

# **Coal FE Resources Limited and Controlled Entity**

**ABN 41 121 969 819**

Annual report for the financial year ended 30 June 2014

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**CORPORATE DIRECTORY**

<i>CHAIRMAN</i>	Chan Foo Khee
<i>MANAGING DIRECTOR</i>	Robert Swarbrick
<i>NON-EXECUTIVE DIRECTOR</i>	Faris Azmi Abdul Rahman
<i>NON-EXECUTIVE DIRECTOR</i>	Moo Hean Chong
<i>NON-EXECUTIVE DIRECTOR</i>	Yeo Wee Thow
<i>COMPANY SECRETARY</i>	Jatin Cholera
<i>REGISTERED OFFICE</i>	7/11 Exchange Road Malaga, WA 6090 Australia
<i>PRINCIPAL OFFICE</i>	21 & 23, Jalan Sulaiman 3 Taman Putra Sulaiman 68000 Ampang Selangor Darul Ehsan Malaysia
<i>AUDITORS</i>	Bentleys Level 1, 12 Kings Park Road West Perth WA 6005 Australia
<i>SHARE REGISTRAR</i>	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153 Australia
<i>STOCK EXCHANGE LISTING</i>	Australian Securities Exchange (Home Exchange: Perth, Western Australia) Code: CES

# 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 2014.

Further information about the consolidated entity's corporate governance practices is set out on the consolidated entity's website at [www.coalferesources.com](http://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 2013/2014 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**")<sup>1</sup>.

## 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 (Chairman)	1	1
Moo Hean Chong	1	1
Yeo Wee Thow	1	1

## 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
Yeo Wee Thow (Chairman)	2	2
Chan Foo Khee	2	2
Moo Hean Chong	2	2

Each of the Audit Committee Member's qualifications is 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.

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<sup>1</sup> 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.

### 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 (Chairman)	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 2014. 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**

#### ***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.

#### ***Robert Swarbrick*** ***Managing Director***

Mr. Swarbrick was appointed to the Board as Managing Director on 7 April 2014. He graduated from Griffith University, Australia with a Bachelor of Laws and Bachelor of Commerce – Accounting. Mr. Swarbrick is an experienced businessman with over 15 years experience in capital markets with position at Hartleys, Citigroup and Ord Minnett Limited and has held a senior position at Novus Capital Limited. He has conducted extensive business dealings throughout Indonesia and Singapore, including several years dealing with vendors of coal projects throughout Indonesia. Mr. Swarbrick has not held other directorships in publicly listed companies within the last three years.

#### ***Cheng Jew Keng (resigned on 31 July 2014)*** ***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 fellow 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 in Australia.

***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 in Australia.

**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 2014 amounted to \$2,303,196 (2013:\$2,550,652).

The ability of the Group to continue as a going concern is principally dependent upon it raising sufficient funds, the continued support of its creditors and managing cashflow in line with available funds. Refer to note 1 for further details. On 9 September 2014, the Company announced that it has written down the full value of the Abadi project although the tenure of the Abadi project still continues and the royalty agreement is unaffected by the impairment. On 15 September 2014, the Company announced that a General Meeting of Shareholders will be held to approve the acquisition of new projects by the Company. The detail of the Projects are set out under Review of Operations.

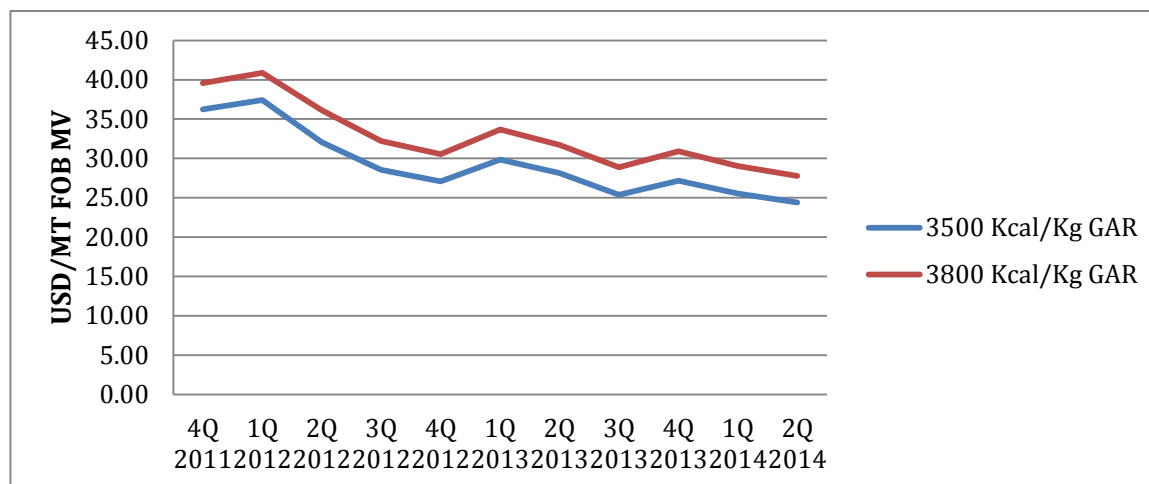
**Review of Operations**

Below is a summary of the consolidated entity's main exploration projects and activities that have taken place throughout the year to 30 June 2014. All interested persons can visit [www.coalferesources.com](http://www.coalferesources.com) for a comprehensive review of the consolidated entity's activities.



## INTRODUCTION

The year under review was a challenging one for coal producers. Indonesian coal prices have fallen almost 15% from end 2013 to our financial closing in June 2014. However, as shown in the chart below, coal prices have since moved sideways along the median prices of USD26.50 and USD30.10 for the 3500 Kcal/Kg GAR and 3800 Kcal/Kg GAR coal types respectively (see Chart 1).



### Chart : Indonesian Standard Steam Coal Prices

Source: Ministry of Energy and Mineral Resources Republic of Indonesia

The Abadi Project continued to be the Company's main focus in the face of falling coal prices, together with the review of new projects for possible acquisition..

## PROJECT REVIEW

### 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.

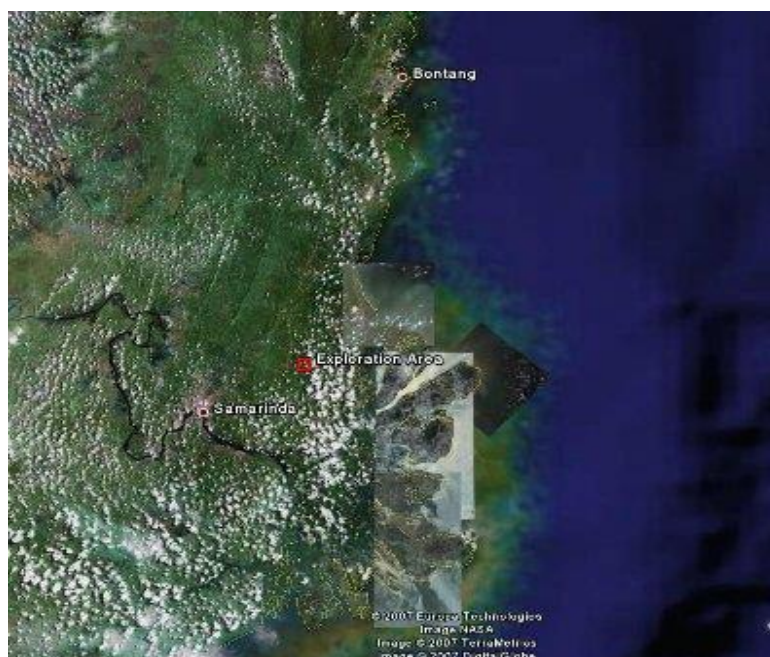


Figure 1: Location of Abadi Project

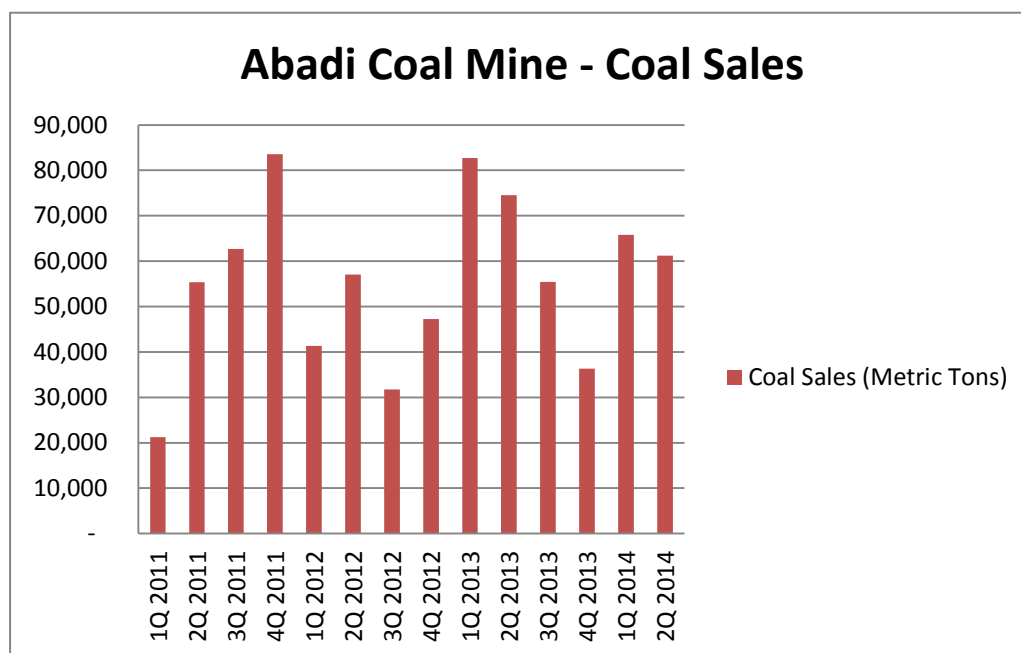
The concession area can be reached from Balikpapan by land transportation to Samarinda and hence continuing to Selo Lai Village. The exploration area is relatively easily reached by 4WD vehicles.

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.

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

Coal prices have remained range bound at the trough of the coal price cycle. 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.



Through the joint mine operation and management with PT. Toba Jaya in the Abadi Coal Project, a total sale of 186,200 Metric Tons of steam coal with calorific values of around 3,600 Kcal/kg on gross as received basis was recorded for the year.

### PROPOSED ACQUISITIONS

Following the appointment of Mr Robert Swarbrick as Managing Director on 7 April 2014, a strategic review of the Company's assets was undertaken, with the end result being a clear focus on the acquisition of higher calorific projects aimed at commanding higher prices and therefore greater margins to shareholders than the current Abadi coal project held by the Company.

On the 7 May and 24 June 2014, the Company announced the following acquisitions that could lead to a potential re-rating of the Company as a producer:

- a) 90% equity interest in PT. Mineral Sukses Makmur (MSM), a producing iron ore concession in Solok, West Sumatra; and
- b) 70% equity interest in PT. Tunggal Putra Nusantara (PTN), a high calorie anthracite coal concession in Palin, West Sumatra.

It is noted that the acquisitions will be subject to shareholder approval as set out in the Notice of Meeting announce 15 September 2014.

## **THE PROJECTS**

### ***IRON ORE***

The first acquisition will see the Company acquire a 90% interest in PT Mineral Saksur Makmur ("MSM").

MSM is the sole owner of a producing iron ore concession in Solok, West Sumatra, Indonesia which is located approximately 80km from Padang, West Sumatra. The concession is approximately 74 hectares with current production coming from a 3 hectare area, with further drilling required to define additional mineralisation on the remaining area. MSM currently holds all valid export permits, producing licences and a smelter permit, which allows MSM to produce and export product. There is limited information available about past production however based on the Company's due diligence enquiries, the Company is satisfied that MSM currently produces 62% Fe product, which is currently supplied to Krakatoa Steel, a leading Indonesian steel company.

The mined iron ore is transported by road truck to stockpiles located 40 kilometres south of the mine site where it is crushed and there is a small smelter located there also. From there the iron ore is road trucked approximately 40 kilometres to another stockpile close to Taluk Beyer Port, Padang. It is then loaded at the port onto a barge and shipped CFR West Java, Indonesia for Krakatoa Steel.

Coal Fe will acquire a 90% shareholding in MSM for cash payments of US\$2.5 million in total payable to the MSM Seller plus a US\$5 per metric ton royalty. The last date for completion of this acquisition is 7 business days (in Jakarta, Indonesia) after 20 December 2014, if all the conditions have been satisfied to allow completion to occur.

The seller of the 90% shareholding in MSM is an individual called Budi Satriadi, resident in Padang, Sumatra (MSM Seller). He currently holds 99 of the shares on issue in MSM, which comprises 99% of all the 100 shares on issue in MSM. A Conditional Share Sale and Purchase Agreement dated 20 June 2014 (MSM SPA) has been executed by the MSM Seller with the Company. The purchase price for the 90 shares in MSM to be transferred by the MSM Seller to the Company is US\$2.5 million and the payment of a royalty of US\$5 per metric ton of iron ore produced from the licence area. Of the cash consideration, US\$20,000 was paid within 5 business days of the date of execution of the agreement, US\$980,000 will be paid on the completion date, US\$1,000,000 will be paid 30 days after the completion date, and US\$500,000 will be paid 60 days after the completion date. In addition the Company has agreed that MSM will pay a royalty comprising \$5 per metric ton to the MSM Seller, Mr. Satriadi by procuring that MSM will enter into a royalty agreement at Completion.





*Current mining operations - PT Mineral Saksur Makmur*

## **COAL**

The second acquisition will see the Company acquire a 70% interest in PT Tunngal Putra Nusantara (“TPN”).

TPN is the sole owner of a high calorie anthracite coal concession in Palin, West Sumatra, Indonesia.. The concession is approximately 100 hectares with production sourced from an area of 70 hectares, and is located approximately 10 kilometres from a jetty for barging. There is limited information available about past production however based on the Company’s due diligence enquiries, the Company is satisfied that the concession ceased production due to TPN having insufficient working capital to maintain the ongoing running of the mine. The concession is close to infrastructure and has a current contract with a leading Indonesian cement factory which provides for the purchase of the product at a premium to current market prices.

The Company in its capacity as a majority shareholder in TPN intends to procure that TPN installs a wash process to improve the economics of the project. This will involve some expenditure by TPN. However it is anticipated that the proceeds of resumed production will adequately justify TPN incurring this expenditure.

Coal Fe is currently in negotiations with potential offtake parties for this premium product. The coal previously produced and sold is a highly desirable anthracite coal with product specifications as follows:

Calorific Value (kcal / kg)	7,200 K Cal/Kg (air dried basis)
Total Moisture (%)	4.96 (air dried basis)
Ash (%)	8.43 (air dried basis)
Total Sulphur (%)	2.21 (air dried basis)
(sourced from sales contracts)	

Following acquisition of a 70% shareholding in TPN by Coal Fe, it is intended that operations will recommence with a view to being in production within 2-6 months of shareholder approval. All production and export permits are in place.

Coal Fe will acquire a 70% shareholding in TPN for consideration comprising cash payments for past development costs and current exploration licence fees, totaling Rp1.5 billion, which equates to approximately US\$150,000. This payment was reduced from Rp2.5 billion under the terms of the original agreement executed in May 2014.

Coal Fe has agreed to pay an additional Rp1 billion after completion of the acquisition of the shareholdings if the

Company's survey shows that the coal reserve exceeds 150,000 metric tons in the mining area which is the subject of Production Operation Mining Business Licence issued by the Regent of Pesisir Selatan on 4 November 2009 number 516/477/Kpts/BPT-PS/2009 (IUP Operasi Produksi), owned by TPN.

In addition the Company has agreed that TPN will pay a royalty comprising \$5 per metric ton to one of the the TPN Sellers, Mr Julis by procuring that TPN will enter into a royalty agreement at Completion. The material terms of the royalty agreement to be entered into on the completion date are as follows:

TPN is under no obligation to explore, develop or mine the royalty area and retains sole discretion over its activities in that regard;

- The payment of royalty shall be made within 30 days as of the disbursement of Letter of Credit of the coal sale price acceptance;
- TPN has a right of first refusal should the royalty holder wish to assign its royalty rights and any encumbrance granted by the royalty holder over the royalty right is not effective until the party with the benefit of the encumbrance such as a lender, has agreed that its encumbrance will be subject to the royalty agreement terms; and
- Confidentiality provisions apply.

## **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.

## **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

No material matters have occurred subsequent to the end of the financial year which require reporting on other than as reported to ASX, with the most significant being:

- The resignation of Mr Julian Keng on 31 July 2014
- The announcement of a general meeting to be held on 17 October 2014 to approve the acquisition of the TPN and MSM projects, and the appointment of shares to the Managing Director.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

## **ENVIRONMENTAL REGULATIONS**

The Company carries out exploration and mining operations which are subject to environmental regulations.

The Company is responsible for ensuring compliance with regulations. During or since the financial period there have been no known significant breaches of these regulations

## **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 2014. 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 (2014: Nil ; 2013: Nil).

### 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, four board meetings were held (including circulating resolutions passed by directors).

Directors	Board of directors	
	Eligible to attend	Attended
Chan Foo Khee	4	4
Robert Swarbrick	2	2
Cheng Jew Keng	3	3
Faris Azmi Abdul Rahman	4	2
Moo Hean Chong	4	4
Yeo Wee Thow	4	3

### 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 (retired on 31 July 2014)	2,818,458	NIL
Faris Azmi Abdul Rahman	2,926,792	NIL
Moo Hean Chong	4,673,260	NIL
Yeo Wee Thow	11,251,318	NIL
Robert Swarbrick	NIL	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 Options and rights holdings
- F Shareholdings
- G Loans
- H Additional information

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

The Company received approximately 99.9% of "yes" votes on its remuneration report for the 2013 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**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.

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	Total
	Salary & fees	Bonus	Non-monetary	Other benefits	Super-annuation	Other	LSL	Options	
2014	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive</b>									
Cheng Jew Keng	72,000	-	-	-	-	-	-	-	72,000
Faris Azmi Abdul Rahman	48,000	-	-	-	-	-	-	-	48,000
Robert Swarbrick	50,000	-	-	-	4,625	-	-	-	54,625
<b>Non-Executive</b>									
Chan Foo Khee	48,000	-	-	-	-	-	-	-	48,000
Moo Hean Chong	48,000	-	-	-	-	-	-	-	48,000
Yeo Wee Thow	48,000	-	-	-	-	-	-	-	48,000
<b>Total</b>	<b>314,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>318,625</b>

	Short term benefits				Post-employment		Long Term Benefits	Equity	Total
	Salary & fees	Bonus	Non-monetary	Other benefits	Super-annuation	Other	LSL	Options	
2013	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive</b>									
Cheng Jew Keng	72,000	-	-	-	-	-	-	-	72,000
Faris Azmi Abdul Rahman	48,000	-	-	-	-	-	-	-	48,000
<b>Non-Executive</b>									
Chan Foo Khee	48,000	-	-	-	-	-	-	-	48,000
Moo Hean Chong	48,000	-	-	-	-	-	-	-	48,000
Yeo Wee Thow	48,000	-	-	-	-	-	-	-	48,000
<b>Total</b>	<b>264,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>264,000</b>

## 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) 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 is adjusted to \$72,000 per annum with effect from April 2010 and adjusted to \$48,000 per annum with effect from September 2011 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.



**C Service agreements (cont'd)**

On 7 April 2014, the Company entered into an Executive Service Agreement with Mr. Robert Swarbrick to appoint him as a Managing Director on standard employment terms with a base salary of \$200,000 (exclusive of superannuation), for a term of 4 years which may be extended by mutual agreement. The Company may terminate the agreement by giving 6 months' notice. The Company may at its sole discretion terminate Mr Swarbrick's employment if at any time Mr Swarbrick is convicted of any offence involving fraud or dishonesty or any other serious offence which is punishable by imprisonment in Australia; fails to remedy, to the reasonable satisfaction of the Board, a serious or persistent breach or default of any of the material provision of the Executive Service Agreement within 14 days of receiving notice; becomes incapacitated by illness or injury that prevents him from performing his duties for 28 consecutive days or an aggregate of 60 days in any continuous 6 month period; is absent from the business of the Company without authorisation. Mr. Swarbrick may terminate his employment on agreed terms by mutual agreement of the parties at any time.

**D Share-based compensation**

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

**E Options and rights holdings**

There were no outstanding options as at 30 June 2014 and 30 June 2013

**F 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 2014 is as follows:

Director	Balance at 01/07/13 No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 30/06/14 No.
Cheng Jew Keng	2,818,458	-	-	-	2,818,458
Robert Swarbrick	nil	-	-	-	nil
Faris Azmi Abdul Rahman	2,926,792	-	-	-	2,926,792
Moo Hean Chong	4,673,260	-	-	-	4,673,260
Yeo Wee Thow	11,215,318	-	-	-	11,215,318
	21,633,828	-	-	-	21,633,828

**G Loans**

As at 30 June 2014, the following unpaid director fees and advances were owing to the directors:

Directors	2014 \$	2013 \$
Chan Foo Khee	124,000	76,000
Cheng Jew Keng	101,907	95,907
Faris Azmi Abdul Rahman	228,074	180,074
Moo Hean Chong	343,063	295,063
Yeo Wee Thow	185,667	137,667
Dato' Ramiah Anpalagan (passed away on 13 June 2011)	91,890	94,890
Robert Swarbrick	12,148	-
	1,086,749	879,601

Additionally, an amount of \$317,500 was advanced to the Group by Robert Swarbrick. This loan is unsecured, interest free and has no fixed term of repayment.

## **H 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**

There was no significant events during the year.

### **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.

### **Auditor's Independence Declaration**

The auditor's independence declaration is included on page 18 of the financial report.

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



Faris Azmi Abdul Rahman  
Director

Kuala Lumpur, 28 September 2014

**Bentleys Audit & Corporate  
(WA) Pty Ltd**

Level 1, 12 Kings Park Road  
West Perth WA 6005

Australia

PO Box 44

West Perth WA 6872

Australia

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

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 for the financial year ended 30 June 2014, 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**



**DOUG BELL CA**  
**Director**

Dated at Perth this 28<sup>th</sup> day of September 2014

## 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 statement of financial position as at 30 June 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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.

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### 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 audit opinion.

## Independence

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

## Opinion

In our opinion:

- a. The financial report of Coal FE Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial statements also comply with *International Financial Reporting Standards* as disclosed in Note 1.

## Emphasis of matter on Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the Consolidated Entity incurred a loss for the year of \$2,303,196 during the year ended 30 June 2014. This condition, along with other matters as set forth in Note 1, 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 financial report.

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

## Opinion

In our opinion, the Remuneration Report of Coal FE Resources Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.



**BENTLEYS**  
**Chartered Accountants**



**DOUG BELL CA**  
**Director**

Dated at Perth this 28<sup>th</sup> day of September 2014

## Directors' Declaration

The directors of the company declare that:

1. the accompanying financial statements and notes as set out on pages 22 to 49 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 2014 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 Managing 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 Consolidated Entity 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 Consolidated Entity 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 made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



**Faris Azmi Abdul Rahman**  
**Director**

Kuala Lumpur, 28 September 2014

## Consolidated Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 30 June 2014

	Note	Consolidated 2014 \$	2013 \$
Revenue	2(a)	246,833	246,832
Other income	2(b)	122,004	-
Employee benefits expense	2(b)	(324,622)	(275,613)
Depreciation and amortisation expense	2(b)	(1,805)	(4,582)
Consulting and management expense		(51,855)	(159,306)
Exploration Expenditure written off	8(a)	-	(1,847,485)
Impairment Loss on Royalty Assets		(1,751,616)	
Amortisation of royalty assets	8(b)	(291,936)	(291,936)
Administration expenses		(250,199)	(218,562)
<b>Net loss before income tax expenses</b>	2(b)	(2,303,196)	(2,550,652)
Income tax expense relating to ordinary activities	3	-	-
<b>Net loss for the year</b>		<u>(2,303,196)</u>	<u>(2,550,652)</u>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>		-	-
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translation of foreign operations		53,356	(17,516)
Other comprehensive income/(loss) for the year net of tax		53,356	(17,516)
<b>Total comprehensive income</b>		<u>(2,249,840)</u>	<u>(2,568,168)</u>
Net loss attributable to:			
Equity holders of the parent		(2,315,968)	(2,547,152)
Non-controlling interest		12,772	(3,500)
		<u>(2,303,196 )</u>	<u>(2,550,652)</u>
<b>Total comprehensive income</b>			
<b>Attributable to:</b>			
<b>Equity holder of parent</b>		(2,262,612)	(2,564,668)
<b>Non-controlling interest</b>		12,772	(3,500)
		<u>(2,249,840 )</u>	<u>(2,568,168)</u>
<b>Basic loss per share(cents)</b>	15	(2.42)	(2.67)

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 2014

	Note	Consolidated	
		2014 \$	2013 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	22(a)	75,419	51,926
Trade and other receivables	6	175,708	47,435
Assets classified as held for sale	7	122,267	122,267
<b>TOTAL CURRENT ASSETS</b>		<b>373,394</b>	<b>221,628</b>
<b>NON CURRENT ASSETS</b>			
Royalty and exploration assets	8	-	2,043,552
Property, plant and equipment	9	7,386	6,504
<b>TOTAL NON CURRENT ASSETS</b>		<b>7,386</b>	<b>2,050,056</b>
<b>TOTAL ASSETS</b>		<b>380,780</b>	<b>2,271,684</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	768,365	232,857
Financial liabilities	11	334,013	881,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,102,378</b>	<b>1,113,857</b>
<b>NON CURRENT LIABILITIES</b>			
Trade and other payables	10	511,986	843,602
Financial liabilities	11	702,031	-
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>1,214,017</b>	<b>843,602</b>
<b>TOTAL LIABILITIES</b>		<b>2,316,395</b>	<b>1,957,459</b>
<b>NET ASSETS / (LIABILITIES)</b>		<b>(1,935,615)</b>	<b>314,225</b>
<b>EQUITY</b>			
Issued capital	12	8,176,919	8,176,919
Reserves	13	(77,684)	(131,040)
Accumulated losses	14	(10,079,703)	(7,763,735)
Equity attributable to owners of the parent		(1,980,468)	282,144
Non-controlling interest		44,853	32,081
<b>TOTAL EQUITY</b>		<b>(1,935,615)</b>	<b>314,225</b>

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 2014

For the year ended 30 June 2014	Attributable to equity holders				Total Equity
	Issued Capital	Exchange Reserve	Accumulated Losses	Non- Controlling Interest	
	\$	\$	\$	\$	\$
Balance at 1 July 2013	8,176,919	(131,040)	(7,763,735)	32,081	314,225
Loss for the year	-	-	(2,315,968)	12,772	(2,303,196)
Other comprehensive income	-	53,356	-	-	53,356
Total comprehensive income	-	53,356	(2,315,968)	12,772	(2,249,840)
Balance at 30 June 2014	8,176,919	(77,684)	(10,079,703)	44,853	(1,935,615)

For the year ended 30 June 2013	Attributable to equity holders				Total Equity
	Issued Capital	Exchange Reserve	Accumulated Losses	Non- Controlling Interest	
	\$	\$	\$	\$	\$
Balance at 1 July 2012	8,176,919	(113,524)	(5,216,583)	35,581	2,882,393
Loss for the year	-	-	(2,547,152)	(3,500)	(2,550,652)
Other comprehensive income	-	(17,516)	-	-	(17,516)
Total comprehensive income	-	(17,516)	(2,547,152)	(3,500)	(2,568,168)
Balance at 30 June 2013	8,176,919	(131,040)	(7,763,735)	32,081	314,225

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 2014

		Consolidated	
		2014	2013
	Note	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipt from royalty fees		138,917	346,172
Payments to suppliers and employees		(430,085)	(310,185)
<b>Net cash (used in)/provided by operating activities</b>	22(b)	(291,168)	35,987
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(2,687)	-
<b>Net cash used in operating activities</b>		(2,687)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Advance from director		317,500	-
<b>Net cash provided by financing activities</b>		317,500	-
<b>Net increase in cash and cash equivalents</b>		23,645	35,987
<b>Effects of exchange rate changes on cash and cash equivalents</b>		(152)	82
<b>Cash and cash equivalents at the beginning of the financial year</b>		51,926	15,857
<b>Cash and cash equivalents at the end of the financial year</b>	22(a)	75,419	51,926

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

# Notes to the Financial Statements 30 June 2014

## 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.

### Going concern

The 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 year of \$2,303,196 (2013:\$2,550,652) after generating royalty income of \$246,833 (2013:\$246,832). As at 30 June 2014, the Group has a cash balance of \$75,419 (2013:\$51,926), a working capital deficit of \$728,984 (2013: \$892,229) and net liabilities of \$1,935,015 (2013: net assets of \$314,225). Included in the working capital deficit are non-interest bearing payables with no fixed repayment terms of \$588,579 for which the Group has received letters of support subsequent to balance date stating that they will continue their financial support of the Group for the next 12 months from the date of signing this financial report. Taking this into account, this results in a working capital deficit of \$140,405 (2013: surplus of \$101,286).

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

- As announced 15 September 2014 via a Notice of General Meeting, the Group has signed two amended and restated conditional sale and purchase agreements (“CSPA’s”) for the acquisition of majority shareholdings in two companies holding two projects in Indonesia, and is in an advanced position in securing financing for the acquisitions. Under the first CSPA the Group acquires a 90% interest in MSM a sole owner of a producing iron ore concession in Solok, West Sumatra. The consideration comprises cash payments totalling US\$2.5 million plus a US\$5 per tonne royalty. Under the second CSPA, The Group acquires a 70% interest in TPN, the sole owner of a high calorie anthracite coal concession in West Sumatra. The cash consideration is equivalent to AUD\$136,000 plus AUD\$91,000 payable when coal reserves exceed 150,000 tonnes. The Company intends to fund the purchase price out of anticipated returns to shareholders derived from the proceeds of production from both mines together with a capital raising of \$500,000. The acquisitions are subject to shareholder approval on 17 October 2014;
- the Group has entered into a Standby Subscription Agreement for an amount up to \$2 million convertible to ordinary shares at an issue price of 80% of the 5 day VWAP preceding the drawdown;
- the Group plans to complete a capital raising to fund working capital, included in the Notice of General Meeting is a resolution to approve the issue of 50 million shares at an issue price of \$0.01 each to raise \$500,000;
- the Group 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 to the value of \$1,802,593;
- the Directors have an appropriate plan to contain certain expenditure to match the availability of funding.

**1. Summary of accounting policies (cont'd)****Going concern (cont'd)**

The ability of the Group to continue as a going concern is principally dependent upon the success of the acquisition of projects in Indonesia and related capital raisings as discussed above and managing cashflow in line with available funds.

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 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.

**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.

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**1. Summary of accounting policies (cont'd)****Financial Instruments (cont'd)**

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.

**Loans and receivables**

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

**Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

## 1. Summary of accounting policies (cont'd)

### *Valuation techniques*

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

### *Fair value hierarchy*

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

#### *Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

#### *Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

#### *Level 3*

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

- (i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or

**1. Summary of accounting policies (cont'd)**

- (ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**(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 Service 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.

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.

**1 Summary of accounting policies (cont'd)****Impairment of Assets (cont'd)**

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.

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.



**1. Summary of accounting policies (cont'd)****(h) Exploration and Evaluation Expenditure***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.

**(i) Royalty Asset**

Royalty assets are valued in the accounts at cost 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.

**(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.

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**1. Summary of accounting policies (cont'd)****Foreign Currency Transactions and Balances(cont'd)***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.

**(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.

**1. Summary of accounting policies (cont'd)****(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.

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

<b>Class of fixed asset</b>	<b>Depreciation rate (%)</b>
• 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.

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**1. Summary of accounting policies (cont'd)****(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. The Board has assessed the royalty asset for impairment as at 30 June 2014. In the face of ongoing weakness in the coal prices for the low grade Abadi Project and ongoing delays in payment of royalties by PT Toba Jaya, the Royalty Asset was impaired to nil.

*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 was fully impaired in 2013 as disclosed in Note 8 to the financial statements.

*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) Application of new and revised Accounting Standards***New and revised AASB's affecting amounts reported and/or disclosures in the financial statements*

In the current year, the Group has applied a number of new and revised AASB's issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective from an accounting period on or after 1 January 2013.

The Group has applied AASB 13 'Fair Value Measurement' for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items.

**1. Summary of accounting policies (cont'd)****Application of new and revised Accounting Standards (cont'd)**

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements.

In addition, standards on consolidation, joint arrangements, associates and disclosures were adopted. The impact of the application of these standards is not material.

***Standards and Interpretations in issue not yet adopted***

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

The Group does not anticipate that there will be a material effect on the financial statements from the adoption of these standards.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 "Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities"	1 January 2014	30 June 2015
AASB 2013-3 "Amendments to AASB 135 – Recoverable Amount Disclosures for Non Financial Assets"	1 January 2014	30 June 2015
AASB 2013-5 "Amendments to Australian Accounting Standards – Investment Entities"	1 January 2014	30 June 2015
AASB 2013-9 "Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments"	1 January 2014	30 June 2015

		Consolidated	
		2014	2013
		\$	\$
<b>2. Loss from operations</b>			
<b>(a) Revenue</b>			
Royalty income		246,833	246,832

**(b) Loss before income tax**

Loss before income tax has been arrived at after charging the following revenue/ (expenses).

		Consolidated	
		2014	2013
		\$	\$
Loan forgiveness		122,004	-
Depreciation of non-current assets		(1,805)	(4,582)
Salaries and wages		(324,622)	(275,613)

		Consolidated	
		2014	2013
		\$	\$
<b>3. Income tax expense</b>			
<b>(a) Income tax recognised in profit or loss</b>			
<b>Tax expense/(income) comprises:</b>			
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		(2,303,916)	(2,547,152)
Income tax benefit calculated at 30%		(691,174)	(764,146)
Tax effect of:			
Non-taxable income		-	-
Non-deductible expenses		613,607	675,785
Unused tax losses and temporary differences not recognised as deferred tax assets		81,619	93,427
Less: Share issue expense recognised directly in equity		(4,052)	(5,066)
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)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>(b) Deferred tax assets</b>		
Tax losses – revenue	1,577,841	1,496,658
Tax losses – capital	20,262	25,328
	1,598,103	1,521,986
Set-off deferred tax liabilities – 3 (c)	-	(306,744)
Net deferred tax assets	1,598,103	1,215,242
<b>(c) Deferred tax liabilities</b>		
Exploration expenditure	-	306,744
Set off deferred tax assets – 3 (b)	-	(306,744)
Net deferred tax liabilities	-	-
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	1,598,103	1,215,242

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2014, 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
Robert Swarbrick	Managing Director
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 2014.

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

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	314,000	264,000
Post-employment benefits	4,625	-
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	318,625	264,000

**4. Interests of key management personnel (KMP) (cont'd)****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 to KMP, refer to Note 10: Trade and Other Payables.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>5. Auditors' remuneration</b>		
Remuneration of the auditor of the parent entity:		
Audit or review of the financial report		
Current year	32,120	35,300
Remuneration of other auditors of subsidiaries:		
Audit fees of subsidiaries	-	15,054

The auditor of Coal FE Resources Ltd and subsidiaries is Bentleys.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>6. Trade and other receivables</b>		
<b>Current trade and other receivables</b>		
Trade receivables (i)	79,378	25,653
Goods and services tax (GST) recoverable	(5,414)	(5,054)
Withholding tax on royalty income	23,754	6,416
Prepayment	77,920	-
Other	70	20,420
	<b>175,708</b>	<b>47,435</b>

- (i) Trade receivables represent amounts receivable in relation to the Abadi project. This amount is past due but not impaired, on the basis that the amount owing can be used to offset the loan payable to PT Toba Jaya as noted at Note 11.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>7. Assets classified as held for sale</b>		
Assets classified as held for sale comprise the following:		
Office building at carrying amount	122,267	122,267

The Group intends to dispose of its office building in the next six months. The building is stated at its carrying amount, which is considered to be the lower of fair value less costs to sell.



8. Royalty and exploration assets	Consolidated	
	2014 \$	2013 \$
Exploration and evaluation phase – at cost	(a) -	-
Royalty assets – at cost	(b) -	2,043,552
	-	2,043,552
(a) Cost carried forward in respect of areas of interest in ongoing projects:		
Balance at beginning of financial year	-	1,847,485
Written off during the year	-	(1,847,485)
Balance at end of financial year	-	-
(b) Balance at beginning of financial year	2,043,552	2,335,488
Amortisation expense of royalty assets	(291,936)	(291,936)
Impairment loss of royalty assets	(1,751,616)	-
Balance at end of financial year	-	2,043,552

The Group has assessed its carrying amount of the Royalty Asset, and in light of the current coal prices and difficulties in recovering royalty payments, the Group has taken the conservative view to write off the royalty asset in its entirety.

## 9. Property, plant and equipment

	Consolidated		
	Furniture and Fittings \$	Office Equipment \$	Total \$
<b>Gross carrying amount</b>			
Balance at beginning of financial year	17,076	746	17,822
Additions	-	2,687	2,687
Transferred to Assets classified as held for sale	-	-	-
Balance at end of financial year	17,076	3,433	20,509
	Consolidated		
	Furniture and Fittings \$	Office Equipment \$	Total \$
<b>Accumulated depreciation</b>			
Balance at beginning of financial year	10,829	489	11,318
Depreciation expense	1,708	97	1,805
Transferred to Assets classified as held for sale	-	-	-
Balance at end of financial year	12,537	586	13,123
<b>Net book value</b>			
As at end of financial year	4,539	2,847	7,386

		<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>10. Trade and other payables</b>			
<b>Current trade and other payables</b>			
Due to directors (i)		641,779	35,999
Other		126,586	196,858
Total current liabilities		768,365	232,857
<b>Non-Current trade and other payables</b>			
Due to directors (i)		444,970	843,602
Other		67,016	-
Total non-current liabilities		511,986	843,602
Total trade and other payables		1,280,351	1,076,459

- (i) The amount due to directors are non-interest bearing and do not have any fixed repayments terms.  
The amount due to directors as at the date of year end closing are as follows:

<b>Directors</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Chan Foo Khee	124,000	76,000
Cheng Jew Keng	101,907	95,907
Faris Azmi Abdul Rahman	228,074	180,074
Moo Hean Chong	343,063	295,063
Yeo Wee Thow	185,667	137,667
Dato' Ramiah Anpalagan (passed away on 13 June 2011)	91,890	94,890
Robert Swarbrick	12,148	-
	1,086,749	879,601

		<b>Consolidated</b>	
		<b>2014</b>	<b>2013</b>
		<b>\$</b>	<b>\$</b>
<b>11. Financial liabilities</b>			
<b>Current Financial liabilities</b>			
Advance from Director (i)		317,500	-
Other		16,513	-
Total current financial liabilities		334,013	-

<b>Financial liabilities(cont'd)</b>		
Advance from PT Toba Jaya (ii)	416,939	416,939
Loan from shareholder (ii)	180,000	180,000
Other	105,092	284,061
Total non-current financial liabilities	702,031	881,000
Total financial liabilities	1,036,044	881,000
(i) This is an unsecured, interest free loan and has no fixed term of repayment obtained from director Robert Swarbrick.		
(ii) These are unsecured, are interest-free and have no fixed term of repayment.		

During the year the Group obtained a Standby Subscription Agreement for an amount of up to \$2 million convertible to ordinary shares at an issue price of 80% of the 5 day VWAP preceding the drawdown. As at 30 June 2014 nil had been drawn down.

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<b>12. Issued capital</b>		
95,518,100 (2013:95,518,100)		
fully paid ordinary shares	8,176,919	8,176,919

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.

	<b>2014</b>		<b>2013</b>	
	<b>No</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>				
Balance at beginning of the financial year	95,518,100	8,176,919	95,518,100	8,176,919
Balance at end of financial year	95,518,100	8,176,919	95,518,100	8,176,919

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

#### 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. 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	
	2014	2013
	\$	\$
<b>Capital risk management (cont'd)</b>		
Cash and cash equivalents	75,419	51,926
Trade and other receivables	175,708	47,435
Assets classified as held for sale	122,267	122,267
Trade and other payables *	(513,799)	(120,342)
Financial Liabilities #	-	-
Working capital position	(140,405)	101,286

To ensure that it can continue as a going concern, the Group has obtained assurances of financial support from its substantial shareholders and related parties (refer Note 1 for details).

	Consolidated	
	2014	2013
	\$	\$
<b>13. Reserves</b>		
Exchange reserve	(77,684)	(131,040)
	(77,684)	(131,040)

#### Exchange reserve

Balance at beginning of financial year	(131,040)	(113,524)
Currency translation differences	53,356	(17,516)
Balance at end of financial year	(77,684)	(131,040)

#### Share options

There are no outstanding options as at 30 June 2014.

	Consolidated	
	2014	2013
	\$	\$
<b>14. Accumulated losses</b>		
Balance at beginning of financial year	(7,763,735)	(5,216,583)
Loss for the year	(2,315,968 )	(2,547,152)
Balance at end of financial year	(10,079,703)	(7,763,735)

15. Earnings per share	Consolidated	
	2014	2013
	\$	\$
Basic loss per share	2.42	2.67

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

Net loss for the year	(2,303,196)	(2,550,652)
(Gain)/Loss attributable to minority equity interest	(12,772)	3,500
Net loss used in calculation of basic earnings per share	(2,315,968)	(2,547,152)
Weighted average number of ordinary shares for the purposes of basic loss per share	95,518,100	95,518,100

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

16. Commitments for expenditure	Consolidated	
	2014	2013
	\$	\$
Directors' remuneration commitment for ensuing year		
Executive directors' salaries and allowances	200,000	120,000
Non-executive directors' fees and allowances	144,000	144,000
Total	344,000	264,000

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 2014 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	
		2014 %	2013 %
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. For management purposes, the Company is organised into one main operating segment, with all of its activities interrelated. The financial information reported to the Board (Chief Operating Decision Maker) is as a single segment; accordingly all significant operating decisions are based upon analysis of the Group as one segment.

**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 the Remuneration Report.

**(b) Key management personnel remuneration**

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

**(c) Transactions with other related parties**

Amounts payable to these related parties are disclosed in notes 10 to 11 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 loans.

**(d) Parent entity**

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

The outstanding balances at the end of the financial year are shown under Note 24.

**21. Events after the financial year-end date**

- The resignation of Mr Julian Keng on 31 July 2014
- The announcement of a general meeting to be held on 17 October 2014 to approve the acquisition of the TPN and MSM projects, and the appointment of shares to the Managing Director.

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

**22. 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:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash and cash at bank	75,419	51,926
	75,419	51,926

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

Loss for the year attributable to equity holders of the parent

Other income	(122,004)	-
Depreciation and amortisation of non-current assets	1,805	4,582
Exploration expenditure written off	-	1,847,485
Impairment loss of royalty assets	1,751,616	-
Exchange difference	53,508	(17,598)
Amortisation of royalty assets	291,936	291,936

Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:

(Increase)/decrease in assets:

Trade and other receivables	(128,272)	112,071
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Increase in liabilities:

Trade and other payables	163,439	348,163
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Net cash (used in)/generated from operating activities	(291,168)	35,987
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**23. 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 movement.

**(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 2014, 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.

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 2014 and, if necessary, by shareholder advances. Note that subsequent to year end the consolidated entity has received letters of support from related parties and other creditors, confirming that they will not call on the balances for the next 12 months. The value of these payables as at 30 June 2014 is \$, however have not been factored into the maturity analysis below.

*Financial Liability and Financial Asset Maturity Analysis*

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>								
Trade and other payables (excluding est. annual leave)	768,365	232,857	511,986	843,602	-	-	1,280,351	1,076,459
Finance liabilities	334,013	881,000	702,031	-	-	-	1,036,044	881,000
Total contractual outflows	1,102,378	1,113,857	1,214,017	843,602	-	-	2,316,395	1,957,459
less bank overdrafts	-	-	-	-	-	-	-	-
Total expected outflows	1,102,378	1,113,857	1,214,017	843,602	-	-	2,316,395	1,957,459
<b>Financial assets — cash flows realisable</b>								
Cash and cash equivalents	75,419	51,926	-	-	-	-	75,419	51,926
Trade, term and loans receivables	175,708	47,435	-	-	-	-	175,708	47,435
Contractual inflows	251,127	99,361	-	-	-	-	251,127	99,361
Contractual outflows	-	-	-	-	-	-	-	-
Total anticipated inflows	251,127	99,361	-	-	-	-	251,127	99,361
Net outflow on financial instruments	(851,251)	(1,014,496)	(1,214,017)	(843,602)	-	-	(2,065,268)	(1,858,098)

*Sensitivity analysis (exchange differences due to translation)*

2014	Foreign Exchange Risk -5%		Foreign Exchange Risk +5%	
	Net Loss	Equity	Net Gain	Equity
	\$	\$	\$	\$
Foreign currency exchange rate risk	(9,141)	(9,141)	9,141	9,141
2013	Foreign Exchange Risk -5%		Foreign Exchange Risk +5%	
	Net Loss	Equity	Net Gain	Equity
	\$	\$	\$	\$
Foreign currency exchange rate risk	(17,211)	(17,211)	17,211	17,211

**24. Parent entity disclosures**

	Note	2014 \$	2013 \$
<b>(a) Financial Position</b>			
Assets			
Current assets		372,731	220,867
Non-current assets		7,386	1,265,266
Total assets		380,117	1,486,133
Liabilities			
Current liabilities		148,243	145,932
Financial liabilities		1,595,922	1,278,423
Non-current liabilities		1,050,750	843,602
Total liabilities		2,794,915	2,267,957
Equity			
Issued capital		8,176,919	8,176,919
Reserves:			
Option reserve		-	-
Accumulated losses		(10,591,717)	(8,958,743)
Total Equity		(2,414,798)	(781,824)
* Included in financial liabilities is an amount of \$661,356 due to subsidiary (2013: \$661,356)			
<b>(b) Financial Performance</b>			
Loss for the year		(1,632,975)	(5,304,695)
Other comprehensive income		-	-
Total comprehensive income		(1,632,975)	(5,304,695)
<b>(c) Guarantees Entered into by the Parent Entity in Relation to the Debts of its Subsidiaries</b>			
No such guarantees have been given by the Parent Entity		-	-
<b>(d) Contingent Liabilities of the Parent Entity</b>			
The Parent Entity does not have any contingent liabilities as at the end of the financial year		-	-
<b>(e) Commitments for the Acquisition of Property, Plant and Equipment by the Parent Entity</b>			
The Parent Entity does not have any such commitments as at the end of the financial year		-	-

**ASX additional information as at 28 September 2014**

**Number of holders of listed equity securities**

Ordinary share capital

95,518,100 fully paid ordinary shares are held by 541 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	18	-
1,001 – 5,000	34	-
5,001 – 10,000	134	-
10,001 – 100,000	265	-
100,001 and over	90	-

The number of shareholders holding less than a marketable parcel is 238 given a share value of 0.027 cents per share.

**Substantial shareholders**

Ordinary shareholder	Fully paid ordinary shares	
	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**

Ordinary shareholder	Fully paid ordinary shares	
	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	3,870,000	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 BINSALDIN	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 CITICORP NOMINEES PTY LIMITED	1,511,350	1.58%

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%