Coal FE Resources Limited and Controlled Entity

ABN 41 121 969 819

Annual report for the financial year ended 30 June 2012

Annual report
for the financial year ended 30 June 2012

	Page
Corporate Directory	2
Corporate Governance Statement	3
Directors' Report	6
Auditor's Independence Declaration	16
Independent Auditor's Report	17
Directors' Declaration	20
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Financial Statements	25
ASX Additional Information	51

CORPORATE DIRECTORY

CHAIRMAN	Chan Foo Khee
OPERATIONS DIRECTOR	Mr Julian Cheng Jew Keng
FINANCE DIRECTOR	Mr Faris Azmi Abdul Rahman
DIRECTOR	Mr Moo Hean Chong
DIRECTOR	Mr Yeo Wee Thow
COMPANY SECRETARY	Mr Jatin Cholera
REGISTERED OFFICE	7/11 Exchange Road Malaga WA 6090 Australia
PRINCIPAL OFFICE	21 & 23, Jalan Sulaiman 3 Taman Putra Sulaiman 68000 Ampang Selangor Darul Ehsan Malaysia
AUDITORS	Bentleys Level 1, 12 Kings Park Road West Perth WA 6005 Australia
SHARE REGISTRAR	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA6153 Australia
STOCK EXCHANGE LISTING	Australian Securities Exchange (Home Exchange: Perth, Western Australia) Code: CES
BANKERS	National Australia Bank, Perth The Hongkong & Shanghai Banking Corporation, Jakarta

Corporate Governance Statement

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2012.

Further information about the consolidated entity's corporate governance practices is set out on the consolidated entity's website at www.coalferesources.com. In accordance with the recommendations of the ASX, information published on the consolidated entity's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

EXPLANATIONS FOR DEPARTURES FROM BEST PRACTICE RECOMMENDATIONS

During the consolidated entity's 2011/2012 financial year ("**Reporting Period**") the consolidated entity has complied with each of the Eight Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**")[1].

NOMINATION COMMITTEE

The following table identifies those directors who are members of the Nomination Committee and shows their attendance at committee meetings:

Name	No. of meetings held	No. of meetings attended
Chan Foo Khee	-	-
Moo Hean Chong	-	-
Yeo Wee Thow	-	-

AUDIT COMMITTEE

Names and Qualifications of Audit Committee Members

The names of the Audit Committee Members and their attendance at Committee Meetings are set out below.

Name	No of meetings held	No of meetings attended
Chan Foo Khee	1	1
Moo Hean Chong	1	1
Yeo Wee Thow	1	1

Each of the Audit Committee Member's qualifications are set out in the Director's Report. All of the members are independent/non executive directors.

REMUNERATION COMMITTEE

Remuneration Policies

Composition
The Remuneration Committee shall comprise a minimum of three members, the majority being independent directors. The committee shall be chaired by an independent director.

[1] A copy of the ASX Principles and Recommendations is set out on the Company's website under the Section entitled "Corporate Governance".

Role
The function of the committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on remuneration packages of executive directors, non-executive directors, senior executives and employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Responsibilities
The responsibilities of the committee is to make recommendations to the Board with respect to appropriate remuneration and incentive policies for executive directors and senior executives which motivates executive directors and senior executives to pursue long term growth and success of the Group within an appropriate control framework, demonstrates a clear correlation between key performance and remuneration; and aligns the interests of key leadership with the long-term interests of the Company's shareholder.

Executive Remuneration Packages

The remuneration of Executives includes the following:

- executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Group's circumstances and objectives;
- a proportion of executives' remuneration is structure in a manner designed to link reward to corporate and individual performances; and
- recommendations are made to the Board with respect to the quantum of bonuses to be paid to executives.

To the extent that the Group adopts a different remuneration structure for its non-executive directors, the committee shall document its reasons for the purpose of disclosure to stakeholders.

Non-Executive Directors

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity scheme of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

Incentive Plans and Benefits Programs
The committee is to:
- review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans, including making and authorising grants, in accordance with the terms of those plans; and
- ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved; and continually review and if necessary improve any existing benefit programs established for employees.

Names of Remuneration Committee Members and their attendance at Committee Meetings

Name	No of meetings held	No of meetings attended
Chan Foo Khee	1	1
Moo Hean Chong	1	1
Yeo Wee Thow	1	1

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of Independent Directors

In considering independence of directors, the Board refers to the criteria for independence as recommended by the ASX. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the consolidated entity's website.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the consolidated entity will pay the reasonable expenses associated with obtaining such advice.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

Directors' Report

The directors of Coal FE Resources Ltd and Controlled Entities (the consolidated entity) submit herewith the annual financial report of the consolidated entity for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Directors

Mr Chan Foo Khee

Chairman

Mr Chan is a graduate in mining engineering from the Camborne School of Mines,UK and a registered Professional Engineer with the Board of Engineers, Malaysia. He has held directorships in Mining Companies in Malaysia and senior management positions in other countries in the ASEAN region. Mr Chan has also consulted to international mining and mining industry companies. Mr Chan has not held any other directorships in publicly listed companies within the last three years.

Mr Cheng Jew Keng

Operations Director

Mr Cheng was appointed to the Board as Executive Director in charge of Operations when the Company was incorporated. He graduated from the National University of Singapore with a Bachelor of Science (Hons) in Estate Management and subsequently obtained a Certified Diploma in Accounting and Finance (ACCA, UK) and Master of Business Administration (University of Strathclyde, UK). He is a Registered Valuer and Estate Agent and a Member of the Institution of Surveyors, Malaysia. He was instrumental in developing PTI's mining interest in Indonesia. Mr Cheng has not held any other directorships in publicly listed companies within the last three years.

Faris Azmi Abdul Rahman

Finance Director

Mr Faris was appointed to the Board as Executive Director in charge of Finance when the Company was incorporated. He has a Bachelor of Commerce from Bond University in Queensland and is an Associate Member of CPA Australia. After graduating, Mr Faris worked for three years in auditing with Arthur Andersen in Malaysia. He then joined the Malaysian Securities Commission in the Securities Issues Department for two years. Following this he worked in the Corporate Finance Department of the Kuala Lumpur City Securities Sdn Bhd. He has spent time in Indonesia developing PTI's mining interest. Mr Faris has not held any other directorships in publicly listed companies within the last three years.

Moo Hean Chong

Non-Executive Independent Director

Mr Moo Hean Chong is a member of the Institute of Chartered Accountants in England & Wales and is a member of the Malaysian Institute of Accountants. He qualified as a Chartered Accountant in the United Kingdom. He has held senior management positions in heavy equipment dealerships supplying to the plantation, construction and mining industries. Mr Moo was also a director of a copper, gold and silver mine in Malaysia. He is currently involved in tin mining in Indonesia . Mr Moo has not held any other directorships in publicly listed companies within the last three years.

Yeo Wee Thow

Non-Executive independent Director

Mr Yeo Wee Thow is a member of the Malaysian Institute of Accountants, a fellow member of the Association of Chartered Certified Accountants (UK) and an associate member of the Institute of Chartered Secretaries and Administrators (UK). He has been in public accounting practice for the last 30 years and has extensive experience in corporate, transport and various industries. Mr Yeo has not held any other directorships in publicly listed companies within the last three years.

Company Secretary

Jatin Cholera

Mr. Jatin Cholera is a fellow member of The Association of Chartered Certified Accountants (UK) and a fellow member of The Institute of Public Accountants (Australia). He has been working in the commercial and public practice fields for the last 21 years and has gained valuable experience at the corporate level working with multi national and listed companies in various senior positions.

Principal Activity

The principal activity of Coal FE Resources Ltd is exploring for coal and iron in Indonesia.

Operating Results

The loss after tax for the financial year ended 30 June 2012 amounted to $472,575 (2011: $708,936).

Review of Operations

Below is a summary of the consolidated entity's main exploration projects and activities that have taken place throughout the year to 30 June 2012. All interested persons can visit www.coalferesources.com for a comprehensive review of the consolidated entity's activities.

INTRODUCTION

The year under review has been a challenging one for coal producers. Stemming from the slowdown in emerging economies, led by China, combined with the Euro Zone crisis and America's continuing weakness in its economy, coal prices have fallen almost 20% from July 2011 to our financial closing in June 2012. The sluggish coal market is further compounded by the availability of coal supply substitution from North America which is expected to further drive coal prices down for the remaining of the year.

The Company's focus has been placed on the Abadi Project during the year under review. Detailed review of the Company's projects is provided below.

PROJECT REVIEW

1. ABADI PROJECT

The PT. Pancaran Surya Abadi ("Abadi") Project is located in the district of Muara Badak and Anggana, Regency of Kutai Kartanegara, in the Province of East Kalimantan (See Figure 1). The area of the concession was adjusted marginally from 1,017 Ha to 991 Ha in the final Mining, Operation and Production Licence (Izin Usaha Penambangan Operasi Produksi or "IUP" in compliance of the new Law on Mineral and Coal Mining No. 4/2009 in the Republic of Indonesia), owing to the requirement of providing the necessary buffer zone for the existing gas pipeline in the vicinity. Of this total concession area, the completed drilling program covered 300 Ha. The remaining 691 Ha is presently unexplored.

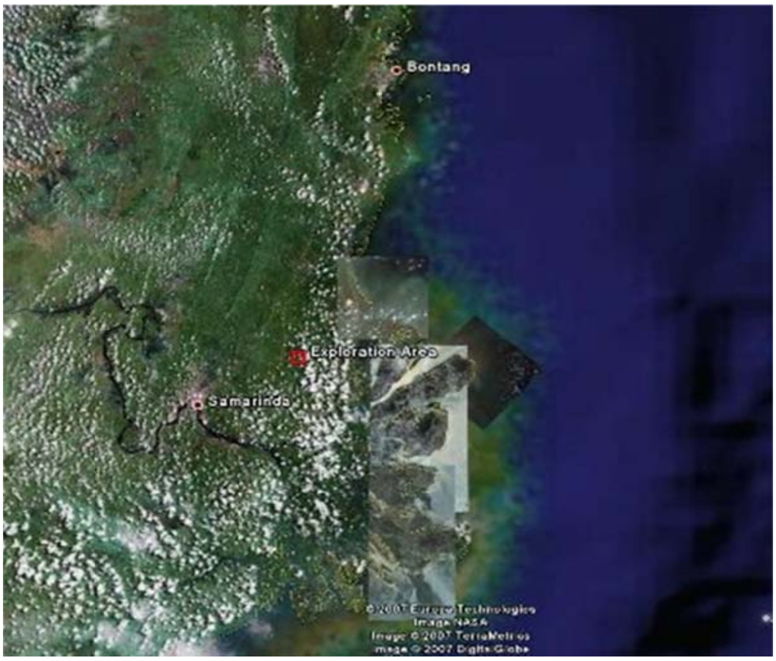

Figure 1: Location of Abadi Project

The concession area can be reached from Balikpapan by land transportation to Samarinda and thence continuing to Selo Lai village. The exploration area is relatively easily reached by 4WD vehicles.

The Mining, Operation and Production Licence (IUP Operasi Produksi) provides the necessary authority to carry out the full scope of coal mining activities encompassing construction, production, processing, transportation and sale. The Mining, Operation and Production Licence expires on 10 September 2025.

On 3 March 2010, the Company announced the completion of resource modelling and estimation and review in accordance with JORC guidelines.

Table 1 below presents the Coal Resource estimate that has been prepared with consideration to JORC (December 2004) and Australian Coal Reporting Guidelines referenced by JORC.

Resource Category	Initial Coal Resource Announced in 2008, Metric Tonnes (Mt) Million	Revised Coal Resource, Metric Tonnes (Mt) million
Measured	0.440	27.5
Indicated	14.578	5.9
Inferred	12.242	0.5
Totals	**27.260**	**34.5**

This estimate was carried out following completion of the second phase drilling at the project between March and May 2009 with a total of 50 additional drill-holes penetrating to a typical depth of 50-100m from surface. The additional drilling was located within the main project area of about 300 Ha located in the south-western portion of the overall concession area. All holes were electronically logged for density, resistivity and width.

The Company entered into a Joint Venture and Mine Management Agreement with PT Toba Jaya (Toba Jaya), an established mining contractor in the Republic of Indonesia in April 2009. Toba Jaya developed the mine infrastructure and commenced coal production in late 2010.

Activities During The Year

Through the joint mine operation and management with PT. Toba Jaya in the Abadi Coal Project, a total sale of 271,560 Metric Tons of steam coal with calorific values of around 3,600 Kcal/kg on gross as received basis was recorded for the year.

Barring any further softening of the global steam coal market, the Company's first priority is to increase the targeted monthly production of 50,000 Metric Tons per month. To this end, PT. Toba Jaya has progressed with their planned deployment of the following new mining equipment during the year:

Description	**Units**
Volvo SH360 Excavators	3
Liugong Wheel Loaders	2
Nissan Overburden Dump Trucks	5

Table 1: New Machinery Deployed in the Abadi Coal project

Pit Optimisation and Review of Mineable Reserves

In order to optimised the production and economics within the 300 Ha explored portion of the whole Abadi Project concession area, the Company has commissioned MiningOne, a mining consultant in Melbourne Australia to carry out a detailed pit-optimisation study of the mining area. The study is expected to be completed in the second half of 2012.

2. PALAPA PROJECT

The Palapa Coal project is a 100 Ha project located upon the western margin of the island of Sulawesi. The regional geology is similar to that observed in Kalimantan with moderate coal production coming from the south western corner of the island.

The project is located within the administrative boundary of the Banti Village, Kecamatan Baraka, Kabupaten Enrekang, South Sulawesi Province and can be reached by two wheel or four wheel drive. Ujungpandang city is approximately 300 kilometres from the project area.

Coal FE has not been able to proceed with work on the 100 Ha Palapa Project during the period. This is due to outstanding obligations under the license that are to be fulfilled by the owners of CV Palapa. Coal FE has negotiated with the owners to allow Coal FE to explore another concession that has been granted to the owners whilst the owners settle its outstanding obligations stated under the license for the Palapa project. The new concession area is known as the *Palapa 2* project.

The Palapa 2 project is a 2,946 Ha concession area located next to the Palapa project and has been offered to Coal FE at initially no cost to the company to carry out exploration activity. An exploration license has been issued for the concession area which expired on 1 November 2008 and can be renewed once payment is made for the extension.

Activities During The Year

No activity has been carried out in the Palapa 2 Project during the year under review. Upon availability of funds, the Company will review the extension of the exploration licence and exploration of the project.

3. ANDALAS PROJECTS

The Company (through its subsidiary, PT Techventure Indocoal) has a 70% interest in four (4) Indonesian projects, which currently holds exploration licenses for iron concessions in Central and West Sumatra, Indonesia. Details of the iron concessions are as follows:

Table 3: Andalas Project Concession Areas Summary

Project	**Location**	**JV Partner / Manager**	**Area Ha**	**Target Type / Comments**
Andalas Mangani Perkasa	Kecamatan Rao	PT Andalas Mangani Perkasa	5,116	Bedded Iron Deposit
Andalas Platina Orienta	Kecamatan Lubok Sikaping	PT Andalas Platina Orienta	2,491	Bedded Iron Deposit
Andalas Basindo Natura	Kecamatan Rao, Rao Selatan and Padang Gelugur	PT Andalas Basindo Natura	3,317	Bedded Iron Deposit
Andalas Alam Nasindo	Kecamatan Lubok Sikaping	PT Andalas Alam Nasindo	1,634	Bedded Iron Deposit
TOTAL			**12,558**	

The concession areas can be reached by daily flight from Jakarta to Padang (1 hour and 30 minutes). From Padang the journey continues by car (4 hours drive) through the well-paved Trans-Sumatera highway to a village called Air Manggis (about 10 minutes by car from Lubuk Sikaping, capital city of Pasaman regency). From Air Manggis Village there is another one hour walk to Sariak Laweh Hill with a moderate to steep slope.

Activities During The Year

No activity has been carried out in the Andalas Project during the year. Upon availability of funds, the Company will review the exploration of the project.

Changes in state of affairs
During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Future developments
Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial years.

Environmental regulations
The Group is aware of its environmental obligations and acts to ensure its environmental commitments are met.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions greenhouse gas projects and energy use and production of corporations. At the current stage of development the directors have determined that the NGER Act will have no effect on the Group for the current or subsequent financial year. The director will reassess this position as and when the need arises.

Dividends
No dividends were paid or declared since the start of the financial year. No recommendation for the payment of dividends has been made.

Share options
Share options granted to directors and executives
There were no executives employed by the Group during the year. No share options have been granted to the directors of the consolidated entity during and since the end of the financial year. The share options and ordinary shares held by the directors of the consolidated entity as at the date of this report are shown under directors' shareholdings below.

Share options on issue
There are no share options on issue as at 30 June 2012. All share options issued previously have expired.

During and since the end of the financial year, no ordinary shares have been issued as a result of the exercise of options.

Indemnification of Officers

During or since the end of the financial year the consolidated entity has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums (2012: Nil ; 2011 $7,380) as follows:

- except as may be prohibited by the Corporations Act 2001 every Director and Officer of the consolidated entity shall be indemnified out of the property of the consolidated entity against any liability incurred by him in his capacity as director or officer of the consolidated entity or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal;
- since the beginning of the financial year the consolidated entity has not paid insurance premiums in respect of directors and officers liability and corporate reimbursement, for directors and officers in the consolidated entity. The insurance premiums relate to:

    - any loss for which the directors and officers may not be legally indemnified by the consolidated entity arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer of the consolidated entity or any related corporation, first made against them jointly or severally during the period of insurance; and

    - indemnifying the consolidated entity against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer of the consolidated entity or any related corporation, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the consolidated entity.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, five board meetings were held (including circulating resolutions passed by directors).

	Board of directors	
Directors	Eligible to attend	Attended
Chan Foo Khee	2	2
Cheng Jew Keng	5	5
Faris Azmi Abdul Rahman	5	5
Moo Hean Chong	5	5
Yeo Wee Thow	5	5

Directors' Shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the consolidated entity or a related body corporate as at the date of this report.

Direct

Directors	Ordinary Shares	Option over Shares
Chan Foo Khee	NIL	NIL
Cheng Jew Keng	2,818,458	NIL
Faris Azmi Abdul Rahman	2,926,792	NIL
Moo Hean Chong	4,673,260	NIL
Yeo Wee Thow	11,215,318	NIL

Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

A Principles used to determine the nature and amount of remuneration

B Details of remuneration

C Service agreements

D Share-based compensation

E Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Coal FE Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Coal FE Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

  Executives are also entitled to participate in the employee share and option arrangements.

  The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

  All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.
- The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance based remuneration

The Group currently has no performance based remuneration component built into director and executive remuneration packages.

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. The Company plans to facilitate this process by directors and executives participating in future option issues to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. There are no outstanding options in issue as at the end of the financial year.

B Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) are set out in the following table.

The key management personnel of Coal FE Resources Limited include the directors and company secretary as per page 6 to page 7 above.

Given the size and nature of operations of Coal FE Resources Limited, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Elements of director and executive remuneration

The following table discloses the remuneration of the directors of the consolidated entity:

	Short term benefits				Post-employment		Long Term Benefits	Equity	
	Salary & fees	Bonus	Non-monetary	Other benefits	Super-annuation	Other	LSL	Options	Total
2012	$	$	$	$	$	$	$	$	$
Executive									
Cheng Jew Keng	72,000	-	-	-	-	-	-	-	72,000
Faris Azmi Abdul Rahman	53,667	-	-	-	-	-	-	-	53,667
Non-Executive									
Chan Foo Khee	28,000	-	-	-	-	-	-	-	28,000
Moo Hean Chong	53,667	-	-	-	-	-	-	-	53,667
Yeo Wee Thow	53,667	-	-	-	-	-	-	-	53,667
Total	260,001	-	-	-	-	-	-	-	260,001

	Short term benefits				Post-employment		Long Term Benefits	Equity	
	Salary & fees	Bonus	Non-monetary	Other benefits	Super-annuation	Other	LSL	Options	Total
2011	$	$	$	$	$	$	$	$	$
Executive									
Cheng Jew Keng	72,000	6,000	-	500	-	-	-	-	78,500
Faris Azmi Abdul Rahman	72,000	-	-	500	-	-	-	-	72,500
Non-Executive									
Dato' Ramiah Anpalagan (Passed away on 13 June 2011)	72,000	-	-	-	-	-	-	-	72,000
Moo Hean Chong	72,000	-	-	-	-	-	-	-	72,000
Yeo Wee Thow	72,000	-	-	-	-	-	-	-	72,000
Total	360,000	6,000	-	1,000	-	-	-	-	367,000

C Service agreements

On 16 November 2009 the Company renewed the Executive Service Agreement with Mr Cheng Jew Keng ("Renewed ESA"). Under the Renewed ESA, Mr Cheng is engaged by the Company to provide services to the Company in the capacity of Operations Director. Mr Cheng is to be paid a salary of $120,000 per annum ($72,000 with effect from April 2010) (exclusive of superannuation entitlement) subject to review annually by the Company. Mr Cheng's employment is for a term of 3 years commencing 16 November 2009 which may be extended by mutual agreement. The Company may at its sole discretion terminate Mr Cheng's employment by giving not less than 3 months' written notice if at any time Mr Cheng becomes incapacitated by illness or injury that prevents him from performing his duties; by giving 1 month's written notice if at any time Mr Cheng commits any serious breach of the Agreement or demonstrates incompetence with regard to the performance of his duties under the Agreement or summarily without notice if at any time Mr Cheng is convicted of any major criminal offence. Mr Cheng may terminate his employment if at any time the Company commits any serious or persistent breach of the Agreement or by giving 3 months' written notice to the Company.

On 16 November 2009 the Company renewed the Executive Service Agreement with Mr Faris Azmi Abdul Rahman ("Renewed ESA"). Under the Renewed ESA, Mr Faris is engaged by the Company to provide services to the Company in the capacity of Finance Director. Mr Faris is to be paid a salary of $120,000 per annum. This was adjusted to $72,000 per annum with effective from April 2010 and adjusted to $48,000 per annum with effective from September 2011 (exclusive of superannuation entitlement) subject to review annually by the Company. Mr Faris's employment is for a term of 3 years commencing 16 November 2009 which may be extended by mutual agreement. The Company may at its sole discretion terminate Mr Faris's employment by giving not less than 3 months' written notice if at any time Mr Faris becomes incapacitated by illness or injury that prevents him from performing his duties; by giving 1 month's written notice if at any time Mr Faris commits any serious breach of the Agreement or demonstrates incompetence with regard to the performance of his duties under the Agreement or summarily without notice if at any time Mr Faris is convicted of any major criminal offence. Mr Faris may terminate his employment if at any time the Company commits any serious or persistent breach of the Agreement or by giving 3 months' written notice to the Company.

D Share-based compensation

As at the date of this report, there were no options granted to directors.

E Additional information

Performance income as a proportion of total compensation
No performance based bonuses have been paid to key management personnel during the financial year.

End of Audited Remuneration Report

Proceedings on Behalf of the Company

No persons have applied for leave pursuant to section 237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of the consolidated entity.

Significant Events During The Year

During the year, the company has issued 5,305,250 shares for the amount of $318,315 in settlement of fees owing to directors and 7,773,597 shares for the amount of $466,416 for the settlement of advances by director, creditor and shareholders. The shares were issued at $0.06 per share.

Non-audit Services

There were no non-audit services performed during the year, by the auditor (or by another person or firm on the auditor's behalf).

Post Balance Sheet Event

There were no significant events after the financial year end date.

Competent Person Statement

The information in this report that relates to mineral resources is based on a resource estimates complied by Mr. Edward Radley, Member of the AusIMM who is also a full time employee and Senior Resource Consultant of Ravensgate. Mr. Radley 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 Radley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's Independence Declaration

The auditor's independence declaration is included on page 16 of the financial report.

Signed in accordance with a resolution of the board of directors.

On behalf of the Directors

Faris Azmi Abdul Rahman
Director

Kuala Lumpur, 28 September 2012

Bentleys
THINKING AHEAD

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Coal FE Resources Limited and its Controlled Entities for the financial year ended 30 June 2012, 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 audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully

BENTLEYS
Chartered Accountants

RANKO MATIC CA
Director

DATED at PERTH this 28th day of September 2012

Bentleys
THINKING AHEAD

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Independent Auditor's Report

To the Members of Coal FE Resources Limited

We have audited the accompanying financial report of Coal FE Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Basis for Adverse Opinion

Exploration and Evaluation Expenditure Asset

As disclosed in note 7(a) to the financial report the Consolidated Entity has recorded exploration and evaluation expenditure with a carrying value of $1,847,485 and represents a significant asset of the Consolidated Entity. During the year the company has not performed exploration activities on the projects, and as discussed in the going concern paragraph below is dependent on successfully raising capital in order to execute an exploration program. Furthermore the exploration license for the Palapa Project (consisting of $825,004 of the Exploration and Evaluation Expenditure Asset balance) has expired and as a consequence the consolidated entity no longer has the right to tenure over this area of interest. Therefore in accordance with *AASB 6 Exploration for and Evaluation of Mineral Resources* these costs should have been impaired resulting in an increase in the loss for the year of $825,004.

Development Asset

The Consolidated Entity has recorded development expenditure with a carrying value of $2,335,488 as disclosed in Note 7(b) and represents a significant asset of the Consolidated Entity. The reasonableness of the carrying value of development assets has been based on the key estimates as described in Note 1(r) which is based upon projected discounted cash flows, and at the date of this report the eventual outcome of these projections remains uncertain and as such there is a material uncertainty with regard to the carrying value of the asset.

Going Concern

As disclosed in Note 1 to the financial statements, the financial report has been prepared on the going concern basis, which contemplates continuity of normal activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of $472,575 (2011: $708,936) after generating royalty income of $398,071 (2011: $120,536) via its Joint Mining Agreement with PT Toba Jaya.

As at 30 June 2012, the Group has a cash balance of $15,857 (2011: $12,280) and a working capital deficit of $1,433,933 (2011: $2,537,294). Included in the working capital deficit are payables to directors of $714,601 (2011: $1,043,311).

The ability of the Consolidated Entity to continue to pay its debts as and when they fall due is dependent upon the Consolidated Entity successfully raising sufficient working capital and generating sufficient cash flows from its Abadi coal project in the form of royalty income.

Should the Consolidated Entity not be successful in capital raisings or meet its projected royalty income, it may be necessary to sell some of its assets, farm-out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Consolidated Entity may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

As a result of these matters, a material uncertainty exists which may cast significant doubt on the Consolidated Entity's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business, as described above. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Adverse Opinion

In our opinion because of the significance of each of the matters discussed in the above Basis for Adverse Opinion paragraph, the financial report does not present a true and fair view of the financial position of Coal FE Resources Limited and its Controlled Entities as at 30 June 2012, and of their financial performance and their cash flows for the year then ended in accordance with Australian Accounting Standards and the *Corporations Act 2001.*

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Coal FE Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Bentleys

BENTLEYS
Chartered Accountants

RANKO MATIC CA
Director

DATED at PERTH this 28th day of September 2012

Directors' Declaration

The directors of the company declare that:

1. the accompanying financial statements and notes as set out on pages 21 to 50 are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and consolidated entity;
   c. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements.
2. the Operations Director and the Finance Director, who perform the functions of a Chief Executive Officer and a Chief Financial Officer respectively, have each declared that:
   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;
3. 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.

On behalf of the Directors

Faris Azmi Abdul Rahman
Director

Kuala Lumpur, 28 September 2012

Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2012

		Consolidated	
	Note	2012 $	2011 $
Revenue	2(a)	398,071	102,536
Employee benefits expense	2(b)	(272,564)	(307,943)
Depreciation and amortisation expense	2(b)	(4,582)	(4,582)
Consulting expense		(181,131)	(105,793)
Occupancy expense		-	(12,606)
Amortisation of royalty assets	7(b)	(291,936)	(217,411)
Administration expenses		(120,433)	(163,137)
Loss before income tax (expense)/benefit	2(b)	(472,575)	(708,936)
Income tax (expense)/benefit relating to ordinary activities	3	-	-
Loss for the year		(472,575)	(708,936)
Other comprehensive income/(loss):			
Exchange differences on translation of foreign operations		24,850	(548,936)
Other comprehensive income/(loss) for the year net of tax		-	-
Total comprehensive income/(loss)		(447,725)	(1,257,872)
Loss Attributable to:			
Members of the parent		(472,447)	(682,698)
Non-controlling interest		(128)	(26,238)
		(472,575)	(708,936)
Total comprehensive income/(loss) Attributable to:			
Equity holder of parent		(447,597)	(1,231,634)
Minority Interest		(128)	(26,238)
		(447,725)	(1,257,872)
Loss per share:			
Basic and diluted (cents per share)	15	0.53	0.83

The Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Financial Position as at 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Current assets			
Cash and cash equivalents	23(a)	15,857	12,280
Trade and other receivables	6	159,156	-
Total current assets		175,013	12,280
Non-current assets			
Trade and other receivables	6	-	131,545
Mining and exploration assets	7	4,182,973	4,813,201
Goodwill	8	-	-
Property, plant and equipment	9	133,353	137,935
Total non-current assets		4,316,326	5,082,681
Total assets		4,491,339	5,094,961
Current liabilities			
Trade and other payables	10	932,414	1,239,969
Financial liabilities	11	676,532	1,309,605
Total current liabilities		1,608,946	2,549,574
Total liabilities		1,608,946	2,549,574
NET ASSETS		2,882,393	2,545,387
Equity			
Issued capital	12	8,176,919	7,392,188
Reserves	13	(113,524)	(138,374)
Minority interest		35,581	35,709
Accumulated losses	14	(5,216,583)	(4,744,136)
TOTAL EQUITY		2,882,393	2,545,387

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Changes in Equity for the financial year ended 30 June 2012

	Attributable to equity holders				
For the year ended 30 June 2012	**Issued Capital $**	**Exchange Reserve $**	**Accumulated Losses $**	**Minority Interest $**	**Total Equity $**
At beginning of year	7,392,188	(138,374)	(4,744,136)	35,709	2,545,387
Issued during the year	784,731	-	-	-	784,731
Total comprehensive income	-	24,850	(472,447)	(128)	(447,725)
At end of year	8,176,919	(113,524)	(5,216,583)	35,581	2,882,393

	Attributable to equity holders				
For the year ended 30 June 2011	**Issued Capital $**	**Exchange Reserve $**	**Accumulated Losses $**	**Minority Interest $**	**Total Equity $**
At beginning of year	7,392,188	410,562	(4,061,438)	61,947	3,803,259
Total comprehensive income	-	(548,936)	(682,698)	(26,238)	(1,257,872)
At end of year	7,392,188	(138,374)	(4,744,136)	35,709	2,545,387

The Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Cash Flows
for the financial year ended 30 June 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Receipt from royalty fees		366,306	102,536
Payments to suppliers and employees		(362,621)	(444,241)
Net cash from/(used in) operating activities	23(b)	3,685	(341,705)
Cash flows from financing activities			
Repayment of advance		-	(371,731)
Advance from related parties		-	203,616
Net cash provided by financing activities		-	(168,115)
Net increase/(decrease) in cash and cash equivalents		3,685	(509,820)
Effects of exchange rate changes on cash and cash equivalents		(108)	(550)
Cash and cash equivalents at the beginning of the financial year		12,280	522,650
Cash and cash equivalents at the end of the financial year	23(a)	15,857	12,280

The Statement of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements 30 June 2012

1. Summary of accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report covers the consolidated group of Coal FE Resources Ltd and controlled entities (the Group). Coal FE Resources is a listed public company, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the directors on 30 September 2012.

Going concern

The financial report have been prepared on the going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group incurred a loss for the year of $472,575 (2011: $708,936) after generating royalty income of $398,071 (2011: $120,536) via its Joint Mining Agreement with PT Toba Jaya.

As at 30 June 2012, the Group has a cash balance of $15,857 (2011:$12,280) and a working capital deficit of $1,433,933 (2011: $2,537,294). Included in the working capital deficit are payables to directors of $714,601 (2011: $1,043,311). The payables are non-interest bearing and do not have any fixed repayment terms however the directors have pledged financial support to the company and will not recall on the debt until the company has sufficient cash flow.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have the assurance of support from substantial shareholders when additional funds are required to meet the Group's obligations for the next twelve months.
- Production has commenced in the Group's Abadi project which will generate sufficient cash flows,
- the Directors have an appropriate plan to contain certain operating and exploration expenditure to match the availability of funding.

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising sufficient working capital and generating sufficient cash flows from its Abadi coal project.

Should the Group not be successful in capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Group may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments related to the recoverability an classification of asset carrying amount or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

1. Summary of accounting policies (cont'd)

Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) Financial instruments

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

1. Summary of accounting policies (cont'd)

Investments
Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets
Shares and options held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 24. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Financial assets at fair value through profit or loss
The consolidated entity classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described below.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing methods.

(d) Financial instruments issued by the company
Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

1. Summary of accounting policies (cont'd)

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

1. Summary of accounting policies (cont'd)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Intangible assets
Goodwill
Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Exploration and Evaluation Expenditure
Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Development Assets
Upon a project reaching the stage where the technical feasibility and commercial viability of extracting the mineral resources are demonstrable, exploration and evaluation expenditure are re-classified as royalty assets. Development assets are valued in the accounts at cost of acquisition and are amortised at a rate of 10% p.a. over the period in which their benefits are expected to be realised .The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

1. Summary of accounting policies (cont'd)

(i) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the consolidated entity financial statements.

(j) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(k) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity except to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group Companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

1. Summary of accounting policies (cont'd)

(m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 18 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the surplus is credited to profit and loss in the period of acquisition.

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the Equity section of the consolidated statement of financial position and in the consolidated statement of comprehensive income.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(n) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

1. Summary of accounting policies (cont'd)

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate (%)
• Office Building	2
• Furniture and Fittings	10
• Office Equipment	10

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition

Dividend, interest and royalty revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. Royalty is recognised on a receivable basis.

(q) Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimate — impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of exploration and evaluation expenditure and for the year ended 30 June 2012.

1. Summary of accounting policies (cont'd)

Key judgement – Recoverability of Exploration Expenditure
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. The amount of such capitalised expenditure is disclosed in Note 7 to the financial statements.

Key Estimate – Carrying value of Development Assets

When a project has reached the stage where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and are capable of earning a royalty income, that part of the capitalised expenditure is classified separately as royalty assets. The carrying value and recoverability of the royalty assets is based on the net present value calculation on the project. The calculation used cash flow projections based on the following assumptions:

- JORC compliant coal resource held at 34.5 million metric tonnes
- Yearly production of 900,000 metric tonnes
- Royalty receivable at USD2.50 per metric tonne
- Discount rate 10%

Key Judgment – Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Key Estimate – Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

(s) New Accounting Standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.
The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect

1. Summary of accounting policies (cont'd)

of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.
  The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

  This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.
  Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.
  The amendments are not expected to significantly impact the Group.
- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009–11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.
  AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

Summary of accounting policies (cont'd)

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009–11, 2010–7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

  AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.

  AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value.

These Standards are not expected to significantly impact the Group.

- AASB 2011–9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011–8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

(i) for an offer that may be withdrawn – when the employee accepts;

(ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and

(iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

2. Loss from operations

	Consolidated 2012 $	Consolidated 2011 $
(a) Revenue		
Royalty fees	398,071	102,536

(b) Loss before income tax

Loss before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations:

	Consolidated 2012 $	Consolidated 2011 $
Depreciation of non-current assets	4,582	4,582
Rent of office premises	-	12,606
Employee benefits		
Salaries and wages	272,564	307,943

3. Income tax expense

	Consolidated 2012 $	Consolidated 2011 $
(a) Income tax recognised in profit or loss		
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-
The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(472,447)	(682,698)
Income tax benefit calculated at 30%	(141,734)	(204,810)
Tax effect of:		
Non-taxable income	-	-
Non-deductible expenses	88,955	131,444
Unused tax losses and temporary differences not recognised as deferred tax assets	59,111	81,281
Less: Share issue expense recognised directly in equity	(6,332)	(7,915)
Income tax attributable to operating loss	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

3. Income tax expense (cont'd)

	Consolidated 2012 $	Consolidated 2011 $
(b) Deferred tax assets		
Tax losses – revenue	1,408,297	1,349,186
Tax losses – capital	31,660	39,575
	1,439,957	1,388,761
Set-off deferred tax liabilities – 3 (c)	(554,246)	(554,246)
Net deferred tax assets	885,711	834,515
(c) Deferred tax liabilities		
Exploration expenditure	554,246	554,246
Set off deferred tax assets – 3 (b)	(554,246)	(554,246)
Net deferred tax liabilities	-	-
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	885,711	834,515

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2012, other than to the extent of deferred tax liability, because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

(i) the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
(ii) the company continues to comply with conditions for deductibility imposed by law; and
(iii) no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure

4. Interests of key management personnel (KMP)

The KMP are as follows:

Chan Foo Khee	Chairman
Julian Cheng Jew Keng	Operations Director
Faris Azmi Abdul Rahman	Finance Director
Moo Hean Chong	Director
Yeo Wee Thow	Director

Refer to the Remuneration Report contained in the Report of the Directors for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2012 $	2011 $
Short-term employee benefits	260,001	367,000
Post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	260,001	367,000

KMP Options and Rights Holdings

There were no outstanding options as at 30 June 2012 and 30 June 2011.

KMP Shareholdings

The number of ordinary shares in Coal FE Resources Limited held by each KMP of the Group during the financial year ended 30 June 2012 is as follows:

Fully paid ordinary shares of Coal FE Resources Ltd

Direct

Director	Balance at 01/07/11 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/12 No.
Cheng Jew Keng	1,220,000	-	-	1,598,458	2,818,458
Faris Azmi Abdul Rahman	1,220,000	-	-	1,706,792	2,926,792
Moo Hean Chong	1,050,000	-	-	3,623,260	4,673,260
Yeo Wee Thow	10,251,318	-	-	964,000	11,215,318
	13,741,318	-	-	7,892,510	21,633,828

The shares issued during the year were for the repayment of unpaid directors fees and advances from previous years as approved at the annual general meeting held on 29 November 2011.

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 20: Related Party Transactions. For details of loans from KMP, refer to Note 10: Trade and Other Payables

5. Auditors' remuneration

	Consolidated 2012 $	Consolidated 2011 $
Remuneration of the auditor of the parent entity:		
Audit or review of the financial report		
Current year	30,000	20,600
Remuneration of other auditors of subsidiaries:		
Audit fees of subsidiaries	18,844	22,357

The auditor of Coal FE Resources Ltd is Bentleys. The subsidiaries were audited by other firms.

6. Trade and other receivables

	Consolidated 2012 $	Consolidated 2011 $
Current trade and other receivables		
Trade receivables	43,768	-
Goods and services tax (GST) recoverable	4,856	-
Withholding tax on royalty income	72,366	-
Other	38,166	-
	159,156	-
Non-current trade and other receivables		
(i) Advances to related parties	-	131,545
	-	131,545

	Consolidated 2012 $	Consolidated 2011 $
(i) Advances to related parties:		
Paid to PT Pancaran Surya Abadi, ("PPSA") pertaining to the Cooperation Agreement to mine, produce and market the coal under the concession area in Muara Badak East Kalimantan granted by the Government of Indonesia to PT Pancaran Surya Abadi. The advances are interest-free and are to be recovered against royalty payments due to PPSA after the mine commences production	-	131,545
	-	131,545

7. Mining and exploration assets

		Consolidated 2012 $	Consolidated 2011 $
Exploration and evaluation phase – at cost	(a)	1,847,485	1,847,485
Development assets – at cost	(b)	2,335,488	2,965,716
		4,182,973	4,813,201
(a) Cost carried forward in respect of areas of interest in ongoing projects:			
Balance at beginning of financial year		1,847,485	2,187,085
Exchange difference		-	(320,658)
Transfer to royalty assets at cost		-	(18,942)
Balance at end of financial year		1,847,485	1,847,485
(b) Balance at beginning of financial year		2,965,716	2,097,723
Transfer from exploration expenditure		-	18,942
Acquired during the year		-	230,310
Transfer from advance to related party		-	1,143,519
Amortisation of development assets		(291,936)	(217,411)

7. Mining and exploration assets (cont'd)

	Consolidated 2012 $	Consolidated 2011 $
Reversal of advance from PT Toba Jaya	(338,292)	(1,008,828)
Reclassification from goodwill (Note 8)	-	1,009,017
Exchange difference	-	(307,556)
Balance at end of financial year	2,335,488	2,965,716

The development assets were previously described as mining and exploration assets but are now classified as development assets as the project has reached the stage where the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and are capable of earning a royalty income pursuant to the joint mining management agreement signed with PT Toba Jaya. Amortisation of the development assets commenced in tandem with the receipt of royalty income.

8. Goodwill

	Consolidated 2012 $	Consolidated 2011 $
Balance at beginning of financial year	-	1,009,017
Goodwill on acquisition of subsidiaries	-	-
Reclassification to royalty assets	-	(1,009,017)
Balance at end of financial year	-	-

The balance of the goodwill at the end of the financial year pertains to the acquisition of PT Techventure Indocoal ("PTTI"). There is no impairment in goodwill carried forward as the underlying asset value of PTTI exceeds the carrying cost of the investment in PTTI. Following the transfer of the capitalized exploration expenditure from the subsidiary to the Company, the related goodwill has correspondingly been reclassified to mining and exploration assets as disclosed in Note 7.

9. Property, plant and equipment

	Consolidated			
	Office Building $	Furniture and Fittings $	Office Equipment $	Total $
Gross carrying amount				
Balance at beginning of financial year	140,000	17,076	746	157,822
Additions	-	-	-	-
Balance at end of financial year	140,000	17,076	746	157,822

	Consolidated			
	Office Building $	Furniture and Fittings $	Office Equipment $	Total $
Accumulated depreciation				
Balance at beginning of financial year	12,133	7,415	339	19,887
Depreciation expense	2,800	1,707	75	4,582
Balance at end of financial year	14,933	9,122	414	24,469
Net book value				
As at end of financial year	125,067	7,954	332	133,353

	Consolidated 2012 $	2011 $
10. Trade and other payables		
Current trade and other payables		
Due to directors(i)	714,601	1,043,311
Other	217,813	196,658
	932,414	1,239,969

(i) The amount of $475,711 in outstanding fees and advances owing to directors had been settled by issuance of 7,928,510 shares of the Company. The shares were issued at the price of $0.06 per share.

The amount due to directors are non interest bearing and do not have any fixed repayment terms.

The amounts due to the directors as at the date of year end closing are as follows:

Director	2012 $	2011 $
Chan Foo Khee	28,000	-
Cheng Jew Keng	95,907	191,815
Faris Azmi Abdul Rahman	132,074	186,815
Moo Hean Chong	247,063	410,791
Yeo Wee Thow	89,667	96,000
Dato' Ramiah Anpalagan(Passed away on 13 June 2011)	121,890	157,890
	714,601	1,043,311

	Consolidated 2012 $	2011 $
11. Financial liabilities		
Advance from PT Toba Jaya (i)	226,681	675,681
Loan from shareholder(i)	180,000	360,000
Other	269,851	273,924
	676,532	1,309,605

(i) These are unsecured, are interest-free and have no fixed term of repayment.

12. Issued capital

	Consolidated 2012 $	Consolidated 2011 $
95,518,100 (2011:82,439,253) fully paid ordinary shares	8,176,919	7,392,188

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the consolidated entity does not have a limited amount of authorised capital and issued shares do not have a par value.

	2012 No	2012 $	2011 No.	2011 $
Fully paid ordinary shares				
Balance at beginning of the financial year	82,439,253	7,392,188	82,439,253	7,392,188
Share issue – 17 January 2012 at $0.06 per share	13,078,847	784,731	-	-
Balance at end of financial year	95,518,100	8,176,919	82,439,253	7,392,188

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

During the year, the company has issued 13,078,847 to settle amount due by company of $784,731.

Capital risk management

The consolidated entity's and the Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the consolidated entity's activities, being mineral exploration, the consolidated entity does not have ready access to credit facilities, with the primary source of funding being equity raisings and internally generated cash flow. Therefore, the focus of the consolidated entity's capital risk management is the current working capital position against the requirements of the consolidated entity to meet exploration programmes and corporate overheads. The consolidated entity's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

	Consolidated 2012 $	Consolidated 2011 $
Cash and cash equivalents	15,857	12,280
Trade and other receivables	159,156	-
Trade and other payables *	(217,813)	(104,288)
Working capital position	(42,800)	(92,008)

* Excluding $714,601 (2011: $1,043,311) being fees due to directors who have agreed to defer payment against future cash flows.

To ensure that it can continue as a going concern, the Group has obtained assurances of financial support from its substantial shareholders. It has also mitigated its liquidity risks by the measures mentioned in Note 24(f).

13. Reserves

	Consolidated 2012 $	Consolidated 2011 $
Exchange reserve	(113,524)	(138,374)
	(113,524)	(138,374)

Exchange reserve

	2012 $	2011 $
Balance at beginning of financial year	(138,374)	410,562
Currency translation differences	24,850	(548,936)
Balance at end of financial year	(113,524)	(138,374)

Share options

There are no outstanding options as at 30 June 2012. All the options over 44,362,126 ordinary shares in aggregate as disclosed in the previous financial report have expired on 31 December 2009. During the year, no options have been exercised.

14. Accumulated losses

	Consolidated 2012 $	Consolidated 2011 $
Balance at beginning of financial year	(4,744,136)	(4,061,438)
Total comprehensive income	(472,447)	(682,698)
Balance at end of financial year	(5,216,583)	(4,744,136)

15. Earnings per share

	Consolidated 2012 $	Consolidated 2011 $
Basic loss per share	0.53	0.83

The net loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2012	2011
Net loss for the year	(472,575)	(708,936)
Loss attributable to minority equity interest	128	26,238
Net loss used in calculation of basic earnings per share	(472,447)	(682,698)
Weighted average number of ordinary shares for the purposes of basic loss per share	88,978,677	82,439,253

Diluted loss per share has not been included as it results in a more favourable loss per share figure than basic loss per share

16. Commitments for expenditure

	Consolidated 2012 $	Consolidated 2011 $
Directors' remuneration commitment for ensuing year		
Executive directors' salaries and allowances	120,000	198,050
Non-executive directors' fees and allowances	144,000	144,000
Total	264,000	342,050

Exploration, evaluation & development (expenditure commitments)

The Company and its controlled entities have no minimum obligations pursuant to the terms and conditions of tenement licences and applications for tenement licences in the forthcoming year for exploration commitments. There are no exploration commitments for the time being as the Company has entered into a joint mining management agreement with a third party to commence mine operations

17. Contingent liabilities and contingent assets

In the opinion of the directors, there were no contingent liabilities as at 30 June 2012 and none were incurred in the interval between the year end and the date of this financial report.

18. Subsidiary

Name of entity	Country of Incorporation	Ownership Interest 2012 %	Ownership Interest 2011 %
PT Techventure Indocoal	Indonesia	95	95

19. Operating Segment

The consolidated entity operates predominantly in one geographical segment, being Indonesia, and in one industry, mineral mining and exploration.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the consolidated entity.

Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

19. Operating Segment cont'd

Unallocated items
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- administration and other operating expenses not directly related to a specific segment.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Exploration
The exploration segment explores for oil and gas. Segment assets including cash paid to joint venture partners for the costs associated with the exploration and are reported in this segment.

	2012		2011	
	Exploration	Total	Exploration	Total
	$	$	$	$
(a) Segment performance				
Segment revenue	398,071	398,071	102,536	102,536
Reconciliation of segment revenue of the consolidated entity				
Unallocated items				
Interest Received		-		-
Total consolidated revenue		398,071		102,536
Segment loss	336,671	336,671	304,020	304,020
Reconciliation of segment result to consolidated entity net loss				
Unallocated items				
Other		533,847		481,214
Net loss from continuing operations		472,447		682,698
(b) Segment assets				
Segment assets	4,182,973	4,182,973	4,947,128	4,947,128
Unallocated assets:				
Cash and cash equivalents		15,857		9,898
Trade and other receivables		159,156		-
Goodwill		-		-
Property & equipment		133,353		137,935
Total Group assets		4,491,339		5,094,961
(c) Segment liabilities				
Segment liabilities	226,681	226,681	919,397	919,397
Unallocated liabilities:				
Trade and other payables		1,382,265		1,630,177
Total Group liabilities		1,608,946		2,549,574

20. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 18 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in Note 4 to the financial statements. There are no other related party transactions.

(c) Transactions with other related parties

Other related parties include:
- entities with joint control or significant influence over the consolidated entity;
- associates;
- joint ventures in which the entity is a venturer;
- subsidiaries;
- other related parties.

Amounts receivable from and payable to these related parties are disclosed in notes 6 to 8 to the financial statements. All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. No interest was charged on the outstanding intercompany loan balance during the financial year.

(d) Parent entity

The ultimate parent entity in the consolidated entity is Coal FE Resources Ltd.

During the financial year, the parent entity made advances totalling $24,000 to the subsidiary, PT Techventure Indocoal, for working capital purposes. The outstanding balances at the end of the financial year are shown under Note 25.

21. Share Based Payments

On 17 January 2012, the Company issued 7,928,510 shares for the amount of $475,711 in settlement of advances and directors fees from previous years.

On the same date, 5,150,337 shares for the amount of $309,020 were issued for the settlement of advances from shareholders and repayment of creditor.

22. Events after the financial year-end date

There were no significant events after the financial year-end date.

23. Cash flow information

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated 2012 $	Consolidated 2011 $
Cash and cash at bank	15,857	12,280
	15,857	12,280

(b) Reconciliation of loss for the year to net cash flows from operating activities

	Consolidated 2012 $	Consolidated 2011 $
Loss for the year	(472,575)	(708,936)
Depreciation and amortisation of non-current assets	4,582	4,582
Exploration expenditure incurred	-	-
Exploration expenditure written off	-	-
Exchange difference	(96)	1,930
Amortisation of development assets	291,937	217,411
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(159,156)	2,139
Increase/(decrease) in liabilities:		
Trade and other payables	338,993	141,169
Net cash from/(used in) operating activities	3,685	(341,705)

(c) Reconciliation of non-cash financing and investing activities

	Consolidated 2012 $	Consolidated 2011 $
Net adjustment to mining and exploration assets in respect of reclassification of advances to and from related parties	-	134,691
Settlement of liabilities by issuing 1,3078,847 new shares	784,731	-

24. Financial instruments

(a) Financial risk management objectives

The consolidated entity's manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's board of directors.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates. The consolidated entity does not enter into derivative financial instruments to manage its exposure to interest rate.

(b) Foreign currency risk management

The Group and the parent entity operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Indonesian Rupiah.

Foreign exchange risk arises from future commercial transactions and normalized assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not normalized a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

(c) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money. However, the impact of such risk is minimal for the current year as funds levels have been low.

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored. The consolidated entity measures credit risk on a fair value basis.
Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the FRMC has otherwise cleared as being financially sound.

As at 30 June 2012, the consolidated entity has a significant amount due from a counterparty. However, it is not considered to be a credit risk as there is a royalty agreement in place to mitigate the risk.

(e) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows :

the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

(f) Liquidity risk management

Liquidity risk arises from the possibility that the consolidated entity might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.The consolidated entity manages liquidity risk by obtaining funding from a variety of sources, maintaining adequate reserves, banking facilities and reserve borrowing facilities, preparing forward looking cash flow analysis in relation to its operational activities, continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. It has also sought and obtained the support of major shareholders and creditors to mitigate the liquidity risk.

24. *Financial instruments (cont'd)*

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the balance sheet. Management expects the net outflows to be covered by the anticipated royalty income that will come on stream in the fourth quarter of 2012 and, if necessary, by shareholder advances.

Financial Liability and Financial Asset Maturity Analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables	932,414	1,239,969	-	-	-	-	932,414	1,239,969
Finance liabilities	676,532	1,309,605	-	-	-	-	676,532	1,309,605
Total contractual outflows	1,608,946	2,549,574	-	-	-	-	1,608,946	2,549,574
Total expected outflows	1,608,946	2,549,574	-	-	-	-	1,608,946	2,549,574
Financial assets — cash flows realisable								
Cash and cash equivalents	15,857	12,280	-	-	-	-	15,857	12,280
Trade, term and loans receivables	159,156	-	-	131,545	-	-	159,156	131,545
Contractual inflows	175,013	12,280	-	131,545	-	-	175,013	143,825
Contractual outflows	-	-	-	-	-	-	-	-
Total anticipated inflows	175,013	12,280	-	131,545	-	-	175,013	143,825
Net (outflow)/inflow on financial instruments	(1,433,933)	(2,537,294)	-	131,545	-	-	(1,433,933)	(2,405,749)

Sensitivity analysis (exchange differences due to translation)

2012	Carrying Amount $	Foreign Exchange Risk -5% Net Loss $	Foreign Exchange Risk -5% Equity $	Foreign Exchange Risk +5% Net Gain $	Foreign Exchange Risk +5% Equity $
Financial Assets:					
Net assets of subsidiary	362,619	(18,131)	(18,131)	18,131	18,131

2011	Carrying Amount $	Foreign Exchange Risk -5% Net Loss $	Foreign Exchange Risk -5% Equity $	Foreign Exchange Risk +5% Net Gain $	Foreign Exchange Risk +5% Equity $
Financial Assets:					
Net assets of subsidiary	382,504	(19,125)	(19,125)	19,125	19,125

25. Parent entity disclosures

	Note	2012 $	2011 $
(a) **Financial Position**			
Assets			
Current assets		173,569	9,898
Non-current assets		6,319,423	6,842,119
Total assets		6,492,992	6,852,017
Liabilities			
Current liabilities		866,649	1,147,622
Financial liabilities		1,103,472	1,650,529
Total liabilities		1,970,121	2,798,151
Equity			
Issued capital		8,176,919	7,392,188
Reserves:			
Option reserve		-	-
Accumulated losses		(3,654,048)	(3,338,322)
Total Equity		4,522,871	4,053,866

* Included in non-current liabilities is an amount of $676,663 due to subsidiary (2011: $1,167,974)

		2012 $	2011 $
(b) **Financial Performance**			
Loss for the year		(315,126)	(622,327)
Other comprehensive income		-	-
Total comprehensive income		(315,126)	(622,327)
(c) **Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries**			
No such guarantees have been given by the Parent Entity		-	-
(d) **Contingent Liabilities of the Parent Entity**			
The Parent Entity does not have any contingent liabilities as at the end of the financial year		-	-
(e) **Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity**			
The Parent Entity does not have any such commitments as at the end of the financial year		-	-

ASX additional information as at 12 September 2012

Number of holders of listed equity securities

Ordinary share capital
95,518,100 fully paid ordinary shares are held by 562 individual shareholders.
All issued ordinary shares carry one vote per share.

Listed options
None

Distribution of holders of listed equity securities

	Number of shareholders	Number of option holders
1 – 1,000	20	-
1,001 – 5,000	35	-
5,001 – 10,000	142	-
10,001 – 100,000	277	-
100,001 and over	88	-

The number of shareholders holding less than a marketable parcel is 284 given a share value of 2.5 cents per share.

Substantial shareholders

	Fully paid ordinary shares	
Ordinary shareholder	Number	%
Courage City International	12,500,000	13.09
East Asia Energy (WA) Pty Ltd	9,976,318	10.44
Accent Capital Pty Ltd	5,659,898	5.93

Twenty largest holders of ordinary shares

		Fully paid ordinary shares	
	Ordinary shareholder	Number	%
1	COURAGE CITY INTERNATIONAL	12,500,000	13.09%
2	EAST ASIA ENERGY (WA) PTY LTD	9,976,318	10.44%
3	ACCENT CAPITAL PTY LTD	5,659,898	5.93%
4	E C DAWSON SUPER PTY LTD	4,012,500	4.05%
5	MR HEAN CHONG MOO	3,623,260	3.79%
6	MR LAU SOON HWA	3,500,000	3.66%
7	MS THELAGAM ARUMUGAM	2,780,000	2.91%
8	LAMBANG BITARA SDN BHD	2,071,362	2.17%
9	MR SALEHUDDIN BINSAIDIN	2,000,000	2.09%
10	MR FARIS AZMI ABDUL RAHMAN	1,926,792	2.02%
11	MR JULIAN JEW KENG CHENG	1,818,458	1.9%
12	DBS VICKERS SECURITIES	1,800,000	1.88%
13	PHILLIP SECURITIES PTE LTD	1,481,350	1.55%
14	JF APEX SECURITIES BERHAD	1,326,023	1.39%
15	ASIA COAL CO LTD	1,200,000	1.26%
16	DMG & PARTNERS SECURITIES PTE LTD	1,003,439	1.05%
17	MR FARIS AZMI ABDUL RAHMAN	1,000,000	1.05%
18	MR SANJEEV DEWAN	1,000,000	1.05%
19	MR JULIAN JEW KENG CHENG	1,000,000	1.05%
20	MR HEAN CHONG MOO	1,000,000	1.05%