



COAL FE RESOURCES LIMITED

A.B.N. 41 121 969 819

Date: 11 October 2012

Mauro Piccini
Adviser, Listings (Perth)
Australian Securities Exchange
2 The Esplanade
Perth WA 6000

RESPONSE TO ASX QUERIES

The Company refers to the letter dated 2 October 2012 from the Exchange and wishes to respond (*in italics*) to the queries raised as follows:

1. It the Company able to confirm that in the Directors' opinion the Statutory Accounts:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial performance of the Company?

The Board of directors are of the opinion that the Statutory Accounts comply with Accounting Standards however we note that there's a difference in opinion between the auditors and the Company on its exploration asset (particularly the Palapa project), As announced in prior years accounts, whilst the Palapa license has expired since 2008, the license can be renewed once payment is made. The Board of Directors take the decision that should the Company fail to revive the licence within the next six months, the Company will fully impair the AUD 825,004 (as mentioned in the Auditors' qualified report) spent on Palapa project.

While noting the difference of opinion on the treatment of mining development assets, the Board of Directors are of the opinion that the Accounts give a true and fair view of the financial performance of the company.

2. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2?

Yes. The Company expects the royalty income from Abadi and the future plans by the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.

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Corresponding Address

21 & 23 Jalan Sulaiman 3
Taman Putra Sulaiman
68000 Ampang
Selangor
MALAYSIA

T: +60 3 4260 1118
F: +60 3 4260 1117
W: www.coalferesources.cc

Registered Address

7/11 Exchange Road
Malaga WA 6090
Western Australia 6090
AUSTRALIA

T: +61 8 9209 2466
F: +61 8 9248 9033

3. If the answer to question 2 is “Yes”, please explain the basis on which the Company has formed the conclusion that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2. In your response, please address the potential impact on the financial condition of the Company if the Company is not able to meet its debts if and when they fall due.

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

In this regard, the Company has obtained confirmation from its major creditors that the amount owing to them shall only be paid once the Company is in a financial position to do so. The Company’s development asset has generated income, even though not to its predicted levels due to the fall in coal prices during 2012, the asset continues to be in production.

The royalty income is expected to increase as our JV partners; PT Toba Jaya has maintained production and further deployed new machineries to increase production from the Abadi project.

Further most debts of the Company is due to friendly parties which has given their undertaking not to call on the debts until as and when the Company is able to meet them.

4. If the answer to question 2 is “No”, please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.

Not Applicable. Please see response above.

5. Given the Adverse Opinion relates to the opinion that the Company has not complied with Accounting Standards and the Corporations Act 2001 by preparing the Statutory Accounts on a going concern basis, what is the Company’s rationale for deeming the going concern basis appropriate when preparing the Statutory Accounts? The Company should specifically address the exploration and evaluation expenditure asset, the development asset and the Company’s ability to meet its current debts as and when they fall due.

As mentioned in our response to 1 and 3 above:

“ As announced in prior years whilst the Palapa license has expired since 2008 the license can be renewed once payment is made. Should the Company fail to resolve this in the next six month the Company will fully impair the AUD 825,004 spent on Palapa project.”

“ The royalty income is expected to increase as our JV partners, PT Toba Jaya has maintained production and further deployed new machineries to increase production from the Abadi project. “

Further most debts of the Company is due to friendly parties which has given their undertaking not to call on the debts until as and when the Company is able to meet them.

6. What steps does the Company intend to take to ensure it will meet the Half Year requirements to address the going concern issues of the Company?

As mentioned above, the royalty income is expected to increase. If the cash flow position does not improve, the Company will propose a fund raising exercise to enable it to continue to meet its business objectives.

Yours faithfully,

COAL FE RESOURCES LIMITED



Faris Azmi Abdul Rahman
Executive Director



ASX Compliance Pty Limited
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square
NSW 1215

Telephone 61 2 9227 0892
Facsimile 61 2 9241 7620
www.asx.com.au

2 October 2012

Mr. Jatin Cholera
Company Secretary
Coal FE Resources Limited
7/11 Exchange Road
MALAGA WA 6090

By email: jatin@nexiacorp.com.au

Dear Jatin

Coal FE Resources Limited (the "Company")

We refer to the Company's financial report for the year ended 30 June 2012 ("the Statutory Accounts"), released to ASX Limited ("ASX") on 29 September 2012 in which the auditors report states:

"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".

Relevant listing rules and guidance

We also refer to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 12.2, which states that an entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.
- Listing Rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

We would also like to draw your attention to the definition of "aware" in Chapter 19 of the listing rules. This definition states that:

"an entity becomes aware of information if a director or executive director (in the case of a trust, director or executive officer of the responsible entity or management company) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as a director or executive officer of that entity."

Furthermore, paragraph 18 of Guidance Note 8 states:



"Once a director or executive officer becomes aware of information, he or she must immediately consider whether that information should be given to ASX. An entity cannot delay giving information to ASX pending formal sign-off or adoption by the board, for example."

Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

- "3.1A.1 A reasonable person would not expect the information to be disclosed.*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential.*
- 3.1A.3 One or more of the following applies.*
- It would be a breach of a law to disclose the information.*
 - The information concerns an incomplete proposal or negotiation.*
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure.*
 - The information is generated for the internal management purposes of the entity.*
 - The information is a trade secret."*

Questions for response

In light of the information contained in the Statutory Accounts and having regard to the listing rules referred to above, please respond to the following questions:

Financial Condition

1. Is the Company able to confirm that in the Directors' opinion the Statutory Accounts:
 - (a) comply with Accounting Standards; and
 - (b) give a true and fair view of the financial performance of the Company?
2. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2?
3. If the answer to question 2 is "Yes", please explain the basis on which the Company has formed the conclusion that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2. In your response, please address the potential impact on the financial condition of the Company if the Company is not able to meet its debts if and when they fall due.
4. If the answer to question 2 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2.



5. Given the Adverse Opinion relates to the opinion that the Company has not complied with Accounting Standards and the Corporations Act 2001 by preparing the Statutory Accounts on a going concern basis, what is the Company's rationale for deeming the going concern basis appropriate when preparing the Statutory Accounts? The Company should specifically address the exploration and evaluation expenditure asset, the development asset and the Company's ability to meet its current debts as and when they fall due.
6. What steps does the Company intend to take to ensure it will meet the Half Year requirements to address the going concern issues of the Company?

Your response should be sent to me by return e-mail. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, no later than 5.00pm WST on Friday, 7 October 2012.

Please note that ASX reserves the right, under listing rule 18.7A, to release this letter and the Company's response to the market. Accordingly, please prepare your response in a form suitable for release to the market.

If you have any queries regarding any of the above, please call me.

Yours sincerely

[sent electronically without a signature]

Mauro Piccini
Adviser, Listings (Perth)