Michael Anthony Trusler
- George Humphry Davy Rolleston
- David John Williams (resigned on 28 October 2020)
- Michael Bruce Bushby (appointed on 17 November 2020)
- Gail Michelle Jukes*
(appointed on 19 November 2020 resigned on 24 November 2020)
- Robert William Phillpot (appointed on 22 January 2021)
- Company Secretary – James Gregory Forrest Frayne

Initial Public Offering

The Company completed an Initial Public Offering (IPO) of shares on 12 January 2021. The Company raised \$12 million at an offer price of \$0.36 per share, in accordance with the Prospectus released on the 26th of November 2020. The company offered 34,824,641 new shares, including those under the staff salary sacrifice scheme and 9,562,446 options in the IPO.

The Group was admitted to the list of companies trading on the Australian Securities Exchange (ASX) on 12 January 2021. The Group is trading under the code FLX.

The proceeds of the IPO will be primarily used to support Felix's growth strategies, including working capital to enhance the modules in the vendor subscription and accelerate contractor growth.

Principal activities

During the period, the principal continuing activity of the Group consisted of a cloud-based SaaS solution to its Contractor and Vendor customer base to make it easier for them to find, manage and engage with each other. The Felix platform automates and streamlines a range of critical, procurement-focused business processes.

Contractors are contracted by asset owners to build or maintain capital works projects in the commercial construction and related industries.

Vendors comprise the Contractors suppliers and include subcontractors, equipment providers and service and materials providers.

*Gail Jukes resigned as a Director due to a change in circumstance with work commitments

Directors' report

Review of operations

Felix experienced strong growth in its core focus areas of Enterprise SaaS revenue and Vendor Marketplace numbers in the half-year to 31 December 2020, despite challenging conditions resulting from the impact of COVID-19.

Financial Performance

The loss for the consolidated entity after providing for income tax amounted to \$7,540,023 (H1 FY20 loss: \$3,468,207).

Adjusted EBITDA

	H1 FY21	H1 FY20	% Change
Revenue			
Enterprise SaaS (Contractors) Revenue	720,470	471,406	53%
Marketplace (Vendors) Revenue	1,154,948	1,267,947	-9%
Other Revenue	564,187	60,740	829%
TOTAL REVENUE	2,439,605	1,800,093	36%
Operating Expenses			
Employee benefits	(2,617,565)	(3,269,559)	20%
Other expenses from ordinary activities	(765,245)	(1,434,435)	47%
TOTAL OPERATING EXPENSES	(3,382,810)	(4,703,994)	28%
EBITDA before share based payments and IPO related transactions expense	(943,205)	(2,903,901)	68%
Share Based Payments	(636,685)	–	
Net loss on FV of derivatives (related to IPO)	(2,502,301)	–	
IPO Costs	(1,168,645)	–	
EBITDA	(5,250,836)	(2,903,901)	68%
Depreciation & Amortisation	(391,578)	(317,356)	-23%
Finance Costs	(1,897,609)	(246,950)	-668%
LOSS BEFORE INCOME TAX	(7,540,023)	(3,468,207)	-117%

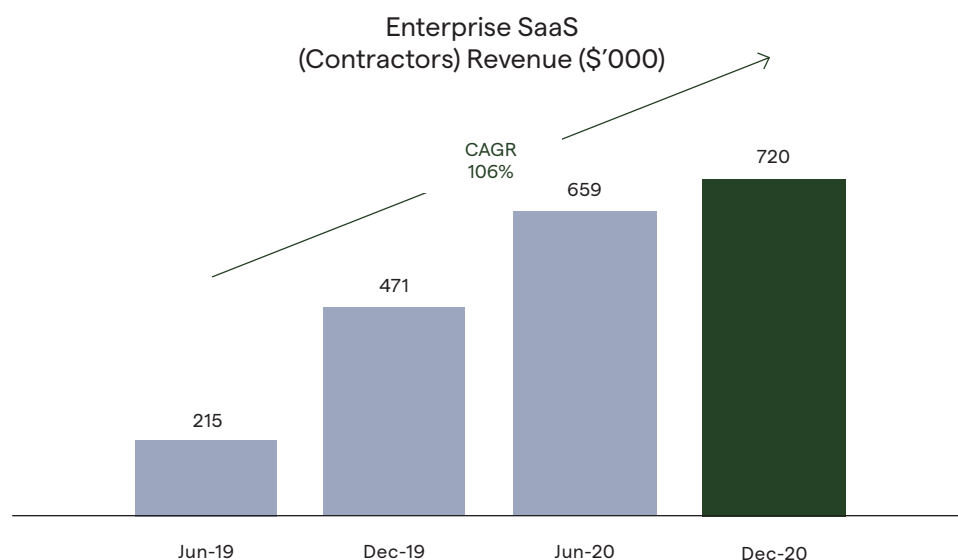
Adjusted EBITDA loss for the period was \$943,205 (H1 FY20 loss: \$2,903,755). The adjusted EBITDA removes one-off expenses incurred in connection with the IPO, such as professional services fees and share-based payments.

Directors' report

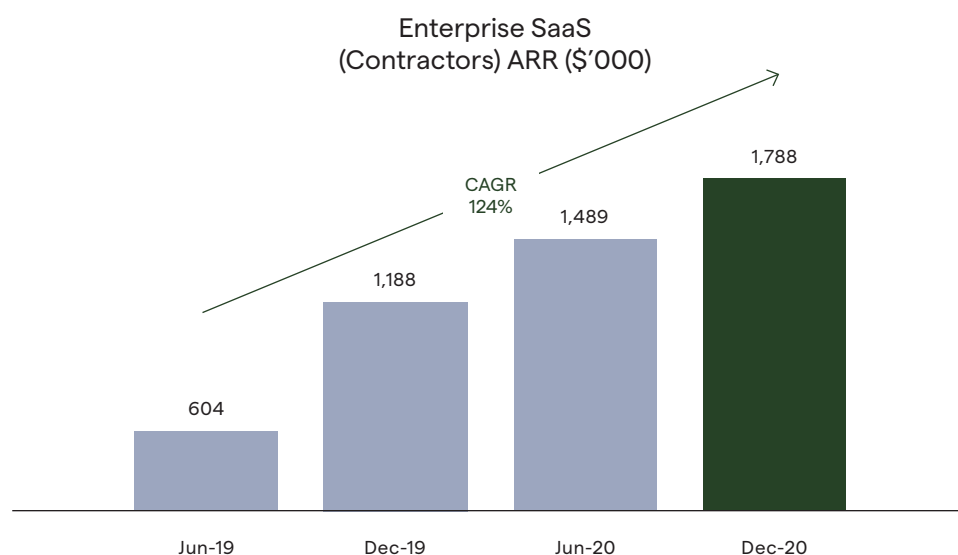
Cashflows from Operations

The net cashflows from operations for the period were \$194,799, representing a 106% improvement on the Previous Corresponding Period (PCP) (H1 FY20: an outflow of \$3,360,745). The Group has generated greater receipts from its customers, restructured its cost base and benefited from COVID-19 stimulus provided by the Federal Government.

Enterprise SaaS (Contractors)



Enterprise SaaS (Contractors) revenue increased 53% compared to PCP.



Contracted ARR for Enterprise SaaS (Contractors) increased by \$271,250 for the period to \$1,760,318 (48% increase compared to PCP).

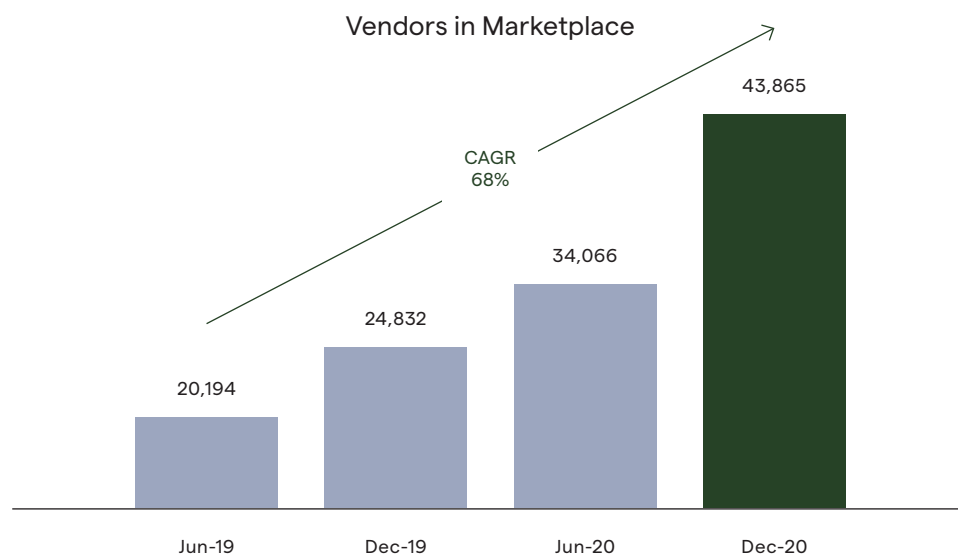
Directors' report

Enterprise SaaS (Contractors) (cont.)

Total Contract Value (TCV) added during the period was \$661,140. Increasing uptake of modules from existing customers resulted in net Contracted ARR retention rate growing to 106% as at 31 December 2020 from 99% as at 30 September 2020. No customers churned in the period.

Marketplace Subscriptions (Vendors)

Enterprise Contractor growth continued to drive rapid scale in the Vendor Marketplace. There were 43,865 total Vendors in the Marketplace as at H1 FY21 (77% increase compared to PCP).



Marketplace Subscriptions (Vendors) revenue declined by 9% for the the period (compared to PCP), following a 45% reduction of the Marketplace cost base in March 2020.

Directors' report

COVID-19 Pandemic

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the consolidated entity to receive Government stimulus measures in the period, it is not practicable to estimate the potential impact, positive or negative, after the reporting date.

In order to put the Group in a strong financial position as it entered an uncertain economic environment impacted by COVID-19, the cost base was restructured in March 2020. This restructure contributed to an improved adjusted EBITDA and operational cash flows for the period.

The situation is developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Significant changes in the state of affairs

The Group was admitted to the list of companies trading on the Australian Securities Exchange (ASX) on 12 January 2021.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Michael Bushby
Director

25 February 2021

Auditor's Independence Declaration

To the Directors of Felix Group Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Felix Group Holdings Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance
Brisbane, 25 February 2021

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Introduction

General Information

The financial statements cover Felix Group Holdings Limited as a consolidated entity consisting of Felix Group Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Felix Group Holdings Limited's functional and presentation currency.

Felix Group Holdings Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office & Principal place of business

Unit 4
34 Navigator Place
Hendra QLD 4011

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2021.

Statement of profit or loss and other comprehensive income

— For the half-year ended 31 December 2020

		Consolidated	
	Note	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
REVENUE			
Sales revenue	3	1,875	1,739
Other income	4	564	61
EXPENSES			
Depreciation & amortisation		(391)	(317)
Employee benefits		(2,618)	(3,270)
Finance costs	5	(1,898)	(274)
Listing costs	7	(1,168)	–
Net change in fair value of financial liabilities at fair value through profit or loss	7	(2,502)	–
Other expenses	6	(765)	(1,434)
Share based payments	7	(637)	–
PROFIT BEFORE INCOME TAX EXPENSE		(7,540)	(3,468)
Income tax expense		–	–
PROFIT AFTER INCOME TAX EXPENSE FOR THE HALF-YEAR		(7,540)	(3,468)
OTHER COMPREHENSIVE INCOME			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign controlled entities		(6)	(2)
Other comprehensive income for the half-year, net of tax		(6)	(2)
TOTAL COMPREHENSIVE INCOME FOR THE HALF-YEAR		(7,546)	(3,470)
		Cents	Cents
Basic loss per share	16	(\$0.11)	(\$0.06)
Diluted loss per share		(\$0.11)	(\$0.06)

Statement of Financial Position

— As at 31 December 2020

	Note	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Assets			
Current assets			
Cash and cash equivalents		851	1,018
Trade and other receivables		301	193
Contract assets		14	–
Other	8	12,312	783
Total current assets		13,478	1,994
Non-current assets			
Property, plant and equipment		127	133
Intangibles	9	789	993
Right-of-use assets		232	310
Contract assets		8	–
Total non-current assets		1,156	1,436
Total assets		14,634	3,430
Liabilities			
Current liabilities			
Trade and other payables		2,544	455
Contract liabilities		1,546	1,088
Borrowings	10	–	4,560
Lease liabilities	11	160	165
Derivative financial instruments	12	–	4,222
Provisions		336	273
Total current liabilities		4,586	10,763
Non-current liabilities			
Lease liabilities	11	78	155
Provisions		284	201
Total non-current liabilities		362	356
Total liabilities		4,948	11,119
Net assets		9,686	(7,689)
Equity			
Issued capital		16,765	16,765
Provision for issued capital	13	24,810	–
Reserves	13	104	(1)
Retained profits/accumulated losses		(31,993)	(24,453)
Total equity		9,686	(7,689)

Statement of changes in equity

— For the half-year ended 31 December 2020

Consolidated	Reserves					Total equity (\$'000)
	Issued capital (\$'000)	Other Equity (\$'000)	Share Based Payments	Foreign Exchange (\$'000)	Retained profits/ accumulated losses (\$'000)	
Balance at 1 July 2019	16,765	–	–	(7)	(17,236)	(478)
Loss after income tax expense for the half-year	–	–	–	–	(3,468)	(3,468)
Other comprehensive income for the half-year, net of tax	–	–	–	(2)	–	(2)
Total comprehensive income for the half-year	–	–	–	(2)	(3,468)	(3,470)
Transactions with owners in their capacity as owners:						
Dividends paid	–	–	–	–	–	–
Balance at 31 December 2019	16,765	–	–	(9)	(20,704)	(3,948)

Consolidated	Reserves					Total equity (\$'000)
	Issued capital (\$'000)	Other Equity (\$'000)	Share Based Payments	Foreign Exchange (\$'000)	Retained profits/ accumulated losses (\$'000)	
Balance at 1 July 2020	16,765	–	–	(1)	(24,453)	(7,689)
Profit after income tax expense for the half-year	–	–	–	–	(7,540)	(7,540)
Other comprehensive income for the half-year, net of tax	–	–	–	(6)	–	(6)
Total comprehensive income for the half-year	–	–	–	(6)	(7,540)	(7,546)
Transactions with owners in their capacity as owners:						
Contribution of equity – shares to be issued.	–	24,810	111	–	–	24,921
Balance at 31 December 2020	16,765	24,810	111	(7)	(31,993)	9,686

Statement of cash flows

— For the half-year ended 31 December 2020

	Note	31 Dec 2020 (\$,000)	31 Dec 2019 (\$,000)
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,312	1,825
Payments to suppliers and employees (inclusive of GST)		(3,107)	(5,187)
		205	(3,362)
Interest received		2	1
Interest and other finance costs paid		(12)	–
Net cash from/(used in) operating activities		195	(3,361)
Cash flows from investing activities			
Payments for property, plant and equipment		(24)	(40)
Payments for intangibles		(157)	(584)
Net cash used in investing activities		(181)	(624)
Cash flows from financing activities			
Net proceeds of share issue		(99)	–
Net proceeds/repayment of borrowings		(82)	5,028
Net cash from/(used in) financing activities		(181)	5,028
Net increase/(decrease) in cash and cash equivalents		(167)	1,043
Cash and cash equivalents at the beginning of the financial half-year		1,018	629
Cash and cash equivalents at the end of the financial half-year		851	1,672

Notes to the financial statements

— 31 December 2020

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Going Concern

For the period ending 31 December 2020, the Group incurred a loss before income tax of \$7,540,023 (H1 FY20: \$3,468,207).

The Group completed an IPO on 12 January 2021 raising \$12 million by issue of new shares. The IPO provided a conversion event for the notes on issue to ordinary shares in the parent entity Felix Group Holdings Ltd. The IPO and conversion event had resulted in \$6 million of expenditure for the period. Normalising the Group's loss to remove these one-off events, the adjusted loss for the period is an improvement on the prior period. The Group has improved the cash flows from operations. The net cash in flows from operations for the period was \$194,779 (H1 FY20: cash outflows of \$3,360,745).

The IPO funds received subsequent to the end of the half-year and improvement in cash flow from operations indicate that no material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and therefore, the Group will be able to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

The report has been prepared on a going concern basis as the Group has raised sufficient capital from the IPO and discharged any future obligations to repay the convertible notes in cash.

Initial Public Offering

As indicated above, the Group completed an IPO on 12 January 2021 raising \$12 million by issue of new shares. The IPO offer period was completed on 10 December 2020 with settlement dated after the period end on 7 January 2021. The \$12 million of funds raised have been treated as a receivable and the shares to be issued are considered other equity at the end of the period.

Government Grants

During the period, the Group qualified for certain government incentives in response to the coronavirus pandemic. The Group's accounting policy for government grants is explained below.

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Notes to the financial statements

— 31 December 2020

Government grants are recognised in the statement of profit or loss over the life of the grant program. Specifically, wage subsidies received under the JobKeeper scheme and cash flow boost subsidies are presented as other income in the profit and loss, as displayed in Note 4 Other Income.

Government grants, such as the R&D tax incentive grant, that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

New or amended Accounting Standards & Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. There was no material impact on the adoption of the new standards.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

The Group provides a cloud-based SaaS solution to its Contractor and Vendor customer base in Australia and New Zealand. The Chief Executive Officer is Chief Operating Decision Maker (CODM). The CODM monitors the results of the Group on a consolidated basis and is therefore one reportable segment.

Note 3. Revenue

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Marketplace Subscriptions (Vendor) Revenue	1,155	1,267
Enterprise SaaS (Contractors) Revenue	720	472
	1,875	1,739
<i>Timing of revenue recognition</i>		
Revenue transferred over time	1,875	1,739
Revenue transferred at a point in time	–	–
	1,875	1,739

For the six months of the 2021 period, revenue includes \$818,106 (2019: \$832,995) included in the contract liability balance at the beginning of the period broken down as follows.

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Marketplace Subscription (Vendor) Revenue	558	718
Enterprise SaaS (Contractor) Revenue	260	115
	818	833

Notes to the financial statements

— 31 December 2020

Note 4. Other income

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Other income		
Income tax benefit	23	59
Government incentives	527	–
Other revenue	14	2
	564	61

Note 5. Finance Costs

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Finance charges on convertible note	1,886	247
Other interest	12	–
	1,898	247

Note 6. Other expenses from ordinary activities

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Advertising and marketing	93	171
Professional fees	193	160
Subscriptions	160	123
Other expenses	308	811
Travel	11	169
Other expenses from ordinary activities	765	1,434

Note 7. Significant expenses

The loss for the half-year includes the following items that are unusual because of their nature, size or incidence.

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Finance charges on convertible note	1,886	247
Listing costs	1,168	–
Net change in fair value of financial liabilities at fair value through profit or loss	2,502	–
Share based payments expense arising on initial public offering	637	–
Total	6,193	247

Notes to the financial statements

— 31 December 2020

Note 7. Significant expenses (cont.)

The net gain on changes in fair values of derivatives at fair value through profit or loss is a result of the change in valuation of the derivatives from 30 June 2020 and is discussed in Notes 10 & 12 below.

Note 8. Other Assets

	Consolidated	
	31 Dec 2020 (\$'000)	30 Jun 2020 (\$'000)
IPO funds receivable	12,000	-
Prepayments	247	85
Other	-	307
Income tax receivable	65	391
Total other assets	12,312	783

The Company completed an initial public offering of shares on 12 January 2021. The incoming shareholders committed to the offer before the offer close date, 10 December 2020. The settlement occurred on 7 January 2021, with the shares issued on 8 January 2021.

Note 9. Intangibles

	Consolidated	
	31 Dec 2020 (\$'000)	30 Jun 2020 (\$'000)
Technology platform development at cost	2,809	2,729
Less: accumulated amortization and impairment	(2,020)	(1,736)
Total intangibles	789	789

The intangible asset additions for the period are less than the previous financial year as the cost base of the Group was restructured in March 2020. The R&D FTE employees reduced from 25 to 12 in the restructure in response to the uncertain economic environment due to COVID-19.

Note 10. Borrowings

	Consolidated	
	31 Dec 2020 (\$'000)	30 Jun 2020 (\$'000)
Opening carrying value of convertible notes	4,560	-
Fair value of convertible notes issued in the period	-	3,212
Less: allocation of fees	-	(264)
Interest Expense	1,886	1,612
Derecognition on conversion of notes to equity	(6,446)	-
Closing carrying value of convertible notes	-	4,560

Notes to the financial statements

— 31 December 2020

Note 10. Borrowings (cont.)

The 7,901,831 Series A (Sep-19) and Series B (Apr-20) convertible notes on issue converted to equity at a discount of 30% and 40% to the IPO price respectively. The notes were mandatorily converted on the last day of the IPO offer period, 10 December 2020, resulting in 36,583,444 shares issued with a fair value on conversion of \$13,170,040; being \$2,502,131 more than the carrying amount of the host debt as at conversion of \$6,446,141 plus the carrying value of the embedded derivative \$4,221,598. This was recognised through the statement of profit and loss and comprehensive income during the period. (Refer to Note 7).

Note 11. Lease Liabilities

Lease liabilities are presented in the statement of financial position as follows:

	Consolidated	
	31 Dec 2020 (\$'000)	30 Jun 2020 (\$'000)
Current	160	165
Non-Current	78	155
Total lease liability	238	320

Future minimum lease payments as at 31 December 2020 were as follows:

	Consolidated		
	< 12 Months (\$'000)	1 to 5 years (\$'000)	Total (\$'000)
Lease payments	193	65	258
Finance charges	(17)	(3)	(20)
Net present value	176	62	238

Future minimum lease payments as at 31 December 2019 were as follows:

	Consolidated		
	< 12 Months (\$'000)	1 to 5 years (\$'000)	Total (\$'000)
Lease payments	190	163	353
Finance charges	(18)	(15)	(33)
Net present value	172	148	320

Notes to the financial statements

— 31 December 2020

Note 12. Fair value measurement

(i) Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Consolidated – 31 Dec 2020	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Level 4 (\$'000)
<i>Liabilities</i>				
Derivative (Convertible Notes)	–	–	–	–
Total liabilities	–	–	–	–

Consolidated – 30 Jun 2020	Level 1 (\$'000)	Level 2 (\$'000)	Level 3 (\$'000)	Level 4 (\$'000)
<i>Liabilities</i>				
Derivative (Convertible Notes)	–	–	4,222	4,222
Total liabilities	–	–	4,222	4,222

There were no transfers between levels during the year.

(ii) Valuation Techniques

The embedded derivative was valued using option pricing techniques, included the Black-Scholes model. Given that at the time of performing the valuations, the Company's shares were unlisted and not readily available for sale, the resulting valuations are classified as level 3.

(iii) Fair value estimates using significant unobservable inputs

	Consolidated	
	31 Dec 2020 (\$'000)	30 Jun 2020 (\$'000)
Opening Balance	4,222	4,690
Changes in fair value through the profit and loss	2,502	(468)
Derecognition on conversion of note	(6,724)	–
Closing Balance	–	4,222

Notes to the financial statements

— 31 December 2020

Note 13. Equity

	Consolidated	
	31 Dec 2020 (\$'000)	30 Jun 2020 (\$'000)
<i>Other Equity:</i>		
Conversion of notes to ordinary shares*	13,170	–
IPO funds receivable**	12,000	–
Employee salary sacrifice***	525	–
Less: Costs associated with the IPO	(885)	–
Closing Balance	24,810	–

* The Group's 7,901,831 Series A (Sep-19) and Series B (Apr-20) convertible notes on issue converted to equity at a discount of 30% and 40% to the IPO price respectively. The notes were mandatorily converted on the last day of the IPO offer period, 10 December 2020, resulting in 36,583,444 shares issued with a fair value on conversion of \$13,170,040.

** The Company completed an IPO of shares on 12 January 2021. The Company raised \$12 million at an offer price of \$0.36 per share, in accordance with the Prospectus released on the 26th of November 2020. The company offered 33.33 million new shares, excluding the shares issued in accordance with the Employee Incentive Plan. The offer period for the share issues closed on 10 December 2020, with settlement occurring on 7 January 2021 and the issue of shares on 8 January 2021. The equity has been recognised in the period as 10 December 2020 is considered the point in time where the Group and the incoming shareholders were definitively committed to the IPO.

*** \$525,421 worth of Shares were issued under the Employee Incentive Plan to employees who had sacrificed 20% of their base pay between the period 1 April 2020 and 30 June 2021. The issue of shares were commensurate to 50% of the sacrificed amount between the aforementioned dates.

	Consolidated	
	31 Dec 2020 (\$'000)	30 Jun 2020 (\$'000)
<i>Reserves:</i>		
Foreign exchange	(7)	(1)
<i>Share based payment*:</i>		
Employee salary sacrifice options	94	–
Senior management options	5	–
Director options	12	–
Closing Balance	104	(1)

* The terms of the share-based payments issued in the period are detailed in Note 14: Share Based Payments.

Notes to the financial statements

— 31 December 2020

Note 14. Share based payments

Employee Incentive Plan

The Group established an Employee Incentive Plan (EIP) in the period. The plan is designed to provide long-term incentives to eligible employees and/or directors. Under the plan, options or shares may be granted to participants at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Under the EIP, the Group has provided a salary sacrifice offer, senior management offer and director offer.

Salary Sacrifice Offer

Certain eligible employees were offered the opportunity to apply for Options and Shares, which combined were equal to two times the value of their salary which was agreed to be foregone by that eligible employee in the period 1 April 2020 (or from the date of employment if later) to 30 June 2021. \$525,421 worth of Shares and 4.39 million nil exercise priced Options were issued on Listing, with 1/3 of these Options automatically being exercised on 1 July 2021 and 2/3 of these Options being automatically exercised on 1 July 2022. The Options will not be quoted.

The grant date according to AASB 2 is 10 December 2020, the last day of the IPO offer period, as this is considered the point in time where the Group and the eligible employees had a shared understanding of the terms and conditions.

Senior Management Offer

The Senior Management Options were issued on Listing for nil consideration. Like the employee options, the grant date will be 10 December 2020. These Options will automatically vest and be automatically exercised for nil consideration as follows: 1/4 will vest on 30 June 2023; 1/4 will vest on 30 June 2024; 1/4 will vest on 30 June 2025 and 1/4 will vest on 30 June 2026, provided that the participant remains an Eligible Employee and the market capitalisation of the Company is greater than its pre-money IPO valuation. If the market capitalisation of the Company on a vesting date is not greater than the Company's pre-money IPO valuation, the relevant vesting date will be extended by a further 12 months. All Shares issued on the vesting will be subject to a 12-month escrow period.

Director Offer

The Director Options totalling 1.22 million Options will all be issued on Listing, and deemed granted on 10 December 2020, with 50% vesting 3 months after Listing and the remaining 50% will vest 12 months after Listing, subject to the Directors remaining on the Board and a 3 year expiry from Listing. However all the Director Options and Shares issued on exercise of those Options will be subject to a 24 months mandatory escrow from Listing.

Fair value of options granted

The assessed fair value at grant date of options granted during the period ended 31 December 2020 ranges between \$0.04 and \$0.36 per option.

The fair value at grant date is independently determined using an adjusted form of the binomial model which takes into account volatility, forfeiture and vesting restrictions such as escrow periods.

Notes to the financial statements

— 31 December 2020

Note 14. Share based payments (cont.)

The model inputs for options granted during the period ended 31 December 2020 included:

Input	Salary Sacrifice Options	Senior Management Options	Director Options
Exercise price	nil	nil	\$0.36
Grant date:	10 Dec 2020	10 Dec 2020	10 Dec 2020
Share price at grant date:	\$0.36	\$0.36	\$0.36
Expected share-price volatility	70%	70%	70%
Expected dividend yield:	0%	0%	0%
Risk-free interest rate:	0.14%	0.14%-0.43%	0.14%

Consultant Share Based Payments

Kidder Williams was engaged to provide corporate advisory services for the IPO and agreed to take part of their fee in options. On successful completion of the IPO they received:

- a) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of \$0.58 per option. The value of these options at 31 December 2020 is \$19,500; and
- b) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of \$0.72 per option. The value of these options at 31 December 2020 is \$1,500.

Input	Tranche 1	Tranche 2
Exercise price:	\$0.58	\$0.72
Grand date:	10 December 2020	10 December 2020
Share price at grant date:	\$0.36	\$0.36
Expected share-price volatility:	70%	70%
Expected dividend yield:	0%	0%
Risk-free interest rate:	0.23%	0.23%

Note 15. Contingent liabilities

During the financial half-year there were no legal claims or other contingent liabilities brought against the group.

Notes to the financial statements

— 31 December 2020

Note 16. Earnings per share

a) Reconciliation of earnings used in calculating earnings per share

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
<i>Basic earnings per share</i>		
Loss from continuing operations used to calculate basic and EPS from continuing operations	(7,540)	(3,468)

b) Weighted average number of shares used as the denominator

	Consolidated	
	31 Dec 2020 ('000)	31 Dec 2019 ('000)
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share.</i>	68,342	60,151

A resolution was voted on and passed by shareholders to split the shares 1 for 200 at the AGM on 29 October 2020. The adjustment has amended the weighted average number of ordinary shares for the prior period to ensure consistency between the periods.

The following events were included in the weighted average number of ordinary shares:

- On 10th of December 2020, 36,583,444 shares issued on conversion of the convertible notes.
- The 33,333,333 shares issued as part of the offer for the IPO, and the 1,462,975 shares issued under the Employee Incentive Plan were deemed to be issued on 10th of December 2020. The shares were contingent solely on a passage of time, as such they have been included.

Note 17. Related Party Transactions

	Consolidated	
	31 Dec 2020 (\$'000)	31 Dec 2019 (\$'000)
Payment for corporate advisory services for the IPO to Kidder Williams Ltd		
Retainer	60	–
Success fee	221	–
Watch fee	300	–
Total	581	–

Notes to the financial statements

— 31 December 2020

Note 17. Related Party Transactions (cont.)

Kidder Williams Ltd managing director, David Williams, was a director of the Group until 28 October 2020. David is the largest shareholder of the Company (15%) via the entity Moggs Creek Pty Ltd.

Kidder Williams was engaged to provide corporate advisory services for the IPO. The agreement requires Felix to pay:

- a) \$10,000 per month retainer;
- b) success fee of \$200,000 cash;
- c) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of \$0.58 per option. The value of these options at 31 December 2020 is \$19,500;
- d) success fee of 500,000 unquoted call options over unissued Shares to be issued upon exercise that shall rank pari passu with existing Shares, which expire 3 years from date of their issue, have an exercise price of \$0.72 per option. The value of these options at 31 December 2020 is \$1,500; and
- e) A mandate for 12 months following the date of the ASX Listing to undertake a watching brief for potential M&A/capital raising opportunities at \$25,000 per month for 12 months. Should any M&A opportunity or capital raising arise, fees will be separately agreed.

Gail Michelle Jukes was a director for the period, 19 November 2020 resigned on 24 November 2020. Gail is currently the CFO of Kestrel Coal, a customer of the Group. Both parties trade on commercial terms.

Note 18. Events after the reporting period

ASX Listing & IPO

The Company completed an IPO of shares on 12 January 2021. The Company raised \$12 million at an offer price of \$0.36 per share, in accordance with the Prospectus released on the 26th of November 2020. The company offered 34.82 million new shares, including those under the staff salary sacrifice scheme and 9.56 million options in the initial public offering.

The Group was admitted to the list of companies trading on the Australian Securities Exchange (ASX) on 12 January 2020. The Group is trading under the code FLX, and the shares opened at the offer price of \$0.36.

Apart from the aforementioned events, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Directors' declaration

— 31 December 2020

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303®(a) of the Corporations Act 2001.

On behalf of the directors



Michael Bushby
Director

25 February 2021

Independent Auditor's Review Report

To the Members of Felix Group Holdings Limited

Report on the review of the half year-financial report

Conclusion

We have reviewed the accompanying half-year financial report of Felix Group Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

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

- (a) giving a true and fair view of the Groups financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2020 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Grant Thornton Audit Pty Ltd
Chartered Accountants



CDJ Smith
Partner – Audit & Assurance

Brisbane, 25 February 2021