Coal FE Resources Ltd

ABN 41 121 969 819

Interim Financial Report for the Half-Year ended

31 December 2013

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Directors' Report

Your directors submit the financial report of Coal FE Resources Ltd ("the Company") and its Controlled Entities ("Consolidated Entity" or "Group") for the half-year ended 31 December 2013.

Directors

The names of the directors in office at any time during or since the end of the half year are:

Mr Chan Foo Khee (Non-Executive Independent Chairman)

Mr Cheng Jew Keng (Operations Director)

Mr Faris A Rahman (Finance Director)

Mr Moo Hean Chong (Non-Executive Director)

Mr Yeo Wee Thow (Non-Executive Director)

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Results of Operations

The loss after tax attributable to equity holders of the consolidated entity for the financial half-year ended 31 December 2013 amounted to $259,054 (2012: Loss after tax $1,289,842).

Review of Operations

Below is a summary of the consolidated entity's main resource projects and activities that have taken place throughout the period 1 July 2013 to 31 December 2013. All interested persons are encouraged to visit www.coalferesources.com for a comprehensive review of the consolidated entity's activities.

The half-year under review from July – December 2013 saw continuous efforts in producing from the Abadi Project with a 16% increase in its coal production compared to the corresponding period last year. Sale of coal was mainly in the local market as part of the Group's efforts in meeting the Domestic Market obligations imposed by the Indonesian Government.

PROJECT REVIEW

ABADI PROJECT

Activities during the half-year ended 31 December 2013

Total coal sales of 91,710 Metric Tons were recorded for the six month period under review hence giving rise to the aggregate coal sales of 248,982 Metric Tons for the whole year in 2013.   This represents approximately 40% increase in coal sales for the year as compared to that achieved in 2012

Coal prices have remained range bound at the trough of the coal price cycle over the last 12 months. The local situation is further compounded by escalations in fuel price and wages. The management of the Company and PT. Toba Jaya are reviewing the operations and monitoring the market situation closely and may adjust the production accordingly when necessary.

Coal sales during the period under review were within the domestic market with transacted prices within the range of US22 – 23 per metric tonne. As provided in the Joint Mine Management Agreement between the Company and PT. Toba Jaya, these coal sales translate into a royalty of USD1.00 per metric tonne for the Company.

PROPOSED ACQUISITION OF M/S PREMIUM ENTERPRISE SDN. BHD and ITS CURRENT STATUS

The Company announced on the 21 November 2012 that it had entered into a Memorandum of Understanding ("MOU") with the Vendors of M/S Premium Enterprise Sdn Bhd ("M/S Premium"), the 95% shareholder of PT. Toba Jaya, to acquire all paid-up and issued ordinary shares of M/S Premium ("Proposed Acquisition"). M/S Premium is the 95% shareholder of PT Toba Jaya, the mining contractor for Coal FE's Abadi coal project.

Owing to the volatility of coal prices during the period, parties to the MOU could not agree to an amicable consideration for the proposed transaction. The Company announced on 2 July 2013 that the parties unanimously decided to defer the decision and to renegotiate when the market conditions have stabilized.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 3 for the half-year ended 31 December 2013.

Signed in accordance with a resolution of the Board of Directors.

Faris A Rahman
Finance Director

Julian Cheng
Operations Director

DATED this 13th day of March 2014

Bentleys
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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 review of the financial statements of Coal FE Resources Limited for the half year ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

BENTLEYS
Chartered Accountants

DOUG BELL CA
Director

DATED at PERTH this 13th day of March 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2013

	Note	31.12.2013 $	31.12.2012 $
Revenue			
Royalties income		99,579	89,506
Employee benefits expenses		(137,437)	(137,530)
Depreciation and amortisation expenses		(146,860)	(145,969)
Consulting and management expenses		(11,127)	(96,339)
Exploration expenditure written off		-	(825,004)
Administration expenses		(63,209)	(174,506)
Net loss before income tax expense		(259,054)	(1,289,842)
Income tax expenses relating to ordinary activities		-	-
Net loss for the half-year		(259,054)	(1,289,842)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		57,960	13,174
Other comprehensive income for the period net of tax		57,960	13,174
Total comprehensive income		(201,094)	(1,276,668)
Net loss attributable to:			
Equity holders of the parent		(264,801)	(1,289,381)
Non controlling interest		5,747	(461)
		(259,054)	(1,289,842)
Total comprehensive income attributable to :			
Equity holders of the parent		(206,841)	(1,276,207)
Non controlling interest		5,747	(461)
		(201,094)	(1,276,668)
Basic loss per share (cents)		(0.28)	(1.34)

Basic loss per share is based on the weighted average number of 95,518,100 ordinary shares on issue during the period. Diluted loss per share has not been included as it results in a more favourable figure than basic loss per share.

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Financial Position

as at 31 December 2013

	Note	31.12.2013 $	30.6.2013 $
CURRENT ASSETS			
Cash and cash equivalents		2,461	51,926
Assets classified as held for sale		122,267	122,267
Trade and other receivables		58,284	47,435
TOTAL CURRENT ASSETS		183,012	221,628
NON CURRENT ASSETS			
Royalty assets	5	1,897,584	2,043,552
Property, plant and equipment		5,613	6,504
TOTAL NON CURRENT ASSETS		1,903,197	2,050,056
TOTAL ASSETS		2,086,209	2,271,684
CURRENT LIABILITIES			
Trade and other payables	6	1,135,446	232,857
Financial liabilities	7	837,632	881,000
TOTAL CURRENT LIABILITIES		1,973,078	1,113,857
NON CURRENT LIABILITIES			
Trade and other payables	6	-	843,602
TOTAL NON CURRENT LIABILITIES		-	843,602
TOTAL LIABILITIES		1,973,078	1,957,459
NET ASSETS		113,131	314,225
EQUITY			
Issued capital		8,176,919	8,176,919
Reserves		(73,080)	(131,040)
Accumulated losses		(8,028,536)	(7,763,735)
Equity attributable to owners of the parent		75,303	282,144
Non-Controlling interest		37,828	32,081
TOTAL EQUITY		113,131	314,225

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2013

	Issued Capital $	Foreign Exchange Translation Reserve $	Accumulated Losses $	Non Controlling Interest $	Total $
Balance at 1 July 2013	8,176,919	(131,040)	(7,763,735)	32,081	314,225
Net loss for the period	-	-	(264,801)	5,747	(259,054)
Other comprehensive income	-	57,960	-	-	57,960
Total comprehensive income	-	57,960	(264,801)	5,747	(201,094)
Transactions with owners in their capacity as owners	-	-	-	-	-
Balance at 31 December 2013	8,176,919	(73,080)	(8,028,536)	37,828	113,131
Balance at 1 July 2012	8,176,919	(113,524)	(5,216,583)	35,581	2,882,393
Net loss for the period	-	-	(1,289,381)	(461)	(1,289,842)
Other comprehensive income	-	13,174	-	-	13,174
Total comprehensive income	-	13,174	(1,289,381)	(461)	(1,276,668)
Transactions with owners in their capacity as owners	-	-	-	-	-
Balance at 31 December 2012	8,176,919	(100,350)	(6,505,964)	35,120	1,605,725

The accompanying notes form part of these financial statements

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2013

	Note	31.12.2013 $	31.12.2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipt from royalties fees		88,732	101,487
Payments to suppliers and employees		(138,072)	(146,032)
Net Cash Used in Operating Activities		(49,340)	(44,545)
CASH FLOWS FROM FINANCING ACTIVITIES			
Other-advances from related parties		-	52,888
Net Cash Provided by Financing Activities		-	52,888
Net (Decrease)/Increase in cash held		(49,340)	8,343
Effect of exchange rate changes on cash and cash equivalents		(125)	(65)
Cash at beginning of period		51,926	15,857
Cash at end of period		2,461	24,135

The accompanying notes form part of these financial statements

1. BASIS OF PREPARATION

These general purpose financial statements for the interim half-year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Coal FE Resources Limited (the ”Company”) and its Controlled entities (the "Consolidated entity"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the company. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the company for the year ended 30 June 2013, together with any public announcements made during the half-year.

The consolidated financial statements have been prepared on the basis of 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. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company’s 2013 annual financial report for the financial year ended 30 June 2013, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

1a) New and Revised Accounting Standards

New or revised standards and interpretations that are first effective in the current reporting period
The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year include:

- AASB 10 ‘Consolidated Financial Statements’ and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’
- AASB 11 ‘Joint Arrangements’ and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’
- AASB 12 ‘Disclosure of Interests in Other Entities’ and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’
- AASB 127 ‘Separate Financial Statements’ (2011) and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards’
- AASB 128 ‘Investments in Associates and Joint Ventures’ (2011) and AASB 2011-7 ‘Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 13 ‘Fair Value Measurement’ and AASB 2011-8 ‘Amendments to Australian Accounting Standards arising from AASB 13’
- AASB 119 ‘Employee Benefits’ (2011) and AASB 2011-10 ‘Amendments to Australian Accounting Standards arising from AASB 119 (2011)’
- AASB 2012-2 ‘Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities’
- AASB 2012-5 ‘Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle’
- AASB 2012-10 ‘Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments’

The above standards have extensive disclosure requirements, however these do not effect this half year financial report other than as disclosed in note 8 Financial Instruments.

The adoption of the above standards have not had a material impact on this half year financial report.

1. BASIS OF PREPARATION (cont'd)

1b) Going Concern

The half-year financial report has 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 period of $259,054 (2012:$1,289,842) after generating royalty income of $99,579 (2012:$89,506). As at 31 December 2013, the Group has a cash balance of $2,461 (30 June 2013:$51,926) and a working capital deficit of $1,790,066 (30 June 2013: $892,229). The Group has received letters of support subsequent to balance date from trade creditors and lenders (totaling $1,795,271 stating that they will continue their financial support of the Group for the next 12 months from the date of signing this financial report and will not call on their balance within twelve months from the date of signing the half year financial report. Taking this into account, this results in a working capital surplus of $5,205.

Furthermore the Directors have received a letter of support from PT Toba Jaya that it will continue its financial support of the Group and it has no intention to cease providing funding for the next 12 months from the date of signing this financial report to enable the Group to cover their operational and exploration expenses.

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

- production at the Abadi Project is expected to increase in the next twelve months as a result of capital expenditure planned (by PT Toba Jaya, the operator of the mine) including road improvements and installation of new coal processing and loading facilities resulting in an anticipated increase in royalty income for the Group;
- the Company anticipates disposing of its office premises which are held for sale as at 31 December 2013;
- the Directors have received letters of support from creditors and related parties to continue to support the company to enable it to pay its debts as and when they fall due;
- the Directors have an appropriate plan to contain certain expenditure to match the availability of funding.

The ability of the Group to continue as a going concern is principally dependent upon it generating sufficient cashflows from the Abadi Project, the continued support of its creditors as discussed above and managing cashflow in line with available funds. If the parties who have pledged support withdrew their support, or the cashflows from the Abadi Project do not meet the Directors' expectations the Company will be required to secure funds by raising capital from equity markets or other sources.

These conditions indicate a material uncertainty that may cast significant doubt about the ability of the Group to continue as a going concern.

The directors have prepared a cash flow forecast, which indicates that the Group will have sufficient cash flows to meet all commitments and working capital requirements for the 12 month period from the date of signing this half year financial report.

Based on the cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate.

Should the Group be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

1c) Comparative Figures

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

2. CONTINGENT ASSETS AND LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

3. SEGMENT INFORMATION

Operating Segment

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

4. SUBSEQUENT EVENT

Subsequent to period end, the company received creditor confirmations for 31 December 2013 balances recorded in Trade and Other Payables (Note 6) and Financial Liabilities (Note 7) stating that they will continue to support the company and not call upon their balances outstanding for at least twelve months from the date of this report, and as further described in Note 1b.

No other matters or circumstances have arisin since the end of the financial period which significantly affects the operations of the Group, the results of those operations or the state of affairs of the Group.

5. ROYALTY ASSETS

	31.12.2013	**30.6.2013**
	$	**$**
Royalty assets (a) – at cost less accumulated amortisation	1,897,584	2,043,552
	1,897,584	2,043,552

Pursuant to the Mining and Processing Agreement signed with PT Toba Jaya, the Consolidated Entity is entitled to royalty income based on coal mined from the Abadi Mine. The agreement specifies that royalty income is granted to the Consolidated Entity on the following basis:

1. If the selling price of coal reaches or exceeds US$35 per tonne but does not exceed US$45 per tonne, an amount of US$2.50 per tonne sold is received as a royalty.

2. If the selling price of coal reaches or exceeds US$45 per tonne an amount of US$3 per tonne sold is received as a royalty.

3. If the selling price of coal does not exceed US$35 per tonne an amount of US$1 per tonne sold is received as a royalty.

The carrying amount of the royalty asset has been subject to an impairment assessment. In assessing whether impairment is required, its carrying value is compared to its recoverable amount. The recoverable amount has been determined with reference to the assets value in use by the calculation of the net present value of the project with reference to the terms of the agreement and expected performance of the mine. The calculation used cashflow projections based on the following assumptions:

- A remaining JORC compliant coal resource of 22.36 million metric tonnes

- Yearly production of 560,000 metric tonnes in 2014 with a step-up to 3 million metric tonnes per year by 2022

- Royalty receivable at USD1.0-USD2.50 per metric tonne depending on coal sale prices as per the terms of the Mining and Processing Agreement

- Discount rate 10%

The Directors are confident that the assumptions above are reasonable and represent the Directors expectations on the performance of the mine. The calculation of the value in use is most sensitive to the production volumes able to be generated by the Operator (PT Toba Jaya) and the coal price. Should the forecasts not be met this may lead to an impairment of the carrying value of the royalty asset, and as such there is a material uncertainty which may impact the carrying value of the asset.

Notes to the Financial Statements (cont'd)

for the half-year ended 31 December 2013

6. TRADE AND OTHER PAYABLES

Current trade and other payable

	31.12.2013	30.6.2013
	$	$
Due to directors	981,102	35,999
Amount due to shareholder	68,428	80,289
Other (Non – Related Party)	85,916	116,569
Total current liabilities	1,135,446	232,857
Non-Current trade and other payable		
Due to directors	-	843,602
Total non-current liabilities	-	843,602
Total	1,135,446	1,076,459

Subsequent to period end, the company received creditor confirmations for 31 December 2013 balances recorded in Trade and Other Payables and Financial Liabilities (Note 7) stating that they will continue to support the company and not call upon their balances outstanding for at least twelve months from the date of this report, and as further described in Note 1b. This has not affected the classification of the balances as at 31 December 2013.

7. FINANCIAL LIABILITIES

	31.12.2013	30.6.2013
	$	$
Advance from PT Toba Jaya (i)	416,939	416,939
Loan from shareholder (i)	180,000	180,000
Other (Non – Related Party)	240,693	284,061
	837,632	881,000

Subsequent to period end, the company received creditor confirmations for 31 December 2013 balances recorded in Trade and Other Payables (Note 6) and Financial Liabilities stating that they will continue to support the company and not call upon their balances outstanding for at least twelve months from the date of this report, and as further described in Note 1b. This has not affected the classification of the balances as at 31 December 2013.

(i) All advances and loans to related parties and from related parties are unsecured, subordinate to other liabilities and have no fixed term of repayment. No interest was charged on the outstanding balances during the financial period.

8. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of those which are measured at cost being trade & other receivables, trade & other payables and loans & advances. The carrying amounts of these financial assets & liabilities approximate their fair value.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 4 to 11 are in accordance with the Corporations Act 2001:

    (a) complying with Accounting Standard AASB 134 Interim Financial Reporting; and

    (b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the Coal FE Resources Limited 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.

Faris Azmi bin Abdul Rahman
Director

DATED this 13th day of March 2014

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Independent Auditor's Review Report

To the Members of Coal FE Resources Limited

We have reviewed the accompanying half-year financial report of Coal FE Resources Limited ("the Company") and its Controlled Entities ("the Consolidated Entity") which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other selected explanatory information and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled during the half-year.

Directors Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

a. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 1b in the half-year financial report which indicates that the Consolidated Entity incurred a net loss of $259,054 during the half-year ended 31 December 2013 and as at that date had a working capital deficiency of $1,790,066. These conditions, along with other matters as set forth in Note 1b, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Consolidated Entity to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

Material Uncertainty Regarding Carrying Value of Royalty Asset

Without qualifying our conclusion, we draw attention to Note 5 in the half-year financial report which indicates that the carrying amount of the Royalty Asset of $1,897,584 does not exceed the recoverable amount of the asset. The reasonableness of the carrying value of the asset has been based on projected discounted cashflows using the key estimates as described in Note 5. 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.

Bentleys

BENTLEYS
Chartered Accountants

Doug Bell

DOUG BELL CA
Director

DATED at PERTH this 13th day of March 2014