COAL FE RESOURCES LIMITED

ACN 121 969 819

NOTICE OF GENERAL MEETING,
EXPLANATORY STATEMENT
AND PROXY FORM

GENERAL MEETING OF THE COMPANY TO BE HELD AT
LEVEL 24, ROYAL EXCHANGE BUILDING, 56 PITT STREET, SYDNEY, NSW
ON 17 OCTOBER 2014 AT 10AM AEST

THIS DOCUMENT IS IMPORTANT

If you do not understand this document or are in any doubt as to how to deal with this document, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately. Should you wish to discuss the matters in this Notice of General Meeting please do not hesitate to contact the Company Secretary Jatin Cholera on +61 8 9209 2466

Included in this document is an independent expert's report commissioned by the Company for the purposes of item 7 of section 611 of the Corporations Act in relation to resolution 3. The Independent Expert has concluded that the Share issue the subject of resolution 3 is fair and reasonable to Shareholders entitled to vote on resolution 3.

www.coalferesources.com

COAL FE RESOURCES LIMITED

ACN 121 969 819

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders will be held at Level 24, Royal Exchange Building, 56 Pitt Street, Sydney, NSW on 17 October 2014 at 10am AEST for the purpose of transacting the following business.

The purpose of the attached Explanatory Statement is to provide information to Shareholders to enable each Shareholder to make an informed decision regarding the Resolutions set out in this Notice of General Meeting.

Resolutions 1 to 4 inclusive and Resolutions 6 to 8 in this Notice of General Meeting are conditional on each other. None of Resolutions 1 to 4 inclusive and Resolutions 6 to 8 will take effect unless all of Resolutions 1 to 4 inclusive and Resolutions 6 to 8 are passed. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors before voting.

The Explanatory Statement is to be read in conjunction with this Notice of General Meeting. Capitalised words and expressions in this Notice of General Meeting have the same meaning as in the Explanatory Statement and, where not defined in the Explanatory Statement, are defined in the attached Glossary.

AGENDA

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1 RESOLUTION 1 – APPROVAL OF ACQUISITION OF 90% SHAREHOLDING IN PT. MINERAL SUKSES MAKMUR

To consider and if thought fit to pass the following resolution as an ordinary resolution:

"Conditional upon Resolutions 2, 3, 4, 6,7 and 8 being passed, that for the purposes of Listing Rule 11.1.2 and for all other purposes, Shareholders approve the acquisition of a 90% shareholding in PT. Mineral Sukses Makmur, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their Associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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2 RESOLUTION 2 – APPROVAL OF ACQUISITION OF 70% SHAREHOLDING IN PT. TUNGGAL PUTRA NUSANTARA

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"Conditional upon Resolutions 1, 3, 4, 6, 7 and 8 being passed, that for the purposes of Listing Rule 11.1.2 and for all other purposes, Shareholders approve the acquisition of a 70% shareholding in PT. Tunggal Putra Nusantara, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any of their Associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3 RESOLUTION 3 – APPROVAL OF ISSUE OF SHARES TO MR ROBERT SWARBRICK

To consider and if thought fit to pass the following resolution as an ordinary resolution:

"Conditional upon Resolutions 1, 2, 4, 6, 7 and 8 being passed, that for the purposes of Item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, and Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 334,650,000 Shares at a deemed issue price of $0.00064 each (being the value of the shares as determined by the independent expert) to Managing Director Mr Robert Swarbrick or nominee on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this resolution by Mr Robert Swarbrick and any of his Associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

4 RESOLUTION 4 – APPROVAL OF ISSUE OF SHARES AND OPTIONS TO ADVISERS

To consider and if thought fit to pass the following resolution as an ordinary resolution:

"Conditional upon Resolutions 1, 2, 3, 6, 7 and 8 being passed, that for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 31,050,000 Shares at a deemed issue price of $0.00064 each (being the value of the shares as determined by the independent expert) and 4,000,000 Options, to advisers or nominees to the Company, on the terms set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this resolution by Wayne Sims, Ben Donovan and any of their respective Associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

5 RESOLUTION 5 – APPROVAL OF ISSUE OF SHARES TO SOPHISTICATED INVESTORS

To consider and, if thought fit, to pass as an ordinary resolution the following:

"That for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 50 million Shares at an issue price of $0.01 each to sophisticated investors on the terms set out in the Explanatory Statement".

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who might participate in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed, and any Associate of either. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

6 RESOLUTION 6 – APPROVAL OF RE-ELECTION OF MR ROBERT SWARBRICK AS A DIRECTOR

To consider and, if thought fit, to pass as an ordinary resolution the following:

"Conditional upon Resolutions 1, 2, 3, 4, 7 and 8 being passed, that, for all purposes, Mr Robert Swarbrick be re-elected as a Director."

7 RESOLUTION 7 – APPROVAL OF ELECTION OF MR BEN DONOVAN AS A DIRECTOR

To consider and, if thought fit, to pass as an ordinary resolution the following:

"Conditional upon Resolutions 1, 2, 3, 4, 5, 6 and 8 being passed, that, for all purposes, Mr Ben Donovan be appointed as a Director."

8 RESOLUTION 8 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass as a special resolution the following:

"Conditional upon Resolutions 1, 2, 3, 4, 5, 6 and 7 being passed, that the name Coal Fe Resources Limited be changed to Aus Asia Resources Limited with effect from 27 October 2014."

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return to the Company as follows:

In Person	**By Mail**	**By Fax**
7/11 Exchange Road	7/11 Exchange Road	Fax: +61 8 9248 9033
Malaga WA 6090	Malaga WA 6090	

Please note that the Proxy Form must be received by the Company not later than 10am (AEST) on 8 October 2014. **Proxy Forms received later than this time will be invalid.**

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the meeting.

The Company's Directors have determined that all shares of the Company that are quoted on ASX at 5.00pm (WST) on 15 October 2014 shall, for the purposes of determining voting entitlements at the General Meeting, be taken to be held by the persons registered as holding the shares at that time.

Dated this 11th day of September 2014

By order of the Board of Directors

Mr Robert Swarbrick, Managing Director

EXPLANATORY STATEMENT

Background to the Resolutions

This Explanatory Statement has been prepared for the information of Shareholders of the Company to better understand the resolutions to be put to the General Meeting to be held at Level 24, Royal Exchange Building, 56 Pitt Street, Sydney, NSW on 17 October 2014 at 10am AEST.

As announced on 7 May 2014, the Company has agreed to acquire substantial shareholdings in two Indonesian companies which own and operate a producing iron ore mine in West Sumatra, Indonesia, and a currently non operational but historically operating coal mine in West Sumatra, Indonesia, and to raise up to $500,000 as working capital. In addition Board changes are proposed to provide the necessary funding, corporate and project development skills required as a result of completing these two transactions.

As announced on 24 June 2014, as a result of the Company's due diligence enquiries, amendments to the share sale agreements were requested by the Company and agreed by the vendors, on 20 June 2014, altering the consideration payable for the shareholdings and extending the time for conducting due diligence enquiries and satisfaction of the conditions precedent from 6 November 2014 to 20 December 2014.

It is possible that prior to completion of the share sale agreements, the Company may novate the sale agreements to wholly owned subsidiaries incorporated in jurisdictions where more preferential tax treatment may result from such subsidiaries acquiring title to the shares in MSM and TPN in place of the Company. The consent of the sellers under the share sale agreements is first required for any such novations to occur.

Overview of investment in Indonesian private companies

In general Indonesia has an open foreign investment regime subject to restrictions in certain sectors. Any investment by a foreign investor in shares in a private Indonesian company requires prior regulatory approval from the Capital Investment Coordinating Board (Badan Koordinasi Penanaman Modal, or BKPM). The BKPM is guided in its decision by a presidential decree based "Negative List" setting out the extent to which foreign investors may invest in particular business sectors. A prerequisite to a foreign investor acquiring shares in a private Indonesian company is conversion of the private Indonesian company to a Penanaman Modal Asing, or PMA, that is a foreign capital investment company, for regulation by BKPM going forward.

Company law in Indonesia provide for a two tier system of governance. The president director leads the board of directors which operates as the executive management of the company. The president director is expected to be an Indonesian resident while the other directors are not. Any foreign director who becomes the president director of a private Indonesian company would require a work permit to do so.

In addition to the board of directors, the board of commissioners exists in a supervisory role and their approval may be necessary for certain matters under the constitution. There is no requirement for Indonesian residency for any commissioners of a PMA company.

Directors and Commissioners owe fiduciary duties to the company and must act in its best interests, in priority to any position the individual may hold in any shareholder in the company. This is consistent with Australian legal principles for nominee directors.

Control thresholds in Indonesian companies vary from the norm in Australia. Whilst a 50.1% shareholder has control of most matters including appointment of the board of directors and board of commissioners, some matters require 67% approval (such as changes to authorised capital and amendment to the constitution – the articles of association of the company). Some matters require 75% approval (such as merger, demerger, dissolution). Shareholders in private companies commonly enter into shareholders agreements providing for contractual agreement over certain matters, such as occurs in Australia. Minority shareholders in a reasonably strong bargaining position could successfully negotiate to have the benefit of a range of agreed reserved matters requiring their consent, despite their apparent minority holding level in the company.

BKPM requires as a matter of policy that unanimous shareholders' approval is obtained for the transfer of any shares in a PMA company regardless of what the buyer and seller may have agreed contractually.

In terms of enforcement of contracts in Indonesia, foreign court judgements are not capable of being enforced in Indonesia. Any arbitration resulting in an arbitral award (typically offshore such as Singapore, under the arbitration rules of the Singapore International Arbitration Centre) may be difficult to enforce in Indonesia. The arbitral award must be registered and then enforced through the Indonesian court system; injunctions or specific performance orders are rare in Indonesia. It is a well recognised country risk for Indonesia that parties seeking to enforce contracts in Indonesia generally look to damages as the only practical way to enforce contracts.

Acquisition of a 90% shareholding in PT. Mineral Sukses 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 at a price of US$80/MT. 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.

Summary of terms of contract with the seller

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, MrSatriadi by procuring that MSM will enter into a royalty agreement at Completion.

No security has been granted by the Company to secure performance of payment of the purchase price to the MSM Seller other than an agreement by the Company to guarantee the payments to the MSM Seller.

The MSM Seller granted the Company the right to conduct technical, legal and financial due diligence in relation to MSM over a 30 day period ending on 20 July 2014 or such other date as may be agreed by the parties, which has been extended. The Company has the unilateral right to a 7 day extension if the Company discovers something arising out of its due diligence enquiries which it requires the MSM Seller to rectify. The Company may issue a notice that it is satisfied with its due diligence enquiries within 3 business days of completion of the due diligence enquiries. If it is not satisfied the Company will issue a notice to the MSM Seller explaining why it is not satisfied and the MSM Seller will not contest it. Failure by the Company to give a notice of no satisfaction results in the Company being deemed to be satisfied with its due diligence enquiries.

The acquisition is conditional upon the following conditions precedent:

1. the MSM Seller procuring that MSM announces the proposed sale in one newspaper and to its employees no later than 30 days before the date of the meeting;
2. the MSM Seller procuring that MSM receives written permission from the Regent of Solok to the sale of the shares in MSM to the Company and the change in the board of directors and commissioners proposed;
3. the MSM Seller procuring that MSM shareholders unanimously approve the transfer of the 90 shares in MSM to the Company, MSM converting to a PMA and changes to the articles of association of MSM in relation to the conversion to a PMA;
4. the MSM Seller procuring BKPM approval to the transfer of the 90 shares in MSM to the Company;
5. the Company being satisfied or being deemed to be satisfied with the outcome of its due diligence enquiries;
6. the MSM Seller and the Company not being in breach of the MSM SPA;
7. the representations and warranties given by the MSM Seller and the Company in the MSM SPA remaining true and valid;
8. The Company obtaining shareholder approval for the acquisition of the 90 shares in MSM from the MSM Seller on the terms of the MSM SPA;
9. The MSM SPA not being in breach of Australian or Indonesian rules or regulations.

These conditions must be satisfied by 20 December 2014 but the parties will ensure that completion occurs no later than one month after the date of the Meeting, in order to comply with the requirements of Listing Rule 10.11 in relation to Resolution 3. If the conditions are not all satisfied or waived within a month after the date of the Meeting the Company may seek a waiver from ASX in order to allow the Company to issue the securities the subject of Resolution 3 later than 1 month after the date of the Meeting

The only conditions which are capable of waiver by the parties are numbers 6 and 7. Condition 8 is not capable of waiver because ASX has stipulated that shareholder approval must be sought by the Company. The completion date will occur 7 business days after the conditions above are satisfied (or waived where they are entitled to be waived).

The Company's lawyers in Indonesia have conducted legal due diligence in relation to MSM and its assets and liabilities. They have provided a legal due diligence opinion to the Board such that the Board is comfortable proceeding with the transactions on the terms proposed.

A notice of satisfaction with its due diligence enquiries was given by the Company to the MSM Seller. The remaining conditions are expected to be satisfied or waived (where possible and where considered appropriate by the Board excluding Mr Swarbrick) by the end of October 2014 to allow completion to occur within 1 month of the date of the Meeting. If the conditions are not all satisfied or waived within 1 month of the date of the Meeting,the options open to the Company are to seek a waiver from ASX in order to allow the Company to issue the securities the subject of Resolution 3 later than 1 month after the date of the Meeting, or, adjourn the Meeting to a later date to provide additional time for any un-satisfied conditions to be satisfied or waived before the resolutions are put to the Shareholders.

The MSM Seller does not give any warranties or make any representations in the MSM SPA as to the ownership of MSM in the IUP Operasis Produksi, or in relation to any other operational matters of MSM. The MSM Seller warranties relate to ownership of the shares in MSM, ability to sell the shares in MSM and that there is no legal action against MSM. The Company is entirely reliant on its own due diligence enquiries in this regard, which have been conducted by the Company's Indonesian lawyers on behalf of the Company.

The remaining 1% of the shares on issue in MSM are owned by Mr. Syamsu Kilal . The Company is entering into a shareholders agreement with Mr. Syamsu Kilal and the MSM Seller to ensure any previous agreement between the MSM shareholders is superceded with terms the Company finds acceptable. The board of directors of MSM comprises 1 director, the MSM Seller. The board of commissioners of MSM comprises Mr. Syamsu Kilal.

The material terms of the shareholders agreement to be entered into by the Company, Mr Budi Satriadi and Mr Syamsu Kilal on the completion date are as follows:

- The shareholders agree to maintain their proportionate shareholdings;
- The Company is entitled to appoint the sole President Director, 1 of 2 directors and the sole Commissioner, which effectively delivers decision making control to the Company on all matters provided additional directors and Commissioners are not appointed;
- Each shareholder is entitled to cast one vote per share held at shareholder meetings;
- Audited accounts are required to be delivered annually to the parties and at least one general meeting of shareholders must be held annually on 14 days written notice;
- A quorum of shareholders for any meeting of shareholders comprises 2/3 of the issued shares of the Company effectively meaning no shareholder meeting can be held without the Company being present;
- The minority shareholders may not transfer their shares without first offering the majority shareholder the right to acquire the shares on the same terms for an offer period of 30 days;
- The minority shareholders may not encumber their shares without the party with the benefit of the encumbrance, such as a lender, agreeing that the encumbrance will be subject to the rights of the Company under the shareholders agreement.

In addition the Company has agreed that MSM will pay a royalty comprising US$5 per metric ton which is payable to the MSM Seller, Mr Satriadi by entering into a royalty agreement at Completion. The material terms of the royalty agreement to be entered into on the completion date are as follows:

- MSM 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;
- MSM 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.

Indonesian law regulates the MSM SPA. Disputes will be resolved under the rules of the Indonesian Arbitration Centre.

Acquisition of a 70% shareholding in PT Tunngal Putra Nusantara (“TPN”)

TPN is the 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)

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.

Summary of terms of contract with the sellers

The sellers of the 70% shareholding in TPN are three individuals called Mr Dody Farlianssyah Putra, Mrs Nurmiatia Amir and Mr Abdul Kadir Julis, resident in Indonesia (TPN Seller). The board of directors of TPN comprises Mr Dody Farliansyah Putra and Mr Abdul Kadir Julis, who are two of the TPN Sellers. The board of commissioners of TPN comprises Mrs. Nurmiati Amir. The TPN Seller currently holds 6000 of the shares on issue in TPN, which comprises 100% of all the shares on issue in TPN. A Conditional Share Sale and Purchase Agreement dated 6 May 2014 (TPN SPA) has been executed by the TPN Seller with the Company. The purchase price for the 4,200 shares in TPN to be transferred by the TPN Seller to the Company is Rp1,500,000,000 (approximately US$150,000). Of that, Rp230,000,000 must be paid within 5 business days of execution of the TPN SPA (this has occurred), and a final payment of Rp1,270,000,000 will be paid on the completion date. An additional Rp1,000,000 is payable if the Company's survey post completion confirms the coal reserves on the TPN licence exceed 150,000 metric tons. No security has been granted by the Company to secure performance of payment of the purchase price to the TPN Seller other than an agreement by the Company to guarantee the payments to the TPN Seller. In addition the Company has agreed to procure that TPN will pay one of the TPN Sellers, Mr Julis, a royalty comprising US$5 per metric ton.

The TPN Seller granted the Company the right to conduct technical, legal and financial due diligence in relation to TPN over a 60 day period from 20 June 2014 or such other date as may be agreed by the parties, which has been extended. The Company has the unilateral right to a 7 day extension if the Company discovers something arising out of its due diligence enquiries which it requires the TPN Seller to rectify. The Company may issue a notice that it is satisfied with its due diligence enquiries within 3 business days of completion of the due diligence enquiries. If it is not satisfied the Company will issue a notice to the TPN Seller explaining why it is not satisfied and the TPN Seller will not contest it. Failure by the Company to give a notice of no satisfaction results in the Company being deemed to be satisfied with its due diligence enquiries.

The acquisition is conditional upon the following conditions precedent:

1. the TPN Seller procuring that TPN announces the proposed sale in one newspaper and to its employees no later than 30 days before the date of the meeting;
2. the TPN Seller procuring that TPN receives written permission from the Regent of Pesisir Selatan to the sale of the shares in TPN to the Company and the change in the board of directors and commissioners proposed;
3. the TPN Seller procuring that TPN shareholders unanimously approve the transfer of the 4,200 shares in TPN to the Company, TPN converting to a PMA and changes to the articles of association of TPN in relation to the conversion to a PMA;
4. the TPN Seller procuring BKPM approval to the transfer of the 4,200 shares in TPN to the Company;
5. the Company being satisfied or being deemed to be satisfied with the outcome of its due diligence enquiries;
6. the TPN Seller and the Company not being in breach of the TPN SPA;

7. the representations and warranties given by the TPN Seller and the Company in the TPN SPA remaining true and valid;

8. The Company obtaining shareholder approval for the acquisition of the 4,200 shares in TPN from the TPN Seller on the terms of the TPN SPA;

9. The TPN SPA not being in breach of Australian or Indonesian rules or regulations.

These conditions must be satisfied by 20 December 2014. The only conditions which are capable of waiver by the parties are numbers 6 and 7. The only condition which is capable of waiver by the Company is number 8 (although ASX has stipulated that shareholder approval must be sought by the Company). The completion date will occur 7 business days after the conditions above are satisfied (or waived where they are entitled to be waived). If the conditions are not satisfied the payment of Rp230,000,000 must be refunded to the Company by the TPN Seller.

The Company's lawyers in Indonesia have conducted legal due diligence in relation to TPN and its assets and liabilities.

They have provided a legal due diligence opinion to the Board such that the Board is comfortable proceeding with the transactions on the terms proposed.

A notice of satisfaction with its due diligence enquiries was given by the Company to the TPN Seller. The remaining conditions are expected to be satisfied or waived (where possible and where considered appropriate by the Board excluding Mr Swarbrick) by the end of October 2014 to allow completion to occur within 1 month of the date of the Meeting. If the conditions are not all satisfied or waived within 1 month of the date of the Meeting the options open to the Company are to seek a waiver from ASX in order to allow the Company to issue the securities the subject of Resolution 3 later than 1 month after the date of the Meeting, or, adjourn the Meeting to a later date to provide additional time for any un-satisfied conditions to be satisfied or waived before the resolutions are put to the Shareholders.

The TPN Seller does not give any warranties or make any representations in the TPN SPA as to the ownership of TPN in the IUP Operasis Produksi, or in relation to any other operational matters of TPN. The TPN Seller warranties relate to ownership of the shares in TPN, ability to sell the shares in TPN and that there is no legal action against TPN. The Company is entirely reliant on its own due diligence enquiries in this regard, which have been conducted by the Company's Indonesian lawyers.

The remaining 30% of the shares on issue in TPN immediately following completion will be owned by one of the TPN Sellers, Mr Abdul Kadir Julis It is a requirement of the TPN SPA that the Company enters into a shareholders agreement with the TPN Seller on the completion date. The material terms of the shareholders agreement to be entered into on the completion date are as follows:

- The shareholders agree to maintain their proportionate shareholdings;
- The Company is entitled to appoint the sole President Director, 1 of 2 directors and the sole Commissioner, which effectively delivers decision making control to the Company on all matters provided additional directors and Commissioners are not appointed;
- Each shareholder is entitled to cast one vote per share held at shareholder meetings;
- Audited accounts are required to be delivered annually to the parties and at least one general meeting of shareholders must be held annually on 14 days written notice;
- A quorum of shareholders for any meeting of shareholders comprises 2/3 of the issued shares of the Company effectively meaning no shareholder meeting can be held without the Company being present;
- The minority shareholders may not transfer their shares without first offering the majority shareholder the right to acquire the shares on the same terms for an offer period of 30 days;

- The minority shareholders may not encumber their shares without the party with the benefit of the encumbrance, such as a lender, agreeing that the encumbrance will be subject to the rights of the Company under the shareholders agreement.

Indonesian law regulates the TPN SPA. Disputes will be resolved under the rules of the Indonesian Arbitration Centre.

Funding and Capital Raising

The Company intends to fund the purchase price for the shares in MSM out of the anticipated returns to shareholders derived from the proceeds of production from both mines together with a capital raising. The Company intends to fund the purchase price for the shares in TPN out of the Company's existing cash and capital raising funds.

In addition, as announced on 7 May 2014, under resolution 5 the Company intends to raise up to $500,000 as working capital by placing 50 million shares at an issue price of $0.01 each to sophisticated investors who are not related parties of the Company. The proceeds of this placement will be used to fund the initial acquisition of the shareholdings, together with additional capital raisings and potential pre-paid off-takes, wih the future cashflows of both projects providing the ongoing working capital and profits to shareholders.

Board changes

It is proposed that current executive director Mr Faris Azmi Abdul Rahman and non-executive Director Mr Moo Hean Chong will remain on the Board, as non-executive directors, together with Mr Robert Swarbrick as Managing Director. The remaining current Board members, Mr Foo Khee Chan and Mr Yeo Wee Thow will resign from the Board. Mr Ben Donovan is proposed to join the Board as a non-executive director.

Resolutions

At the Meeting, Shareholders will be asked to pass resolutions approving:

- the acquisition of the shareholdings in MSM and TPN, because it represents a significant change to the scale of the Company's activities under ASX Listing Rule 11.1.2 (Resolutions 1 & 2);
- the issue of Shares to the Company's Managing Director Mr Robert Swarbrick (appointed by the Board on 7 April 2014) in consideration for presenting the Company with the opportunity to invest in the two projects, under ASX Listing Rule 10.11 (Resolution 3);
- the issue of 31,050,000 Shares and 4 million Options to advisers to the Company who were involved in the introduction of the two projects to the Company, which includes a related party of the Company, proposed new director Mr Ben Donovan, under ASX Listing Rule 7.1. (Approval under Listing Rule 10.11 is not necessary for the issue of securities to Mr Ben Donovan because he is only a related party by virtue of the proposed transactions such that if the transactions do not proceed the securities will not be issued to him and he will not be appointed a director of the Company (Resolution 4));
- the issue of securities by way of a placement to sophisticated investors to raise $500,000 before the costs of the issue (Resolution 5); this is the only Resolution which is not conditional on the other Resolutions being passed, on the basis that if the proposed transactions the subject of the other Resolutions do not proceed, the Company will still have the ability and the flexibility to proceed to raise capital by placing shares in accordance with Resoluution 5.
- the re-election of Mr Robert Swarbrick and the appointment of Mr Ben Donovan as Directors (Resolutions 6 & 7).

- The change of the Company name from Coal Fe Resources Limited to Aus Asia Resources Limited (Resolution 8).

It is important for Shareholders to note that Resolutions 1 to 4 and Resolutions 6 – 8 are inter-conditional, so that each of those Resolutions will not have effect unless and until the others are passed.

Independent Expert

Resolution 3 requires Shareholder approval under Item 7 of section 611 of the Corporations Act, as the Share issue the subject of resolution 3 will result in Mr Robert Swarbrick increasing his Voting Power in the Company to more than 20%. The Company has engaged Nexia Australia to prepare an Independent Expert's Report to opine on whether the Share issue the subject of resolution 3 is fair and reasonable to Shareholders entitled to vote on Resolution 3. A copy of that report is attached as Annexure A to this Notice of Meeting which Shareholders should read in full.

The Independent Expert has concluded that the Share issue is fair and reasonable to Shareholders entitled to vote on resolution 3.

Board Recommendation

Based on the Independent Expert's Report and for the reasons set out in the Explanatory Statement, the Board recommends that Shareholders vote in favour of resolutions 1 to 8. Mr Robert Swarbrick has abstained from voting after declaring a material personal interest in the outcome of resolutions 1 to 8.

This Explanatory Statement provides information that the Board believes to be material to Shareholders in deciding whether or not to pass these resolutions. The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the resolutions.

1 RESOLUTION 1 – ACQUISITION OF A 90% SHAREHOLDING IN PT. MINERAL SUKSES MAKMUR (“MSM”)

Shareholder approval is sought under Listing Rule 11.1.2 because Resolution 1 involves the Company undergoing a significant change to the scale of its activities for the purposes of ASX Listing Rule 11.1.2.

Compliance with ASX Listing Rule 11.1.2.

The following disclosures are made in relation to the Resolutions 1 and 2 since ASX has required shareholder approval for the purposes of ASX Listing Rule 11.1.2 for Resolutions 1 and 2.

A detailed summary of the terms of the MSM SPA and the TPN SPA is provided in the background to the resolutions provided at the beginning of the Explanatory Statement. Resolutions 1 and 2 are necessary in order to comply with specific requirements of Listing Rule 11.1.2 which provides generally that a company may not make a significant change to the scale or nature of its activities without first providing ASX with full details and if ASX requires it, the company must get the approval of shareholders for the purposes of Listing Rule 11.1.2.

The total purchase price payable for the 90% shareholding in MSM is US$2.5 million of which US$20,000 has been paid and US$0.5million is due to be paid on the completion date which can occur no later than 7 business days in Jakarta following a deadline of 20 December 2014 for satisfaction of all conditions. In addition a royalty of US$5 per ton is payable.

The total purchase price payable for the 70% shareholding in TPN is approximately US$150,000 which is due to be paid on the completion date which can occur no later than 7 business days in Jakarta following a deadline of 20 December 2014 for satisfaction of all conditions. In addition a royalty comprising US$5 per metric ton is payable.

Assuming both transactions complete (they are not stated in the share sale agreements to be inter conditional on the other completing and there are no rights of termination under either the MSM SPA or the TPN SPA if the other transaction does not or is clearly not going to proceed) the Company will acquire substantial shareholdings in a private Indonesian company operating an iron ore mine in Sumatra, Indonesia, and a non operational coal mining operation in Sumatra, Indonesia.

The effect of ownership of these shareholdings in MSM and TPN is shown in the unaudited adjusted balance sheet appearing in section 7.2.2 on page 16 of the Independent Expert’s report.

Summary of perceived advantages and disadvantages to the Shareholders

The Board considers that the proposed transactions have the following advantages for Shareholders:

a) There are currently no alternatives to the transactions available to the Company. In addition the Company has insufficient funds to pursue other potential investments.

b) There is a potential “upside” for CES Shareholders if the currently inoperational coal project resumes production. Typically coal requires a wash process to improve sale characteristics. 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.

c) The transactions may result in an increase in cash reserves should further funding be attracted on the merits of the two projects.

d) The transactions may result in the market re-pricing the CES Shares.

The Board considers that the proposed transactions have the following disadvantages for Shareholders:

a) The two projects are located in Indonesia which has a degree of substantial uncertainty and risks as outlined below. However the shareholders of the Company are already exposed to many of these risks because the Company's current assets are located in other regions of Indonesia.

b) 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.

c) Current Shareholders will be substantially diluted.

d) Mr Swarbrick will become the largest Shareholder of CES, and may control CES, but he will not have paid a control premium for the issue of the Shares. Mr Swarbrick's intention, as the Company's largest Shareholder is to bring both projects into full operation and use those projects to develop further opportunities in the resources sector.

Shareholders should note section 8.2 of the Independent Expert's report presenting additional advantages and disadvantages of proceeding with the transactions, including the potential for the Company to be wound up if the transaction does not occur.

2 RESOLUTION 2 – ACQUISITION OF A 70% SHAREHOLDING IN PT TUNNGAL PUTRA NUSANTARA ("TPN")

Shareholder approval is sought under Listing Rule 11.1.2 because Resolution 2 involves the Company undergoing a significant change to the scale of its activities for the purposes of ASX Listing Rule 11.1.2.

Compliance with ASX Listing Rule 11.1.2.

Disclosures for the purposes of ASX Listing Rule 11.1.2 are also included for Resolution 2, in the section above headed Resolution 1 – Acquisition of a 90% shareholding in PT. Mineral Sukses Makmur.

3 RESOLUTION 3 – ISSUE OF 334,650,000 SHARES TO MR ROBERT SWARBRICK

Shareholder approval is sought under resolution 3 for the issue of 334,650,000 Shares to the Company's Managing Director Mr Robert Swarbrick under ASX Listing Rule 10.11, section 208 of the Corporations Act and item 7 of section 611 of the Corporations Act.

The Company has, subject to shareholder approval, agreed with Mr Swarbrick to issue 345,000,000 shares Shares as an introduction fee for introducing the two projects the subject of resolutions 1 and 2 to the Company provided completion of the two share acquisitions occurs within the timeframe contemplated by the parties of 30 December 2014. The Board negotiated this quantum of shares taking into account the current position of the Company and its potentially uncertain future should the acquisition of these shareholdings in MSM and TPN not proceed. In addition the Board has imposed 12 months' voluntary escrow on the shares to be issued to Mr Swarbrick under resolution 3.

The Board's view is that the Company will have no other present alternatives for shareholders to continue as a going concern or to continue its listed company status, having regard to its current cash position and prospects generally. A possible consequence of this is that the Company may have to seek recompliance under Chapter 1 and 2 of the ASX listing rules in order to continue with ASX listed company status. In addition Shareholders should consider the disclosures in relation to resolution 5, which is not interconditional on the other resolutions being passed.

Mr Swarbrick entered into an agreement on 24 January 2014 with an entity associated with Mr Ben Donovan to allocate 3% of the cash or share consideration paid by the Company to Mr Swarbrick for introduction of MSM and TPN to the Company, if completion of the transactions occur. As such, Mr Swarbrick will be issued with 334,650,000 Shares. The deemed issue price of the 334,650,000 Shares is $0.00064, being the value of the shares as determined by the independent expert (refer to note 4 in section 7.2.2.1 and the summary on page 5 of the independent expert's report).

If the Shareholders do not approve the issue of the 334,650,000 Shares to Mr Swarbrick the consequence is the shareholdings in MSM and TPN will not be acquired, under the terms of a letter dated 26 July 2014 between the Company and Mr Swarbrick, which forms the rationale for the interconditionality of the resolutions concerning the issues of the securities and the acquisition of the shareholdings in MSM and TPN. The Board requested interconditionality of the resolutions (other than resolution 5) to ensure that if one or both share acquisitions in MSM and TPN were not approved by the Shareholders in general meeting, there was no risk that Mr Swarbrick would receive an allotment of Shares. The independent expert's also report points out on page 2 of the report that if resolution 3 is not approved for the issue of 334,650,000 shares to Mr Swarbrick then the Company's acquisition of the shareholdings in MSM and TPN under resolutions 1 and 2 will not proceed; notwithstanding this the independent expert finds the proposed issue of shares to Mr Swarbrick to be fair and reasonable having regard to the interests of the non-associated shareholders of the Company.

Should shareholder approval not be forthcoming for the resolutions (other than resolution 5) ,the Company will have no other present alternatives (other than as contemplated under resolution 5) for shareholders to continue as a going concern or to continue its listed company status, having regard to its current cash position and prospects generally. A possible consequence of this is that the Company may have to seek recompliance under Chapter 1 and 2 of the ASX listing rules in order to continue with ASX listed company status.

It is not a condition of the share sale agreements the subject of resolutions 1 and 2 that shareholders must approve the issue of any Shares to Mr Swarbrick; the share sale agreements do not make any reference to the issue of Shares to Mr Swarbrick.

Compliance with ASX Listing Rule 10.11

As a director of the Company Mr Swarbrick is a related party of the Company. In respect of the Listing Rules, as Shareholder approval is being sought under ASX Listing Rule 10.11, and item 7 of section 611 of the Corporations Act, shareholder approval is not also required under ASX Listing Rule 7.1.

The following information is required by ASX Listing Rule 10.13 for approval under ASX Listing Rule 10.11 for the issue of the Shares to Mr Swarbrick:

(a) The Shares are to be issued to Mr Swarbrick or his nominee.

(b) The maximum number of securities the Company can issue under Resolution 3 is 334,650,000 Shares. Mr Swarbrick has confirmed that these shares will be held in voluntary escrow for 12 months from the date of issue.

(c) The Company will issue the Shares on one date no later than 1 month after the date of the Meeting (or such longer period of time as ASX in its discretion allows).

(d) The Shares will be issued at a deemed issued price of $0.00064 each (being the value of the shares as determined by the independent expert). No funds will be raised from the issue of the Shares. The Shares are issued in consideration for the introduction by Mr Swarbrick of the acquisitions the subject of resolutions 1 and 2 to the Company. In addition to his ongoing responsibilities as the Company's Managing Director, Mr Swarbrick will work to bring additional acquisition opportunities to the Company.

(e) Shares will be issued on the same terms as the existing fully paid ordinary shares of the Company, the terms of which are in the public domain.

(f) A voting exclusion statement is included in the Notice of General Meeting.

Compliance with Section 208 of the Corporations Act

Under the Corporations Act, the provision of any financial benefit (which includes the issue of Shares) to a related party requires Shareholder approval in accordance with the procedure set out in Chapter 2E.1 of the Corporations Act, unless one of a number of exceptions applies. The Directors without a material personal interest in resolution 3 consider that none of the exceptions are applicable here. The following information is provided in accordance with Section 219 of the Corporations Act.

The Related Parties to Whom the Proposed Resolution Would Permit the Benefit to be Given

Mr Robert Swarbrick

The Nature of the Financial Benefit

The issue of Shares in the capital of the Company, credited as fully paid at a deemed issue price of $0.00064 each (being the value of the shares as determined by the independent expert). On issue of the Shares pursuant to resolution 3, the Company's issued share capital will increase by 334,650,000 Shares representing 77.8% of the issued share capital of the Company at that point, diluting the shareholders by a corresponding amount

Mr Robert Swarbrick does not currently hold any shares or options to subscribe for shares in the Company.

Other Information that is Reasonably Required by Members to Make a Decision and that is known to the Company or any of its Directors

The Share price at the date of preparing this Notice of Meeting is $0.025 per Share. On this basis, the implied "value" being received by Mr Swarbrick is $8,366,250. The value of the shares as determined by the independent expert is $214,176.

Trading History

Over the last 12 months the Shares have traded between 0.4 cents per Share (lowest) and 2.25 cents per Share (highest). The latest trading price available at the time of preparing this Notice of Meeting, on 11 September 2014, was $0.025 per Share.

Compliance with Item 7 of section 611 of the Corporations Act

Under Resolution 3, the Company also seeks Shareholder approval in accordance with Item 7 of section 611 of the Corporations Act from Shareholders for the issue of 345,650,000 Shares to Mr Swarbrick and his nominee on the terms and conditions set out above.

As a result of Resolution 3 being put to the Meeting, passed and implemented, the Voting Power of Mr Swarbrick and any of his Associates will exceed 20% in breach of section 606 of the Corporations Act. Under section 606 of the Corporations Act, a person must not acquire a Relevant Interest in issued voting shares of a company if because of the transaction that person's, or someone else's, Voting Power increases from:

(a) 20% or below to more than 20%; or

(b) a starting point that is above 20% and below 90%.

Under Item 7 of section 611 of the Corporations Act, section 606 of the Corporations Act does not apply in relation to any acquisition of shares in a company approved by a resolution passed at a general meeting of the company at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective Associates.

Resolution 3 seeks Shareholder approval for this increase in Voting Power under section 611 of the Corporations Act in order to allow for the increase in Voting Power caused by the issue of 334,650,000 Shares to Mr Swarbrick or his Associates.

Resolution 3 therefore also seeks Shareholder approval pursuant to section 611 of the Corporations Act now for this increase in Voting Power in order to allow the increase in Voting Power caused by the issue of 334,650,000 Shares to Mr Swarbrick.

Compliance with ASIC Regulatory Guide 74

In order for the Company to comply with the requirements of the Corporations Act, the Company has provided the information below which ASIC Regulatory Guide 74 requires the Company to provide to Shareholders when seeking approval in accordance with Item 7 of section 611 of the Corporations Act.

In addition, an independent expert is required to report on the fairness and reasonableness of the transaction as part of the information given to Shareholders at the Meeting and a copy of the independent expert's report is included as Annexure A. Nexia Australia have concluded that the proposed transaction is fair and reasonable to the non-associated Shareholders.

The expert's report concludes that the Share issue the subject of resolution 3 is fair and reasonable to non-associated Shareholders, taking into account that Resolutions 1 to 4 inclusive and resolutions 6 -8 in this Notice of General Meeting are conditional on each other. The Company strongly recommends that you read the report set out in Annexure A in full.

The Board (other than Mr Swarbrick who did not participate in voting having declared a material personal interest in resolutions 1- 3) recommends that Shareholders vote in favour of all of the resolutions.

The Chairman intends to vote all available proxies in favour of all of the resolutions.

Identity of the persons proposing to make the acquisition, their associates and relevant interests

Mr Robert Swarbrick, whose current Relevant Interest in the Company is nil.

The acquisitions will cause an increase in Voting Power of Mr Swarbrick and his Associates (together the **Swarbrick Interests**).

The maximum extent of the increase in the Voting Power in the Company that would result from the issue of the Shares under resolution 3, 4 and 5

The table below demonstrates the effect on the Voting Power of the Swarbrick Interests assuming that all shares to be issued in accordance with Resolutions 1 to 8 are issued (no other shares are issued other than those contemplated in this Notice of General Meeting) then, as a result of the shares proposed to be issued under Resolutions 1 to 8, the Swarbrick Interests will acquire a Voting Power of 65.5%.

Increase in Voting Power of Swarbrick Interests caused by:	Total Number of Shares in relation to which Swarbrick Interests have Voting Power	Cumulative Total Number of Shares on Issue	Percentage Voting Power of Swarbrick Interests
As at date of Notice of General Meeting	0	95,518,100	0%
Issue of Shares under Resolution 3	334,650,000	430,168,100	77.8%
Issue of 31,050,000 Shares under Resolution 4	0	461,218,100	72.6%
Issue of 50,000,000 Shares under Resolution 5	0	511,218,100	65.5%

This table ignores the issue of 4 million Options under resolution 4 on the basis that there is no certainty they will be exercised, which will dilute Mr Swarbrick's voting power further.

Identity, associations with the associates and qualifications of any person who is intended to or will become a Director if the Shareholders agree to the allotment

The proposal is that the Company will re-elect Mr Robert Swarbrick as a director under Resolution 6 in connection with the proposed issue of Shares in Resolution 3. Mr Swarbrick was appointed to the Board on 7 April 2014 by the Directors.

Mr Swarbrick is an experienced business man with over 15 years experience in capital markets with positions at Hartleys, Citigroup and Ord Minnett Limited and has held a senior position at Novus Capital Limited.

More importantly, Mr Swarbrick has conducted extensive business dealings throughout Indonesia and Singapore, including several years dealing with vendors of coal projects throughout Indonesia.

Mr Swarbrick brings a wealth of knowledge of both the international and domestic resource markets which are suited to the Company's objective of growing through the acquisition of additional resource projects.

***Statement of associated parties' respective intentions regarding the future of the Company if Shareholders pass Resolutions 1 to* 8**

Mr Swarbrick's involvement in introducing the two projects the subject of resolutions 1 and 2 will allow the Company to pursue its objective of acquiring higher calorific projects aimed at commanding higher prices and therefore greater margins for the benefit of the Company's shareholders than its existing Abadi coal project in Indonesia. His presence as a controlling shareholder of the Company means that the goal of greating a diversified and profitable mining company is more attainable.

Terms of the proposed allotment

The Shares the subject of Resolution 3 will be issued on the same basis as the existing fully paid ordinary shares in the Company, the terms of which are in the public domain.

When the allotment is to be completed

The shares the subject of resolution 3 will be issued no later than 1 month following the General Meeting, subject to any waiver granted by ASX permitting a late issue date to accommodate the period up to 20 December 2014 for satisfaction of the conditions precedent under the share sale agreements which the Company is entitled to.

An explanation of the reasons for the proposed allotment

The proposed allotment will reward Mr Swarbrick for introducing the projects the subject of resolutions 1 and 2 to the Company. No funds will be raised by the allotment. Given that the shares will be escrowed for 12 months from issue, the Board considers that this deferred access to any benefits derived from such a reward renders the otherwise apparently high quantum of shares a reasonable proposition, given that there are no other projects accessible to the Company to acquire in its present circumstances and given the possibility that the Company will not retain its listed status or solvent status should it continue without securing additional projects to supplement the Abadi royalty stream asset which has been recently impaired to a $nil value.

The interests of the Directors in Resolutions 1 to 8

Other than Mr Swarbrick, none of the Directors have any interest in relation to Resolutions 1 to 8. Details of the Relevant Interest for each Director as at the date of this Notice of General Meeting and following implementation of the Resolutions are set out in the table below, assuming that no options currently on issue or to be issued in accordance with the Resolutions are exercised:

Director	Relevant Interest in Shares as at date of Notice of General Meeting		Relevant Interest in Shares following implementation of Resolutions 1-7	
	Directly held	Indirectly held	Directly held	Indirectly held
Mr Foo Khee Chan* (Chairman)	Nil	Nil	Nil	Nil
Mr Robert Swarbrick (Managing Director)	Nil	Nil	334,650,000	Nil
Mr Cheng Jew Keng** (Non Exec. Director)	2,818,458	Nil	2,818,458	Nil
Mr Faris Azmi Abdul Rahman (Non-Exec Director)	2,926,792	Nil	2,926,792	Nil
Moo Hean Chong (Non-Exec Director)	4,673,260	Nil	4,673,260	Nil
Mr Yeo Wee Thow* (Non-Exec Director)	11,251,318	Nil	11,251,318	Nil

*intends to resign with effect from close of the Meeting

** resigned on 31 July 2014 but included in this table because prior to that date he was involved in the decisions to proceed with the transactions

The identity of Directors who approved or voted against the Resolution

All the Directors other than Mr Robert Swarbrick voted in favour of all resolutions at a Board Meeting convened to approve the issue of this Notice of General Meeting.

The recommendation of each Director as to whether non-associated Shareholders should agree to the allotment and the reasons

All the Directors other than Mr Robert Swarbrick recommend that Shareholders vote in favour of all the resolutions contained in this Notice of General Meeting. The Directors consider that without proceeding with the proposed acquisitions (in relation to which the Company has agreed to issue the Shares the subject of resolution 3 as an introduction fee) the Company will have no other present alternatives for shareholders to continue as a going concern or to continue its listed company status, having regard to its current cash position and prospects generally. A possible consequence of this is that the Company may have to seek recompliance under Chapter 1 and 2 of the ASX listing rules in order to continue with ASX listed company status.

Intention to change significantly the financial or dividend policies of the Company

There is no present intention by Mr Robert Swarbrick to change the financial or dividend policies of the Company.

Whether Proposal is Fair and Reasonable

The Directors have appointed Nexia Australia as Independent Expert and commissioned them to prepare an Independent Expert's Report to provide an opinion as to whether or not the proposal in resolution 3 is fair and reasonable to the Shareholders not associated with Mr Robert Swarbrick. The report is set out in Annexure A and it is recommended that Shareholders read that report in its entirety. The Directors have relied upon the Nexia Australia report in their assessment of the transaction and its reasonableness to shareholders who are not associated with Mr Swarbrick.

Nexia Australia have concluded that the proposed transaction is fair and reasonable to the non-associated Shareholders.

4 RESOLUTION 4 – APPROVAL OF ISSUE OF SHARES AND OPTIONS TO ADVISERS (OR THEIR NOMINEES) OF THE COMPANY

Compliance with ASX Listing Rule 7.1

Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares or options equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval. Resolution 4 seeks this approval under Listing Rule 7.1 for the issue of the Shares and Options to advisers (or their nominees) of the Company.

Information required by ASX Listing Rule 7.3 for approval under ASX Listing Rule 7.1:

(a) The maximum number of Shares that will be issued is 31,050,000 together with 4,000,000 Options, whose terms are set out in Annexure B.

(b) The allottees will be Wayne Sims (5,692,500 Shares and 1,100,000 Options, and Ben Donovan (15,007,500 Shares and 2,900,000 Options) under under a mandate between the Company and Precipio Capital Ltd dated 21 February 2014, and Ben Donovan (10,350,000 Shares under an agreement between Mr Swarbrick and Mr Donovan dated 24 January 2014 whereby if the Company issues introduction fee securities to Mr Swarbrick as provided for under resolution 3, Mr Swarbrick will require the Company to issue 10,350,000 Shares to Mr Donovan to which the Company has agreed by letter dated 26 July 2014, as amended);

(c) The 31,050,000 Shares and 4,000,000 Options will be issued on one date no later than 3 months after the date of Shareholder approval subject to any waiver granted by ASX to allow for a later issue date in order to accommodate the period provided for satisfaction of all conditions precedent under the share sale agreements.

(d) The Shares will be issued at a deemed issue price of $0.00064 each (being the value of the shares as determined by the independent expert) and the Options for nil consideration. No funds will be raised (except if and when Options are exercised in the future).

(e) The Shares will be issued on the same terms as the existing fully paid ordinary shares on issue in the Company, the terms of which are in the public domain. The terms of the options are set out in Annexure B.

(f) A voting exclusion statement is included in the Notice of General Meeting.

The Board unanimously recommends that Shareholders vote in favour of Resolution 4 as it allows the Company to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months. The Chairman intends to vote all available proxies in favour of Resolution 4.

5 RESOLUTION 5 – APPROVAL OF ISSUE OF SHARES TO SOPHISTICATED INVESTORS

The Company intends to raise $500,000 (before issue costs) of new funding through a placement of Shares at an issue price of $0.01 each.

This resolution is not conditional on the other resolutions being passed and it therefore permits the Company the ability to raise funds to enable the Company to pursue alternative projects should resolutions 1 and 2 not be passed, subject to comments made elsewhere in this Notice of Meeting and in its ASX announcements with regard to the Company's current cash position and prospects generally, and that a possible consequence of the Shareholders not approving acquisition of control of the projects is that the Company may have to seek recompliance under Chapter 1 and 2 of the ASX listing rules in order to continue with ASX listed company status. Funds raised pursuant to this resolution will assist the Company in that regard, should the funds not be required for working capital if control of MSM and TPN does not proceed as a result of Shareholders rejecting resolutions 1 and 2.

Compliance with ASX Listing Rule 7.1

Listing Rule 7.1 provides generally that a company may not issue shares or options to subscribe for shares or options equal to more than 15% of the company's issued share capital in any 12 months without obtaining shareholder approval. Resolution 5 seeks this approval under Listing Rule 7.1 for the issue of the Shares to sophisticated investors.

Information required by ASX Listing Rule 7.3 for approval under ASX Listing Rule 7.1:

(a) The maximum number of Shares that will be issued is 50 million.

(b) The 50 million Shares will be issued on one date no later than 3 months after the date of Shareholder approval.

(c) The Shares will be issued at a price of $0.01 each raising $500,000 in funds.

(d) The Shares will be issued on the same terms as the existing fully paid ordinary shares on issue in the Company, the terms of which are in the public domain

(e) Funds raised from the issue of the shares will be used to provide working capital for the Company's projects including those to be acquired pursuant to resolutions 1 and 2. This resolution is not conditional on the other resolutions being passed and it therefore permits the Company the ability to raise funds to enable the Company to pursue alternative projects should resolutions 1 and 2 not be passed.

(f) A voting exclusion statement is included in the Notice of General Meeting.

The Board unanimously recommends that Shareholders vote in favour of Resolution 5 as it allows the Company to retain the flexibility to issue further securities representing up to 15% of the Company's share capital during the next 12 months. Accordingly further dilution of the Shareholders' current holdings is possible without seeking shareholder approval, within the limits permitted by Listing Rule 7.1. The Chairman intends to vote all available proxies in favour of Resolution 5.

6 RESOLUTION 6 – RE- ELECTION OF MR ROBERT SWARBRICK AS A DIRECTOR

The Directors recommend that Shareholders vote in favour of re-electing Mr Robert Swarbrick as a non-executive Director. The Board appointed Mr Swarbrick as Managing Director on 7 April 2014.

Mr Swarbrick is an experienced business man with over 15 years experience in capital markets with positions at Hartleys, Citigroup and Ord Minnett Limited and has held a senior position at Novus Capital Limited.

More importantly, Mr Swarbrick has conducted extensive business dealings throughout Indonesia and Singapore, including several years dealing with vendors of coal projects throughout Indonesia.

The Chairman intends to vote all available proxies in favour of Resolution 6.

7 RESOLUTION 7 –APPOINTMENT OF MR BEN DONOVAN AS A DIRECTOR

The Directors recommend that Shareholders vote in favour of electing Mr Ben Donovan as a non-executive Director.

Mr Donovan is a member of Chartered Secretaries Australia and provides corporate advisory and consultancy services to a number of companies.

Mr Donovan is currently a director and company secretary of several ASX listed and public unlisted companies, and has extensive experience in listing rules compliance and corporate governance, having served as a Senior Adviser at the Australian Securities Exchange (ASX) in Perth, including as a member of the ASX JORC Committee.

In addition, Mr Donovan has experience in the capital markets having raised capital and assisted numerous companies on achieving a listing on ASX through initial public offerings. Mr Donovan also worked as a private client adviser at a boutique stockbroking group.

The Chairman intends to vote all available proxies in favour of Resolution 7.

8 RESOLUTION 8 – CHANGE OF COMPANY NAME

It is now proposed to change the name of the Company to Aus Asia Resources Limited with effect on and from 27 October 2014. The deferral of the effective date for the change of Company name will allow the Company time to prepare for an orderly change to its documentation. The Directors consider that the proposed new name of the Company reflects the new acquisition of resource projects outside of coal, and with the intention to acquire further projects across a broad range of resources, now is the time to change the name to reflect that new direction. The Board unanimously recommends shareholders vote in favour of the change of name of the Company.

The Chairman intends to vote all available proxies in favour of Resolution 8.

9 GLOSSARY

In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given in the Corporations Act.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the board of Directors.

Company means Coal Fe Resources Limited ACN 121 969 819 (and where the context requires, means any wholly owned subsidiary to which the Company may prior to completion of the MSM SPA and the TPN SPA, novate the MSM SPA and the TPN SPA).

Constitution means the constitution of the Company.

Corporations Act means Corporations Act 2001 (Commonwealth of Australia)

Director means a director of the Company.

Independent Expert means Nexia Australia.

Independent Expert's Report means the report prepared by the Independent Expert contained in Annexure A.

Meeting or **General Meeting** means the meeting convened by this Notice.

MSM means PT. Mineral Sukses Makmur.

MSM Seller means the vendor of 90 shares in MSM under the MSM SPA, namely Mr Budi Satriadi**.**

MSM SPA means the conditional share sale and purchase agreement between the Company and the MSM Seller dated 5 May 2014, and restated and amended on 20 June 2014 for the acquisition of a 90% shareholding in MSM by the Company.

MT means metric tons.

Notice or **Notice of General Meeting** means the notice of meeting that accompanies this Explanatory Statement.

Proxy Form means the proxy form enclosed with this Notice and Explanatory Statement.

Relevant Interest has the meaning given in the Corporations Act.

Rp means Indonesian rupiah being the lawful currency of the Republic of Indonesia.

Share means an ordinary fully paid share in the capital of the Company.

Shareholder means a shareholder of the Company.

TPN means PT. Tunggal Putra Nusantara.

TPN Seller means the vendor of 4,200 shares in TPN under the TPN SPA, namely Mr Dody Farlianssyah Putra, Mrs Nurmiatia Amir and Mr Abdul Kadir Julis**.**

TPN SPA means the conditional share sale and purchase agreement between the Company and the TPN Seller dated 6 May 2014 and restated and amended on 20 June 2014 for the acquisition of a 70% shareholding in TPN by the Company.

Voting Power has the meaning given in the Corporations Act.

WST means Western Standard Time, Perth, Western Australia.

**$** means Australian dollars except where US$ is specified which shall mean USA dollars.

Annexure A

5 September 2014

the next solution

The Directors
Coal Fe Resources Ltd
7/11 Exchange Road,
MALAGA, WA 6090

Dear Sirs

INDEPENDENT EXPERT'S REPORT
PURSUANT TO SECTION 611 OF THE CORPORATIONS ACT
ISSUE OF SHARES TO ACQUIRE MSM AND TPN

1. INTRODUCTION

Nexia Perth Corporate Finance Pty Ltd ("NPCF") has been requested by Coal Fe Resources Ltd ("CES" or "the Company") to prepare an Independent Expert's Report in relation to the proposed acquisition of a substantial shareholding in PT. Minerals Sukses Makmur ("MSM") and PT Tunggal Putra Nusantara ("TPN"), both companies incorporated in Indonesia ("Proposed Acquisitions") and the issue of 334,650,000 fully paid ordinary shares to Mr Robert Swarbrick (or his nominee), managing director of CES, ("Proposal Shares"), which under ASX Listing Rule 10.11 and Chapter 2E and item 7 of section 611 of the *Corporations Act 2001* require shareholder approval at the forthcoming General Meeting of Shareholders to be held on or about 10 October 2014.

The Proposed Acquisitions and the Proposal Shares are collectively referred to in this report as the "Proposed Transactions".

NPCF has concluded that **the Proposed Transactions are fair and reasonable** having regard to the interests of the non-associated shareholders of CES.

Resolutions 1, 2 and 3 of the attached Notice of Meeting seek shareholder approval of the Proposed Transactions and are set out below.

Resolution 1 of the Notice of Meeting comprises:

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

> *"Conditional upon Resolutions 2, 3, 4, 6,7 and 8 being passed, that for the purposes of Listing Rule 11.1.2 and for all other purposes, Shareholders approve the acquisition of a 90% shareholding in PT. Mineral Sukses Makmur, on the terms set out in the Explanatory Statement."*

Resolution 2 of the Notice of Meeting comprises:

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

> *"Conditional upon Resolutions 1, 3, 4, 6, 7 and 8 being passed, that for the purposes of Listing Rule 11.1.2 and for all other purposes, Shareholders approve the acquisition of a 70% shareholding in PT. Tunggal Putra Nusantara, on the terms set out in the Explanatory Statement."*

Nexia Perth Corporate Finance Pty Ltd
ABN 84 009 342 661
Australian Financial Services Licence No. 289358
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corporate@nexiaperth.com.au, www.nexia.com.au

Resolution 3 of the Notice of Meeting comprises:

To consider and if thought fit to pass the following resolution as an ordinary resolution:

> *"Conditional upon Resolutions 1, 2, 4, 6, 7 and 8 being passed, that for the purposes of Item 7 of section 611 of the Corporations Act, section 208 of the Corporations Act, and Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 334,650,000 Shares at a deemed issue price of $0.00064 each (being the value of the shares as determined by the independent expert) to Managing Director Mr Robert Swarbrick or nominee on the terms set out in the Explanatory Statement."*

Under the terms of a letter dated 26 July 2014, between the Company and Mr Swarbrick, if Shareholders do not approve the issue of the 334,650,000 Shares to Mr Swarbrick, the shareholdings in MSM and TPN will not be acquired hence resolutions 1, 2 and 3 are inter-conditional.

To assist shareholders in making a decision on the resolutions, the directors have requested that NPCF prepare an independent expert's report, which must state whether, in the opinion of the independent expert, the Proposed Transactions are fair and reasonable having regard to the interests of CES shareholders other than those involved in the Proposed Transactions or associated with such persons and whose approval the Resolutions giving effect to these transactions are required at the General Meeting ("non-associated shareholders of CES").

The Summary of our opinion is set out in Section 2 of this Report.

A brief summary of the Proposed Transactions is set out in Section 3 of this Report and a detailed outline is set out fully in the Explanatory Statement accompanying the Notice of Meeting of CES to be held on or about 10 October 2014.

We understand that this Report will accompany the Notice of Meeting and Explanatory Statement. NPCF consents to the issue of this report in its form and context and consents to its inclusion in the Explanatory Statement.

2. Summary of Opinion

1. Based upon the information set out in this report, we are of the opinion that the **Proposed Transactions are fair and reasonable** having regard to the interests of the non-associated shareholders of CES.
2. NPCF has formed the opinion that the Proposed Transactions are fair because the value of CES's shares *post* the Proposed Transactions is no less than the value of the Company's shares prior to the Proposed Transactions.
3. NPCF has also had regard to other relevant considerations in assessing the reasonableness of the Proposed Transactions. Further details are set out in Section 8 of this Report.
4. Our opinion is based solely on the information available at the date of the report as detailed in Section 10.
5. The principal factors that we have taken into account in forming our opinion are set out in the supporting detail to this report.
6. The decision of each shareholder as to whether to approve the Proposed Transactions is a matter for individual shareholders. These decisions should be based on each shareholder's views as to matters including value and future market conditions, risk profile, liquidity preferences, investment strategy, portfolio structure and tax positions.

2. Summary of Opinion (continued)

In particular, taxation consequences may vary from shareholder to shareholder. If shareholders are in any doubt, they should consult an independent professional adviser.

7. The opinion should be read in conjunction with the full text of this report which follows after our Financial Services Guide, which sets out our scope and findings.

The supporting detail of our Report (set out in the sections that follow after our Financial Services Guide and Qualifications Declarations and Consents), comprises the following sections:

3. Summary of the Proposed Transactions
4. Purpose of the Report
5. Basis of the Assessment
6. Valuation of Coal Fe Resources Limited shares Pre Proposed Transactions
7. Valuation of Coal Fe Resources Limited shares Post Proposed Transactions
8. Assessment as to Fairness and Reasonableness of the Proposed Transactions
9. Limitations and Reliance on Information
10. Sources of Information

Appendix 1 – Overview of valuation methodologies

This assignment is a valuation engagement as defined by APES 225 Valuation Services as issued by the Accounting Professional & Ethical Standards Board Limited. Valuation engagement means an engagement or assignment to perform a valuation and provide a valuation report where the independent expert is free to employ the valuation approaches, valuation methods, and valuation procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the engagement or assignment available to the independent expert at that time.

Yours faithfully

NEXIA PERTH CORPORATE FINANCE PTY LTD

TJ SPOONER FCA FCA(UK) AGIA ACIS MAICD
DIRECTOR

Nexia Perth Corporate Finance Pty Ltd ("NPCF")

FINANCIAL SERVICES GUIDE

1. NPCF (ABN 84 009 342 661) provides valuation advice, valuation reports, Independent Expert's Reports and Investigating Accountant's Reports in relation to takeovers and mergers, prospectuses and disclosure documents, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes. NPCF holds Australian Financial Services Licence No. 289358.
2. NPCF has been engaged to provide general financial product advice in the form of the attached report to be provided to you.

Financial Services Guide

3. The Corporations Act 2001 authorises NPCF to provide this Financial Services Guide (FSG) in connection with its provision of an Independent Expert's Report (IER) to accompany the Notice of Meeting to be sent to CES shareholders.
4. This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about NPCF generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

5. Our Australian financial services licence allows us to carry on a financial services business to provide financial product advice for securities and deal in a financial product by arranging for another person to issue, apply for, acquire, vary or dispose of a financial product in respect of securities to retail and wholesale clients.

General Financial Product advice

6. The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. It is not intended to take the place of professional advice and you should not make specific investment decisions in reliance upon the information contained in this report.
7. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. You may wish to obtain personal financial product advice from the holder of an Australian Financial Service Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

8. NPCF charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity which engages NPCF to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us.
9. Neither NPCF nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.
10. All of our employees receive a salary and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
11. We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

12. If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
13. If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Industry Complaints Services (FICS), an external complaints resolution service. You will not be charged for using the FICS service.

Contact details

14. NPCF contact details are contained on the first page of our Independent Expert's Report.

QUALIFICATIONS, DECLARATIONS AND CONSENTS

Qualifications

1. NPCF is licensed under the Corporations Act to carry on a financial services business to provide the financial services referred to in section 5 of our Financial Services Guide (refer above). NPCF's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have undertaken a significant number of valuations, IER's, IAR's and similar assignments.
2. This report was prepared by Mr TJ Spooner, who is an authorised representative of NPCF. Mr Spooner has substantial experience in the provision of valuation and similar advice and has been a qualified Chartered Accountant (UK and Australia) for over 25 years.

Declarations

3. This report has been prepared at the request of the Directors of CES to accompany the Notice of Meeting to be sent to CES shareholders. It is not intended that this report should serve any purpose other than as stated therein.

Interest

4. NPCF is not the auditor of CES. At the date of the attached report, neither NPCF, nor Mr TJ Spooner or any other director, executive or employee of NPCF or NPCF has any material interest in CES either directly or indirectly, or in the outcome of the offer, other than in the preparation of this Report for which normal professional fees of approximately $22,000 (excluding GST) will be received. Such fee will be payable regardless of whether or not shareholders approve the Proposed Transaction.

Indemnification

5. As a condition of NPCF's agreement to prepare this report, CES agrees to indemnify NPCF in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of CES which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

6. NPCF was not involved in the preparation of any other part of the Explanatory Statement to accompany the Notice of Meeting (Explanatory Statement), and accordingly makes no representations or warranties as to the completeness and accuracy of any information contained in any other part of the Explanatory Statement. NPCF consents to the inclusion of this report in the Explanatory Statement in the form and context in which it is included. At the date of this report, this consent has not been withdrawn.

3. SUMMARY OF THE PROPOSED TRANSACTIONS

3.1 Background

Coal Fe Resources is an Australian public company that is admitted to the official list of the Australian Securities Exchange ("ASX"). On 7 May 2014 the company announced that it had entered into a "Definitive Agreement", subject to due diligence and shareholder approval, for the acquisition of 65% of the issued capital of MSM and 75% of TPN; which, pursuant to due diligence, on 20 June 2014, was amended to acquire 90% and 70% of MSM and TPN respectively. The amended and restated conditional sale and purchase agreements ("CSPA") have been executed for the acquisition of majority shareholdings in two companies located near Padang, Sumatra, Indonesia with both projects introduced by Managing Director Mr Robert Swarbrick.

On 14 April 2014, following the appointment of Mr Robert Swarbrick as Managing Director, a strategic review of the company 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 royalty right held by the company. It is believed that these two share acquisitions ("Transaction") will provide the company with the opportunity to generate cash-flow immediately (from MSM) and in the relatively short-term from TPN once this project has recommenced mining - potentially leading to a re- rating of the company as a producer.

Under the first CSPA, Coal Fe acquires a 90% interest in MSM. MSM is the sole owner of a producing iron ore concession in Solok, West Sumatra, which is located approximately 80km from Padang, West Sumatra. The consideration comprises cash payments totalling US$2.5 million, together with a royalty of US$5 per ton of coal sold. US$20,000 of the cash consideration is payable within 5 days of signing the CSPA, with a further payment of US$980,000 payable on completion date (being within 7 business days of obtaining shareholder approval of the Proposal), and a further US$1,000,000 payable one month after completion and a final cash payment of US$500,000 payable a month later.

Under the second SCPA, Coal Fe acquires a 70% interest in TPN, the sole owner of a high calorie anthracite coal concession in Palin, West Sumatra, Indonesia. The cash consideration is Rp1.5bn (equivalent to approximately $136,000); Rp230m (equivalent to approximately $21,000) of the cash consideration is payable within 5 days of signing the CSPA, with a further payment of Rp1.27bn (equivalent to approximately $115,000) payable on completion date (being within 7 business days of obtaining shareholder approval of the Proposal). A further amount of Rp 1bn (equivalent to approximately $91,000) is payable at any time post completion if the coal reserve exceeds 150,000 metric tons in the mining area.

For introducing the project, Coal Fe will issue 334,650,000 fully paid ordinary shares at a deemed issue price being the deemed value of the shares (immediately subsequent to the transaction) under this report namely $0.00064 (rounded) per share to Mr Swarbrick or his nominee. Resolution 3 seeks shareholder approval to issue the shares to Mr Swarbrick within 1 month of the meeting, given he is a related party of the company.

Additional shares totalling 31,050,000 and 4,000,000 options are also proposed to be issued pursuant to Resolution 4 (approval under Listing Rule 10.11 is not necessary for the issue of securities to Mr Ben Donovan because he is only a related party by virtue of the proposed transactions such that if the transactions do not proceed the securities will not be issued to him and he will not be appointed a director of the Company).

The Company intends to fund the purchase price for the shares in MSM out of the anticipated returns to shareholders derived from the proceeds of production from both mines together with a capital raising of $500,000. The Company intends to fund the purchase price for the shares in TPN out of the Company's existing cash and capital raising funds.

In addition, under Resolution 5 the Company intends to raise up to $500,000 as working capital by placing 50 million shares at an issue price of $0.01 each to sophisticated investors who are not related parties of the Company. The proceeds of this placement will be used to fund the initial acquisition of the projects, together with additional capital raisings and potential prepaid off- takes, with the future cashflows of both projects providing the ongoing working capital and profits to shareholders.

3.2 Terms of the proposal

As noted above, Coal Fe Resources has entered into a binding agreement to acquire MSM and TPN as the target entity. Under the terms agreed, Coal Fe Resources will issue to Mr Swarbrick 334,650,000 fully paid shares, (the "Proposal Shares"). The Proposal Shares will represent 65.46% of Coal Fe Resources' issued capital, post Capital Raising. Resolutions 1 to 4 inclusive and Resolutions 6 to 8 inclusive in the Notice of General Meeting are inter-conditional.

The acquisition of MSM and TPN and the issue of the Proposal Shares are for the purposes of this report, the Proposed Transaction.

The issue of the Proposal Shares is the subject of Resolution 3 in the Notice of Meeting for approval by shareholders.

Coal Fe Resources Limited ("CES" or "the Company") has commissioned this Independent Expert's Report ("the Report") in respect of the issue of the Proposal Shares for the purposes of compliance with ASX Listing Rule 10.11 and Chapter 2E and item 7 of section 611 of the Corporations Act 2001 ("the Act") which is the subject of Resolution 3 and inter-conditional Resolutions, so that shareholders may assess the merits of the issue of the Proposal Shares when voting on resolutions at an Extraordinary Shareholders Meeting to be held on or about 10 October 2014.

Unless otherwise specified, the terms and references in this Report have the same meaning as those used in the Explanatory Statement ("ES") accompanying the Notice of Meeting, to which this Report is attached as Annexure A.

4. PURPOSE OF THE REPORT

Sections 606(1) of the *Corporations Act 2001* prohibits a person from acquiring a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

a) from 20% or below to more than 20%; or

b) from a starting point above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the *Corporations Act 2001*. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates (as defined therein) have a relevant interest.

Section 611 of the *Corporations Act 2001* provides that certain acquisitions of relevant interests in a company's voting shares are exempt from the prohibition in Section 606(1) above, including acquisitions approved previously by a resolution passed at a general meeting of the company in which the acquisition is made (Section 611, Item 7).

ASX Listing Rule 10.11 provides *inter alia* that unless one of the exceptions in rule 10.12 applies, an entity must not issue or agree to issue equity securities to a related party without the approval of holders of ordinary securities. Exception 10 in Rule 10.12 will apply where the agreement to issue equity securities is conditional upon the prior agreement to the issue being obtained from the holders of ordinary securities before the issue is made.

To assist shareholders in making a decision on the Proposed Transactions, the Directors have requested that NPCF prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Proposed Transactions are fair and reasonable to the non-associated shareholders of CES.

5. Basis of the Assessment

Set out in the Notice of Meeting and Explanatory Statement accompanying this Report are the ASX Listing Rules and Corporations Act provisions relevant to the Proposed Transactions and information in relation thereto. In preparing our Report, we have had regard to ASIC Regulatory Guide 111 and 112 relating to Independent Experts' Reports.

The term 'fair and reasonable' has no legal definition although over time a commonly accepted interpretation has evolved. However, fair and reasonable has different meanings for different regulatory purposes.

ASIC Regulatory Guide 111 provides that the assessment of whether a proposal is fair and reasonable should involve a comparison of the likely advantages and disadvantages for non-associated shareholders if the Proposed Transaction is implemented and if it is not.

In essence, the proposal will be "fair and reasonable" if the non-associated shareholders are better off if the proposal is implemented. They will be better off if the expected benefits outweigh the disadvantages to the non-associated shareholders.

ASIC regulatory Guide 111, states, inter alia:

- an offer is considered 'fair' if the value of the offer price or consideration is equal to, or greater than, the value of the securities that are the subject of the offer.
- an offer is considered 'reasonable' if it is fair. It might also be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the close of the offer.

ASIC Regulatory Guide 111 requires the assessment of 'fair' to be made assuming 100% ownership of the company. It considers it to be inappropriate to apply a discount to the value of the securities under the offer that would normally be considered in the valuation of a minority interest to reflect such factors as a lack of control.

ASIC Regulatory Guide 111 also provides examples of factors that are relevant in an assessment of reasonableness. The form of analysis the expert uses to evaluate a transaction should address the issues faced by security holders.

In our opinion, for the purposes of this report 'fairness' is taken to mean a reference to quantification of respective values of consideration being paid compared to the value of assets being transferred. This has been calculated in the context of the impact on CES shares prior to (on a Control basis - and hence assuming 100% ownership of the company) and subsequent (on a Minority basis – and hence applying a minority discount) to the Proposed Transactions.

'Reasonableness' is taken to include consideration of other qualitative factors which can be assessed on objective grounds.

The assessment as to the fairness and reasonableness of the Proposed Transactions is set out in Section 8 of this Report.

6. Valuation of Coal Fe Resources Limited shares Pre Proposed Transactions

6.1. Valuation Overview

The usual approach to the valuation of an asset is to seek to determine what a willing but not anxious buyer, acting at arm's length, with adequate information, would be prepared to pay and a willing, but not anxious seller would be prepared to accept in an open market.

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, acquisitions requiring approval by security holders, takeovers and prospectuses. These include:

- Discounted cash flow (DCF) approach;
- Capitalisation of future maintainable earnings (earnings based) approach;
- Orderly realisation of assets (asset based) approach;
- Quoted price of listed securities (market value) approach; and
- Comparable Market Transactions.

We have outlined these methodologies in Appendix 1 to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information. This is addressed further in Section 6.2 below.

6.2 Valuation Approach

The traditional valuation method used to value companies is the capitalisation of future maintainable earnings, with such earnings being estimated using historical results. However, in order to adopt such a basis of valuation, a business must have a track record of profitability. As CES does not have a track record of profitability, we consider a valuation on this basis to be inappropriate.

NPCF believes that the most appropriate method for valuing the issued shares in CES is the asset-based approach. The most common form of asset based approach is the Net Realisable Value method. The resultant net realisable assets of the Company can then be expressed in terms of a value per share.

We note that the independent auditor's review report in the Company's half year report to 31 December 2013 refers to a material uncertainty regarding continuation as a going concern together with a material uncertainty regarding the carrying value of the company's royalty asset.

As a crosscheck to the valuation on the above basis, NPCF has used the market value approach with reference to the market price of CES shares. This valuation crosscheck calculation is set out in Section 6.4.5 of this Report.

6.3 Value of CES's Shares *Pre* Proposed Transactions

In establishing the value of CES prior to the Proposed Transactions, the net asset backing per share has been determined based upon the reviewed position as at 31 December 2013, adjusted for certain significant subsequent events as referred to in the Notes to section 6.3.1 below.

Valuation assessments were then carried out on assets and liabilities, as referred to in the Notes to section 6.3.1 below.

This has resulted in a net asset backing per share of $0.00118 (prior to any adjustments) *pre* Proposed Transactions or a net asset backing per share of -$0.02135 (including adjustments), on a control basis, as calculated in the table below:

Coal Fe Resources Limited

Balance Sheet	Pre-Proposed Transactions 31 December 2013 $	Adjustment for subsequent events $	Adjustment for Impairment $	Notes	Pro Forma Pre Proposed 31 December 2013 $
Current Assets					
Cash and cash equivalents	2,461	72,000		1	74,461
Trade and other receivables	58,284				58,284
Assets held for sale	122,267				122,267
Total Current Assets	183,012				255,012
Non-Current Assets					
Royalty Assets	1,897,584		(1,897,584)	2	-
Property plant and equipment	5,613				5,613
Total Non-current Assets	1,903,197				5,613
Total Assets	2,086,209				260,625
Current Liabilities					
Trade and other payables	1,135,446				1,135,446
Borrowings	837,632	327,000		3	1,164,632
Total Current Liabilities	1,973,078				2,300,078
Net Assets	**113,131**				**(2,039,453)**
Total number of shares on issue	95,518,100				95,518,100
Net asset backing per share (undiluted)	**0.00118**				**(0.02135)**

6.3.1 Notes

1. This reflects material movements in cash subsequent to 31 December 2013.
2. This adjustment reflects our current assessment of the fair value of the company's Abadi project at $nil and the associated resultant impairment of $1,897,584. The company's asset is a right to a royalty stream which is predicated on the mine being economic. Where costs and capital expenditure are greater than revenue, then a project will be uneconomic and hence there is no expectation of the receipt of any resultant royalty. The current selling price of the coal which is of a lower grade quality is currently less than its associated costs of production. In the circumstances in our view the Abadi project is currently uneconomic. Having regard to the foregoing, we have fully impaired the asset.
3. This reflects further funds advanced since 31 December 2013.

6.4 ISSUED CAPITAL AND SHARE TRANSACTIONS

6.4.1 ISSUED CAPITAL

As at 31 December 2013 the total issued share capital of CES comprised 95,518,100 fully paid ordinary shares. The movements in CES's issued capital since 31 December 2013, the balance date of its last reviewed financial report, are provided in the table below.

The values below are net of share issue costs.

	Number of Shares	Note	$
Balance as at 31 December 2013	95,518,100	Per Half Yearly Report	8,176,919
Subsequent movement	-		-
As at the date of this report (1)	**95,518,000**	As at the date of this report (1)	**8,176,919**
Issue of shares under Resolution 3	334,650,000	Refer Notes 1 and 2	213,566
Issue of shares under Resolution 4	31,050,000	Refer Note 2	19,816
Issue of shares under Resolution 5	50,000,000	Issued at $0.01 per share to raise working capital	500,000
Total if all resolutions passed	**511,218,100**		**8,910,301**

(1) These shares will be held in voluntary escrow for a period of 12 months from the date of issue.

(2) The amounts credited to equity represent the balance of the fair value of the assets to be acquired in accordance with AASB2 and has been apportioned across the shares the subject of Resolutions 3 and 4 (refer (3) below).

(3) Value of consideration:

		$
Cash consideration	US$2.5m (at USD1: AUD0.9342)	2,676,086
	IDR1.5bn (at AUD1: IDR0.000090975)	136,463
Value of options to be issued (refer 6.4.2 and 6.4.3 below)		31,935
Value of shares to be issued		233,382
Total value of consideration (mid value per Al Maynard and Associates Report)		3,077,865

6.4.2 Options

As at 31 December 2013 the Company had no options on issue. 4 million unlisted options are proposed to be issued pursuant to Resolution 4 of the attached Notice of Meeting and on the terms contained in Annexure B thereof. The movements in CES's options since 31 December 2014 are provided in the table below.

Options	Number of Options	Note	$
Balance as at 31 December 2013	-		-
Subsequent movement	-		-
As at the date of this report	**-**		**-**
Issue of options under Resolution 4	**4,000,000**	See 6.4.3 regarding valuation	**31,935**
Total if Resolution 4 passed	**4,000,000**		**31,935**

6.4.3 Valuation of Options

NPCF performed a valuation of the unlisted options to be issued pursuant to Resolution 4 of the Notice of Meeting which resulted in a valuation of the unlisted options of $0.0075 per option or $31,935 in total. As this is a share-based payment, our valuation of the unlisted options was calculated using the Black-Scholes option pricing model.

The following inputs were used in the calculation:

Key Terms	
Underlying Share Price ($) (1)	0.021
Exercise Price ($)	0.02
Option expiry date (4 years)	3 September 2018
Risk Free Rate (2)	3.43%
Volatility Factor (3)	57.86%
Future Dividend Yield	Nil

Notes:

(1) CES's underlying share price has been based on its closing price on 3 September 2014, the date used in the calculation noted in 6.3.1.

(2) The risk free rate is the yield on the Australian Government Bonds with a life similar to the expected life of the Options at the assumed valuation date.

(3) Expected future volatility of 57.86% was based on our analysis of CES's historical daily share price movement over the period commensurate with the options' life and the effects of expected early exercise.

6.4.4 SHARE TRADING

The following summary provides details of the monthly rounded values and average daily rounded volumes of CES shares being transacted on ASX from 1 August 2013 to 3 September 2014:

	Open	High	Low	Close	Average Daily Volume
September 2014(1)	0.02	0.02	0.02	0.02	66,300
August 2014	0.01	0.02	0.01	0.02	66,200
July 2014	0.01	0.01	0.01	0.01	32,600
June 2014	0.01	0.01	0.00	0.01	40,200
May 2014	0.00	0.01	0.00	0.01	48,600
April 2014	0.00	0.00	0.00	0.00	25,700
March 2014	0.00	0.01	0.00	0.00	11,000
February 2014	0.01	0.01	0.00	0.00	700
January 2014	0.01	0.01	0.01	0.01	0
December 2013	0.01	0.01	0.00	0.01	6,200
November 2013	0.01	0.01	0.00	0.01	100
October 2013	0.00	0.01	0.00	0.00	21,600
September 2013	0.02	0.02	0.00	0.00	14,900
August 2013	0.02	0.02	0.02	0.02	0

Source: Yahoo Finance

(1) Based on trading history for the period 1 September 2014 to 3 September 2014.

Based on the above table, CES's share price has fluctuated over the past 12 months from a high of 2 cents (rounded) in August 2013 to a low of 1 cent for the majority of the period until the latter half of August 2014 when it increased to 2 cents where it has subsequently remained.

Trading volumes have been very low throughout the period. The highest single day trading volume was recorded on 4 July 2014 when 610,000 shares were traded. The average daily volume of shares traded over the period 1 August 2013 to 3 September 2014 was just 20,445 shares, with 244 days (out of 285 days) where no trades were recorded. The above demonstrates a comparatively thin level of trading in CES's stock.

CES Recent Share Price History:

The chart below represents the movement in the share price of CES listed shares since March 2014:

Source: asx.com.au

6.4.5 Schedule of Recent ASX Announcements

Company announcements released on the ASX platform since lodgement of its 2013 Annual Report are summarised below:

30/10/2013	Quarterly Cashflow Report
30/10/2013	Quarterly Activities Report
31/10/2013	Notice of Annual General Meeting/Proxy Form
3/12/2013	Results of Meeting
6/12/2013	Chairman's Address to Shareholders
29/01/2014	Quarterly Cashflow Report
29/01/2014	Quarterly Activities Report
14/03/2014	Half Year Accounts
7/04/2014	Director Appointment/Resignation
14/04/2014	Managing Director Update
28/04/2014	Quarterly Activities Report
28/04/2014	Quarterly Cashflow Report
28/04/2014	Initial Director's Interest Notice
5/05/2014	Trading Halt
7/05/2014	Coal and iron ore acquisition
24/06/2014	Acquisition Update
28/07/2014	Quarterly Cashflow Report
28/07/2014	Quarterly Activities Report
31/07/2014	Director Appointment/Resignation'
04/08/2014	Final Director's interest
27/08/2014	Response to ASX Query
01/09/2014	Asset impairment & market update

Source: asx.com.au

6.4.6 Market Value of CES Shares

CES's share price has fluctuated over the period from 1 August 2013 to its opening on 7 May 2014 (the day of the announcement of the coal and iron ore acquisitions the subject of the Notice of Meeting referred to below) from a high of 2 cents (rounded) in August 2013 to a low of 1 cent from October 2013 for the remainder of the review period.

As can be seen from the very low trading volumes reflected in section 6.4.4 above, together with the varying share prices and the impairment in the royalty asset not being reflected in share trading in the review period, we consider that the share price methodology is not the most appropriate methodology to use in this instance.

7. VALUATION OF COAL FE RESOURCES LIMITED SHARES *POST* PROPOSED TRANSACTIONS

7.1 COMPONENTS OF THE PROPOSED TRANSACTIONS

- the acquisition of a 90% shareholding in PT. Mineral Sukses Makmur (MSM), on the terms set out in the Explanatory Statement.
- the acquisition of a 70% shareholding in PT. Tunggal Putra Nusantara (TPN), on the terms set out in the Explanatory Statement.
- the issue of 334,650,000 Shares at a deemed issue price being the deemed value of those shares under this report of $0.00064 (rounded) each to Managing Director Mr Robert Swarbrick or nominee on the terms set out in the Explanatory Statement

7.2 NET ASSET VALUATION *POST* PROPOSED TRANSACTIONS

7.2.1 Valuation assessment

In establishing the value of CES following completion of the Proposed Transactions, the net asset backing per share has been determined based upon the reviewed position in accordance with Section 6.3 of this Report including the following adjustments referred to in Section 6.3:

- Material movements in cash subsequent to 31 December 2013.
- Adjustment to the carrying value of the royalty asset.
- Further funds advanced since 31 December 2013.

No adjustment has been made in respect of any potential taxation consequences in respect of the Proposed Transactions.

This has resulted in a net asset backing per share of ($0.00241) *post* the Proposed Acquisitions, on a minority basis, as calculated below.

7.2.2 Unaudited Adjusted Pro-Forma Balance Sheet as at 31 December 2013 *Post* the Proposed Acquisitions

Balance Sheet	Pre proposed Transaction 31 December 2013 $	Adjustment for subsequent events $	Adjustment for Impairment $	Notes	Pro Forma Post Proposed 31 December 2013 $
Current Assets					
Cash and cash equivalents	2,461	572,000		1, 7	574,461
Trade and other receivables	58,284				58,284
Assets held for sale	122,267				122,267
Total Current Assets	183,012				755,012
Non-current Assets					
Royalty Assets	1,897,584		(1,897,584)	2	-
Investment in MSM and TPN	-			4	2,812,549
Property plant and equipment	5,613				5,613
Total Non-current Assets	1,903,197				2,818,162
Total Assets	2,086,209				3,573,174
Current Liabilities					
Trade and other payables	1,135,446				1,135,446
Borrowings	837,632	327,000		3	1,164,632
Consideration payable	-			5	2,812,549
Total Current Liabilities	1,973,078				5,112,627
Net Assets	**113,131**				**(1,539,453)**
Total number of shares on issue	95,518,100				511,218,100
Net asset backing per share (undiluted)	**0.00118**			6	**(0.00301)**
Less minority interest discount (20%)	(0.00024)				(0.0006)
Net asset backing per share (undiluted) Minority basis	**0.00095**			6	**(0.00241)**
Shares on issue	95,518,100				95,518,100
R Swarbrick issue - resolution 3					334,650,000
Issue consultants - resolution 4					31,050,000
Capital raising - resolution 5				7	50,000,000
Total	95,518,100				511,218,100

Please also refer to the attached notes below.

7.2.2.1 Notes to the unaudited adjusted Pro-forma balance Sheet

1. The Post transaction cash balance comprises:

	$
Cash Balance Pre Proposed Acquisitions	2,461
Adjustment for subsequent events	72,000
Capital Raising pursuant to Resolution 5	500,000

Cash Balance Post Proposed Acquisitions	574,461
	---------------

2. This adjustment reflects our current assessment of the fair value of the company's Abadi project at $nil and the associated resultant impairment of $1,897,584. The company's asset is a right to a royalty stream which is predicated on the mine being economic. Where costs and capital expenditure are greater than revenue, then a project will be uneconomic and hence there is no expectation of the receipt of any resultant royalty. The current selling price of the coal which is of a lower grade quality is currently less than its associated costs of production. In the circumstances in our view the Abadi project is currently uneconomic. Having regard to the foregoing, we have fully impaired the asset.

3. This reflects further funds advanced since 31 December 2013

4. This represents the acquisition of the Company's interest in MSM and TPN based on the value of the consideration paid amounting to $2,812,549. The shares to be issued pursuant to Resolutions 3 and 4 have been treated as share-based payments, the value of which has been determined in accordance with paragraph 10 of Australian Accounting Standard AASB2: *Share-Based Payment* on the basis of the goods or services received – this comprises the difference between the value ascribed to the asset acquired (being the mid-range value of the iron ore and coal assets determined in the Maynard Report after adjusting for the payment of the US$5 per metric ton royalty payable under the CSPA) and the value of the consideration paid of $2,812,549, after reflecting the value of the Options to be issued pursuant to resolution 4. Hence the amount included in respect of the investment in MSM and TPN does not change if one were to adopt a high, medium or low valuation of the assets in the Maynard Report, rather this would be taken up via the Profit and Loss Account with no overall impact on the net asset backing per share.

   Based on their respective unaudited balance sheets at 31 December 2013, the value of the Company's interests in the combined net assets of MSM and TPN is within approximately $5,000 of the valuation of the assets to be acquired derived from the fair value thereof in the Maynard Report and hence their respective balance sheets have not been included in this report.

5. The cash consideration payable to the vendors comprises the following:

	$
US$2.5m (at USD1: AUD0.9342)	2,676,086
IDR1.5bn (at AUD1: IDR0.000090975)	136,463

	2,812,549
	-------------

6. A further payment of approximately $91,000 is payable to the TPN vendors in the event that the coal reserve exceeds 150,000 metric tons in the mining area. Please refer to the Notice of Meeting for further information in this respect.

7.2.2.1 Notes to the unaudited adjusted Pro-forma balance Sheet (continued)

7. No adjustment has been made for further capital raisings that may be required in order to settle the balance of the consideration due in respect of the purchase of the Company's interest in MSM and TPN.

8. The net asset backing has been calculated to include the capital raising of $500,000 the subject of Resolution 5 of the attached Notice of Meeting. Whilst the capital raising is not a condition precedent to the Proposed Transactions, it is considered a constructive condition precedent as it is required to effect the deposit payments required under the terms of the CSPAs. In the event that the capital raising and associated share issue were excluded from the computation, the net asset backing per issued share would reduce from (0.00241) to (0.00354).

7.2.3 Investment in MSM and TPN

MSM

Coal Fe will acquire a 90% shareholding in MSM for cash payments totalling US$2.5 million, payable to the vendor together with a US$5 per metric ton royalty and subject to certain conditions precedent which are summarised in the Explanatory Statement in the attached Notice of Meeting. In addition the Company has agreed to pay a royalty comprising US$5 per metric ton.

The vendor of the 90% shareholding in MSM is an individual resident in Padang, Sumatra who currently holds 99 of the shares on issue in MSM, which comprises 99% of all the shares on issue in 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 emanating 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. MSM currently produces 62% Fe product which it currently supplies to Krakatoa Steel, a leading Indonesian steel company at a price of US$80/MT.

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.

Further details on the company and an overview of investment in Indonesian private companies is provided in the Explanatory Statement which forms part of the attached Notice of Meeting.

MSM's most recent Balance Sheet to 31 December 2013 has total net assets of approximately $846,000 which primarily include stockpile, land and smelter (located away from mine site). The smelter is external to mining operations and is not required and hence is expected to be sold. Existing shareholder loans have not been provided for as the conditional sale and purchase agreement provides for MSM to be debt free on acquisition. Therefore the primary assets being acquired are the stockpile and mineral asset which has been valued by Al Maynard and Associates - please refer to their attached independent technical valuation report dated 25 August attached to this Report as Appendix 2 which provides additional information on the mineral assets to be acquired under the Proposed Transactions.

7.2.3 Investment in MSM and TPN (Continued)

TPN

Coal Fe will acquire a 70% shareholding in TPN for consideration comprising cash payments for past development costs and current exploration licence fees, totalling Rp1.5 billion, which equates to approximately AS$136,000. An additional Rp1 billion (approximately A$91,000) will be payable if the Company's survey shows that the coal reserve exceeds 150,000 metric tons. In addition the Company has agreed to pay a royalty comprising US$5 per metric ton.

The sellers of the 70% shareholding in TPN are three individuals resident in Indonesia who currently hold 6,000 shares in TPN which comprise 100% of the shares on issue in TPN.

TPN is the sole owner of a high calorie anthracite coal concession in Palin, West Sumatra, Indonesia which was formerly in production.

The concession is approximately 100 hectares with production being sourced from an area of 70 hectares, and is located approximately 10 kilometres from a jetty for barging. The concession has ceased production at present 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 purchases the product at a premium to current market prices.

Coal Fe is currently in negotiations with potential off-take 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)

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.

Further details on the company and an overview of investment in Indonesian private companies is provided in the Explanatory Statement which forms part of the attached Notice of Meeting.

TPN's most recent Balance Sheet to 31 December 2013 has total net assets of approximately $337,000 which primarily include a motor vehicle and stock with nominal other assets and liabilities. Therefore the primary assets being acquired are the stock and mineral asset which has been valued by Al Maynard and Associates - please refer to their attached independent technical valuation report dated 25 August attached to this Report as Appendix 2 which provides additional information on the mineral assets to be acquired under the Proposed Transactions.

8. Assessment as to Fairness and Reasonableness of the Proposed Transactions

8.1 Assessment as to Fairness

As noted in Section 5 of this Report, an offer is considered "fair" if the value of the consideration being offered is equal to, or greater than, the value of the securities that are the subject of the offer in the context of the impact on CES shares prior to (on a Control basis) and subsequent to (on a Minority basis) the Proposed Transactions. NPCF's assessment as to the fairness of the Proposed Transactions is set out below:

	NPCF valuation of CES shares prior to the Proposed Transactions	NPCF valuation of CES shares subsequent to the Proposed Transactions	NPCF Opinion
Proposed Acquisitions	$Nil *	$Nil *	**Fair**

* The amounts are both negative amounts and hence have been included above at $Nil.

After consideration of the above, the Proposed Transactions are considered to be **fair** to the non-associated shareholders of CES as the preferred value of a share after completion of the Proposed Transactions is no less than the value of a CES share prior to the Proposed Transaction.

8.2 Assessment as to Reasonableness

ASIC Regulatory Guide 111 states that an offer is reasonable if it is fair. Under this criterion as the value of CES shares after the completion of the proposed transaction is no less than the value prior thereto, the offer is reasonable. There are a number of other relevant factors to be considered in assessing the reasonableness of the Proposed Transactions. These factors are set out below as advantages and disadvantages.

8.2.1 Advantages and Disadvantages of the Proposed Transactions proceeding:

Advantages of proceeding

- The Proposed Transactions provide significant potential revenue streams in the short to medium term by accessing both a promising coal exploration tenement in an area regarded as an emerging coal province and a small iron ore pit that is producing high grade DSO iron ore;
- Gives Coal Fe Resources a means to proceed with re-capitalisation of the Company;
- The Proposal is the only offer capable of acceptance at present and there is an absence of alternative offers. A previous similar proposal to re-invigorate and re-capitalise the Company failed earlier in the year;
- Coal Fe Resources currently has minimal net assets and acceptance of the Proposal may result in an increase in cash reserves should further funding be attracted on the merits of the MSM and TPN projects;
- Mr Swarbrick has agreed to place the Proposal Shares in voluntary escrow for twelve months;
- It may provide opportunity for enhanced liquidity in Coal Fe Resources shares; and
- It may give rise to a market repricing of Coal Fe Resources shares, given the foregoing.

Disadvantages of proceeding

- The Proposal is subject to substantial uncertainty and risks associated with overseas mining projects (albeit in a country in which the Company already has exposure);
- Reduces the interest of Coal Fe Resources Shareholders to less than 20% on the issue of the Shares the subject of Resolutions 3, 4 and 5 of the attached Notice of Meeting;
- Mr Swarbrick will be the largest shareholder and will control Coal Fe Resources and will not have paid a control premium for the issue of the Proposal Shares;
- The Company will need to undertake further capital raising(s) and/or sale of assets in order to settle the liabilities arising as a result of the acquisition of its interests in MSM and TPN;
- Further drilling is required to define additional mineralisation on the remaining areas being acquired under the Proposed Transactions and additional expenditure is expected prior to the recommencement of operations on the coal concession which will require funding and hence may involve additional dilution;
- Expenditure will be involved in TPN establishing a coal washing process to improve the economics of the coal project; and
- If the Options to be issued in respect of Resolution 4 are exercised, this will further dilute the interest of Coal Fe Shareholders.

8.2.2 Advantages and Disadvantages of the Proposed Transactions not Proceeding:

Advantages of not proceeding

- CES will avoid the disadvantages referred to above.

Disadvantages of not proceeding

- Coal Fe Resources may be de-listed from the ASX in the absence of genuine activities;
- The directors of Coal Fe Resources have indicated that they will seek other opportunities to raise capital and to identify other opportunities It is uncertain, in light of current equity markets (a) when this may be achieved ; and (b) if alternative proposals will add greater value or be more dilutive to Coal Fe Resources' Shareholders than the Proposed Transactions; and
- The Company may need to be wound up.

In our opinion, on balance, the advantages of approving the Proposed Transactions are greater than the disadvantages. These advantages arise both as a result of implementing the Proposed Transactions and of avoiding the disadvantages that may arise as a result of not implementing the Proposed Transactions. Accordingly, in our opinion, the Proposed Transactions are **reasonable** to the non-associated shareholders of CES.

8.4 Conclusion

Based on the valuation of a CES share and on the above assessment, NPCF is of the opinion that the Proposed Transactions are fair and reasonable to the non-associated shareholders of CES.

9. LIMITATIONS AND RELIANCE ON INFORMATION

Our opinion is based on the economic, stock market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Our report is also based upon financial and other information provided by CES and its advisers. We understand the accounting and other financial information that was provided to us has been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS). We have considered and relied upon this information and believe that the information provided is reliable, complete and not misleading and we have no reason to believe that material facts have been withheld.

The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Proposed Transactions from the perspective of CES security holders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose. Whilst NPCF has made what it considers to be appropriate enquiries for the purpose of forming its opinion, "due diligence" of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.

Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the proposed transactions, rather than a comprehensive audit or investigation of detailed matters.

The opinions and judgement of management of the relevant companies comprise an important part of the information base used in forming an opinion of the kind expressed in this report. This information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.

We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions by management of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.

In forming our opinion, we have also assumed that:

(a) the information set out in the Notice of Meeting is complete, accurate and fairly presented in all material respects

(b) if the proposed transactions are approved it will be implemented in accordance with the terms set out in the Notice of Meeting.

10. Sources of Information

In making our assessment as to whether the Proposed Transactions are fair and reasonable to the non-associated shareholders of CES, we have reviewed relevant published available information and other unpublished information of the Company which is relevant in the circumstances. In addition, we have held discussions with representatives of the Company's Board. Information we have received includes, but is not limited to the following:

- CES's reviewed half yearly report as at 31 December 2013 and the audited financial report for the financial year ended 30 June 2013;
- Recent ASX announcements lodged by CES;
- Unaudited Balance Sheets at 31 December 2013 for MSM and TPN;
- Share Price data for CES;
- Al Maynard and Associates Report dated 25 August 2014; and
- Draft Notice of Meeting and Explanatory Statement this Report will accompany.

APPENDICES

APPENDIX 1 Overview of valuation methodologies

APPENDIX 2 Al Maynard and Associates Report dated 25 August 2014

APPENDIX 1 OVERVIEW OF VALUATION METHODOLOGIES

Discounted cash flow (DCF) approach

- Discounted cash flow valuations ("DCF") involve projected cash flows being discounted by a discount rate which reflects the time value of money and the risk inherent in the cash flows. DCF valuations are arguably the most technically accurate method of valuing an asset or business, however, they suffer from the practical impediment that few companies have prepared cash flow forecasts of sufficient reliability over the necessary long time frame.
- The DCF methodology is typically the most appropriate valuation methodology where there is adequate information about likely future cash flows and usually over a finite term.

Capitalisation of future maintainable earnings (earnings based) approach

- The capitalisation of earnings methodology involves capitalising the earnings of the business at a multiple which reflects the risks of the business and the stream of income it generates. This methodology requires the estimation of future maintainable earnings having regard to historical and forecast operating results, including sensitivity to key industry risk factors, future growth prospects and the general economic outlook. The estimated realisable value of any surplus assets is then added to the capitalised earnings.
- The determination of an appropriate capitalisation rate will typically reflect a potential purchaser's required rate of return, risks inherent in the business, future growth prospects and alternative investment opportunities. This methodology is the most commonly used method for the valuation of industrial companies, which have a proven operating history and a consistent earnings trend.

Orderly realisation of assets (asset based) approach

- The realisation of net assets methodology is considered most appropriate where a business or company is not making an adequate return on its assets, where there are surplus non-operating assets or where investments are the primary asset. This methodology involves determining the net realisable value of the business' or company's assets assuming an orderly realisation of those assets.

Quoted price for listed securities (market value) approach

- This approach reflects the quoted price for the listed securities of the company being valued and is most suited when there is a liquid and active market in those securities (and allowing for the fact that the quoted price may not reflect their value where 100% of the securities are available for sale).

Comparable market transactions approach

- This methodology entails obtaining information on any comparable transactions in the same industry for a similar entity to that being valued. If such transactions exist and the entity being valued is directly comparable to that being acquired, then the assets, revenue or earnings multiples, or other relevant measures employed in the actual transaction, can be utilised in the valuation.
- This methodology suffers from the difficulty in sourcing detailed information on the transaction to determine the basis of the consideration and the comparability of the two businesses or entities.

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Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT TECHNICAL VALUATION OF THE MINERAL ASSETS CONTROL OF WHICH IS TO BE ACQUIRED BY COAL FE RESOURCES LIMITED

Author: Brian J Varndell BSc(SpecHonsGeol), FAusIMM
Peer Review: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company; Al Maynard & Associates Pty Ltd
Date: 25th August, 2014

EXECUTIVE SUMMARY

This Independent Technical Valuation Report has been prepared by Al Maynard & Associates ("AM&A") at the request of the Board of Coal Fe Resources Limited ("Coal Fe") on the mineral assets which it intends to acquire control of in Indonesia (Fig 1).

Coal Fe owns a royalty right in only one coal property, being the loss incurring Abadi Coal Project that is NE of Balikpapan in the Samarinda District in Kalimantan. It is owned by PT. Pancaran Surya Abadi ("Abadi"), in Joint Venture with PT Techventure Indocoal ("Techventure"). The Abadi Coal Project has been the subject of recent ASX announcements by Coal Fe.

Coal Fe has executed a Share Purchase Agreement with two Indonesian companies to acquire controlling shareholdings in the issued capital of two companies, in order to secure control of two projects in Indonesia.

The first project is the Painan East Coal Project whereby Coal Fe will acquire a 70% equity interest in PT Tunggal Putra Nusantara ("PT TPN"), a privately owned Indonesian mining company, for the consideration of a US$150,000 payment with an US$5/t attaching royalty. The Share Purchase Agreement was executed in June 2014 for the purpose of acquiring control over the exploration and development of the Painan East Project by PT TPN.

The second project is the Solok Iron Project whereby Coal Fe will acquire a 90% equity interest in PT Mineral Sukses Makmur ("PT MSM"), a privately owned Indonesian mining company, for the consideration of an US$2.5M payment with an US$5/t attaching royalty. The Share Purchase Agreement was executed in June 2014 for the purpose of acquiring control over the exploration and development of the Solok Iron Project by PT MSM.

The Painan East Coal Project is 48 km SSE of Padang and a portion of the area has been the subject of trial mining. The Solok Iron Project is 62 km SE of Padang and has an established small pit. There has been no systematic exploration carried out over either of the deposits.

This Report concludes that the current cash value of the Projects is ascribed at US$3.5 million from within the range of US$3.2 million to US$3.9 million. Using a conversion rate of 1A$=US$0.94 this relates to A$3.8 million from within the range of A$3.4 million to A$4.1 million.

The Report also concludes that the current cash value of the Coal Fe various interests in the Projects is ascribed at US$3.0 million from within the range of US$2.7 million to US$3.6 million. Using a conversion rate of 1A$=US$0.94 this value relates to A$3.2 million from within the range of A$2.9 million to A$3.6 million.

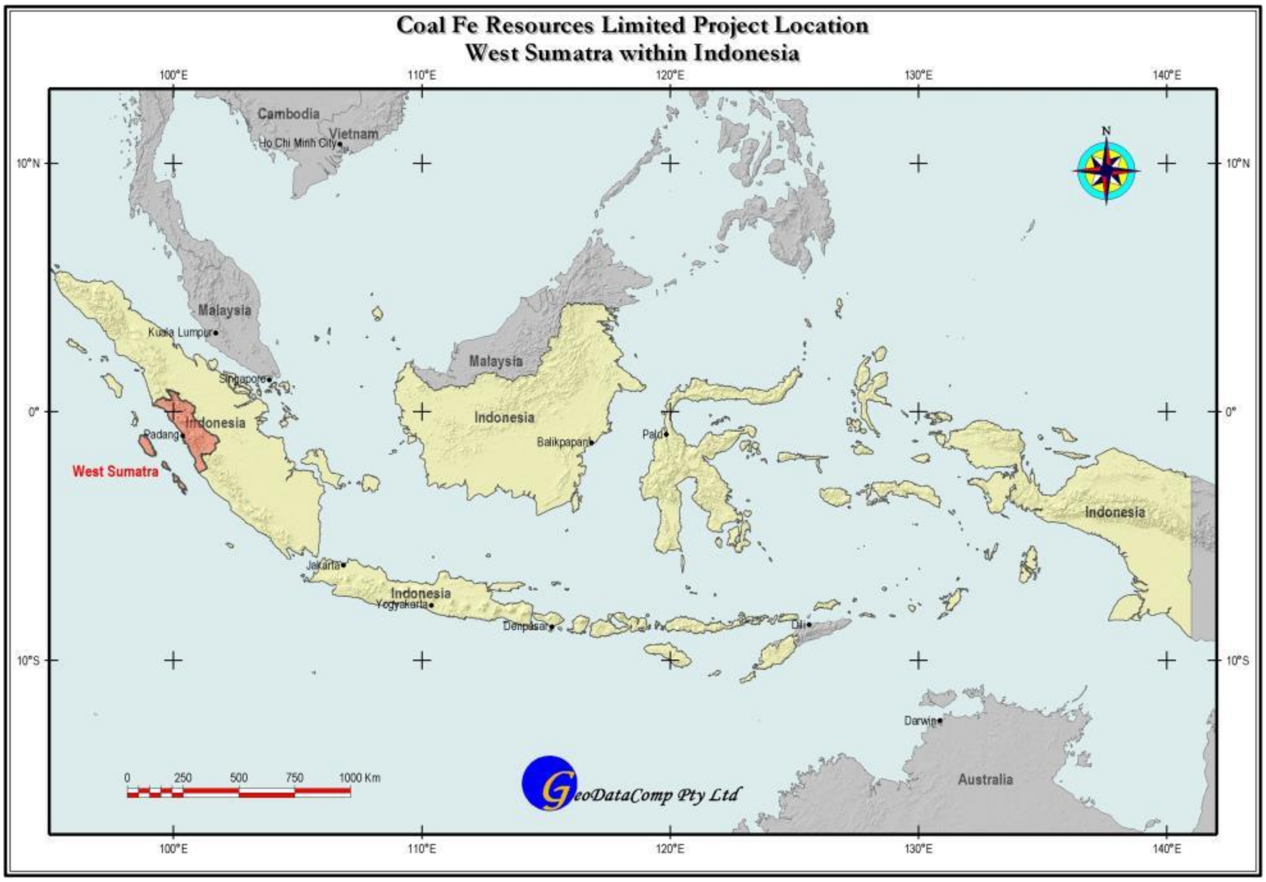

Figure 1: Coal Fe Project Area in West Sumatra, Indonesia.

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The Board
Coal Fe Resources Limited
125 Royal Street,
East Perth, WA, 6004

25th August, 2014

Dear Directors,

VALUATION OF THE MINERAL ASSETS TO BE ACQUIRED BY COAL FE RESOURCES LIMITED

1.0 Introduction

This Independent Technical Valuation Report ("Report") has been prepared by Al Maynard & Associates (AM&A) at your request to provide an independent valuation of the mineral assets control of which is proposed to be acquired by Coal Fe Resources Limited ("Coal Fe"). The mineral assets of value, control of which is to be acquired by Coal Fe, are its interests in two projects, namely, an agreement to acquire a 70% equity interest in the issued capital of PT Tunggal Putra Nusantara ("PT TPN") which owns the Painan East Coal Project located in South Pesisir, West Sumatra, Indonesia; and an agreement to acquire a 90% interest in the issued capital of PT Mineral Sukses Makmur ("PT MSM") which owns the Solok Iron Project in South Solok, West Sumatra, Indonesia.

Coal Fe has engaged Nexia Perth Pty Ltd ("Nexia") to prepare an Independent Expert's Report ("IER") for inclusion with a Notice of Meeting and Explanatory Statement to be sent to shareholders of Coal Fe. The IER is being prepared to report on the fairness and or reasonableness of a proposed share issue the subject of shareholder approval under the Notice of Meeting. This Report is for inclusion in the IER.

1.1 Scope and Limitations

This Report has been prepared in accordance with the requirements of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the 'Valmin Code') (2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

This Report is valid as of 25th August, 2014 which is the date of the latest review of the data and technical information. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writer.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and experience in the mining industry. Whilst the opinions expressed represent the writer's fair and reasonable professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The valuation methodology of mineral assets is subjective. The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code. There are a number of generally accepted procedures for establishing the value of mineral assets with the method employed depending upon the circumstances of the mineral asset. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified. The readers should therefore form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

The information presented in this Report is based solely on technical reports provided by Coal Fe supplemented by our own inquiries. At the request of AM&A copies of relevant technical reports and agreements were readily made available. A number of such information is available in the public domain and relevant references are listed in Sect. 6.0 –References.

Coal Fe will be invoiced and expected to pay a fee for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report or the passing of the relevant resolution the subject of the IER under the Notice of Meeting. Except for these fees, neither the writer nor any associates have any interest, nor the rights to any interest in Coal Fe nor the mineral assets reported upon. Coal Fe has confirmed in writing that all technical data known to the public domain is available to the writers.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Table 4, section 5.3. Regarding the Projects it is considered that more than sufficient geotechnical data has been provided from the reports covering the previous exploration of the relevant area to enable an understanding of the geology. This provides adequate information to form an informed opinion as to the current value of the mineral assets. Site visits were undertaken to Painan and Solok from the 10th to 14th June 2014 by Brian Varndell.

1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Allen J. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and a Member of the Australian Institute of Geoscientists ("AIG"). He has had 35 years' experience in mineral exploration and evaluation and more than 30 years' experience in mineral asset valuation. Brian J. Varndell BSc(SpecHonsGeol), FAusIMM, is a geologist with over 40 continuous years in the industry and 35 years in mineral asset valuation. The writers hold the appropriate qualifications, experience and independence to qualify as an independent "Expert" under the definitions of the Valmin Code.

2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17 February 1995 – the Valmin Code (updated 1999 & 2005) – we have derived the estimates listed below using the appropriate method for the current technical value of the mineral assets as described.

The ASIC publications "Regulatory Guides '111 & 112" have also been duly referred to and considered in relation to the valuation procedure. The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms' length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of "forced sale" circumstances.

2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms' length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Rule of thumb or yardstick approach.

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between 0 to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value.

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes, on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert's knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a “Yardstick” or a “Real Estate” approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a “fair value” for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment of the mineral asset under consideration with respect to the exploration potential.

2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

2.10 Indigenous Title Claims

Neither the Company nor the author are aware of any indigenous title claims within the mineral assets. Accordingly, no adjustment was made during this Report for indigenous title implications.

2.11 Commodities-Metal prices

Metal prices have been considered in assessing the in situ values and were sourced from www.Kitco.com where applicable. A June 2014 anthracite sales price of US$150/t, high quality thermal coal sales price of US$70/t and iron ore +60%Fe fob price of US$90/t in Padang as quoted weekly in the Jakarta Post were used in this valuation.

2.12 Resource/Reserve Summary

There are no JORC Code compliant resource estimates at either Painan or Solok.

2.13 Previous Valuations

No previous valuations have been declared within the last two years.

2.14 Encumbrances/Royalty

The Projects may be subject to state royalties as stipulated by the Indonesian Government where currently applicable.

There are proposed royalties of US$ 5/tonne for both iron and coal associated with the proposed acquisition of control of the licences as described elsewhere in the legal section of the "Notice of Meeting".

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed study of existing information and field data collected by the author (BJV) during his site visit which he plotted on to maps provided by Coal Fe. Refer to Sect 6.0.

The areas under review comprise two projects that host primarily coal or iron resources in Indonesia. Based on BJV's review of the legal title reports prepared by the Indonesian lawyers advising Coal Fe that both licences are in good standing (subject to periodic renewals). The legal title reports are lengthy and complex, and as a result they do not form part of this report or the IER.

3.2 Specific Valuation Methods

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the Projects the Empirical Method has been applied to determine a current value range.

4.0 West Sumatra Projects

4.1 Introduction

Coal Fe intends to hold controlling shareholdings, via Share Purchase Agreements, in PT TPN and PT MSM, which own the promising Painan East coal exploration tenement in West Sumatra, an area regarded as an emerging coal province and the small iron pit in South Solok that is producing high grade DSO iron ore (Fig 2).

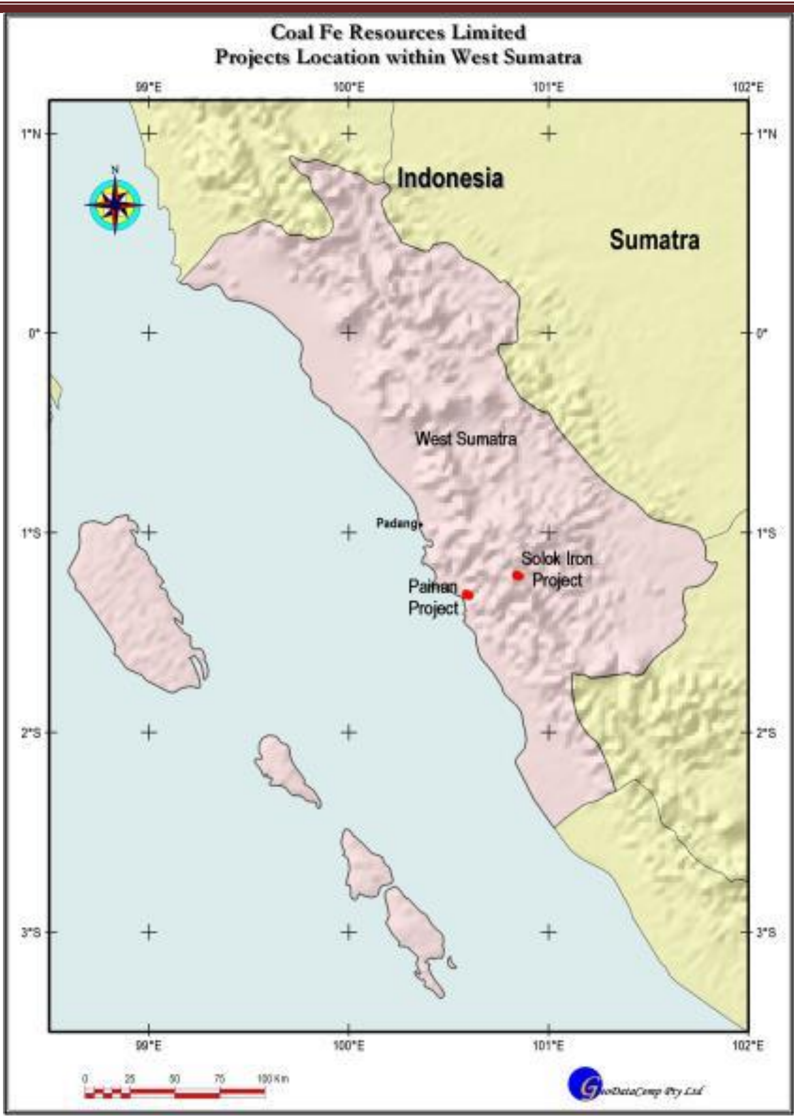

Figure 2: Location Map West Sumatra Projects.

Coal mining in West Sumatra is an embryonic business with mining conducted along very primitive lines. There has been no systematic exploration carried out over any of the known coal or iron deposits. Coal Fe plans to utilise best practice exploration techniques to explore coal and iron deposits of West Sumatra. The Company's objective is to be one of the first to delineate an iron JORC Code Compliant Resource in West Sumatra. Given the success of other local producers throughout the district, and the encouraging coal and iron outcrops in the area, there is reasonable potential to establish mining operations within the project areas.

The South Solok Iron Project consists of a massive iron mineralised pod hosted in basalts and volcanoclastics that have been affected by nearby granitic intrusives. Limited drilling in eight short vertical holes has been completed, however the field relationships of the mineralisation remain unexplained.

Both projects have road, power and camp infrastructure and are located near to bitumen roads. Licence details are presented below.

4.1.1 Location and Access

The Painan East Project is situated at coordinates 01° 18' 40” South Latitude, 100° 36’ 20” East Longitude, approximately 900km northwest of Jakarta (Fig 1). The climate is tropical, with wet season rainfall of up to 2,000mm. The vegetation is mainly forest with stunted trees due to past logging and the high presence of volcanic outcrops in the district. The stream run-off is seasonal and the region has traditionally supported subsistence agriculture.

Painan, serviced by several daily scheduled airline flights from Jakarta and other centres, is located 48km south of Padang (76km by road) and the journey on a good bitumen road takes 2-3 hours. The main site in low foothills is 5km from the coast that is serviced by a small wharf area 10 km by road from site with limited lay down space.

The South Solok Project is situated at coordinates 01° 12’ 50” South Latitude, 100° 50’ 40” East Longitude some 62 km SE of Padang accessed by the Solok highway over the coastal mountain range with a road distance of 88km covered in about 2.5 hours. The pit is located at an elevation of 1,400 m below the crest of the mountain at 1460 m. Access to the South Solok Highway at 1320 m is by a steep 1.66 km dirt road. Flat waste dump and plant sites are difficult to site due to other surrounding IUPs and the generally steep terrain.

4.1.2 Tenure

The New Mining Law, which was implemented in February 2009, provides that KP authorisations will be collapsed into a single form of mining right, known as an Ijin Usaha Pertambangan (“IUP”) within a set timeframe. The IUP license is a legally binding agreement which appoint the investor (foreigner/national) as exclusive contractor for a specified area. The first issue is the Exploration IUP, which authorises activities from general survey, exploration through to mining feasibility.

An Exploration IUP is issued over a specific area with separate permits granted for each of the stages of operation, as follows:

- General survey - 2 years
- Exploration - 3 to 5 years renewable

For coal or iron the maximum period that an Exploration IUP can be held is eight years. With the grant of the first permit, the company has the automatic right to a second issue of permit that allows for commercial mining and production. This second permit, a Production IUP, is valid up to 20 years with variable periods of extension. The Production IUP allows for mining, processing and refining, transport and sale.

At both Painan and Solok the licences are in the IUP Production stage and Coal Fe proposes to acquire control of the interests as detailed in Table1.

Project	IUP No	Owner	Grant Date	Expiry Date	Area ha	Mineral	Interest %
Painan	540/380/Kpts/Bpt-PS/214	PT TPN	18 July 2014	15 Feb 2018	100	Coal	70
Solok	540/287/2010	PT MSM	1 June 2010	31 July 2015	73.7	Iron	90

Table 1: Coal Fe Indonesian Proposed Acquisition IUP Licence Details.

4.2 Geological Setting

4.2.1 Regional Geology

Indonesia is the largest archipelago in the world, comprising five major islands and 300 smaller island groups. There are some 18,000 islands in total of which 6,000 are inhabited. The archipelago is situated where the Pacific and Indian Oceans join. Tectonically, the country is bounded by the south-eastern extension of the Eurasian Plate, to the south and west by the Indian Ocean Plate and to the east by the Philippine Sea and Pacific Plates (Fig 3).

The margins of these Plates are colliding, resulting in the consumption of plates along subduction zones, the creation of volcanic arcs and formation of compressional and oblique slip structures.

The physiographic setting of the Indonesian archipelago is dominated by two continental shelves. The Sunda Shelf lies to the west and the Sahul Shelf lies to the east, separated by a geologically complex region of deep sea basins and island arcs. The Banda Arc, a west facing horse-shore shaped arc in eastern Indonesia, defines the locus of the three converging and colliding major plates. Splinters of the Mesozoic southern Tethyan crust now form the base of the Banda Sea and on the surrounding islands, dismembered ophiolites can be found in high mountains. The Banda Terrane is regard as a dismembered, high level nappe consisting of forearc basin and volcanic arc lithologies.

During the early mid Miocene period, a volcanic island arc of basaltic volcanoes emerged as a result of the subduction of part of the Pacific oceanic plate beneath the Eurasian continental plate. Pillow lavas on Timor represent a late stage of this volcanism. Sedimentation in restricted offshore and onshore basins gave rise to calc-arenites and marls. During the late Miocene, a new period of volcanism commenced with magmas of andesitic composition. Eruptions were violent, with large blocks and lapilli-crystal lithic tuffs being ejected and falling into onshore and offshore sedimentary basins.

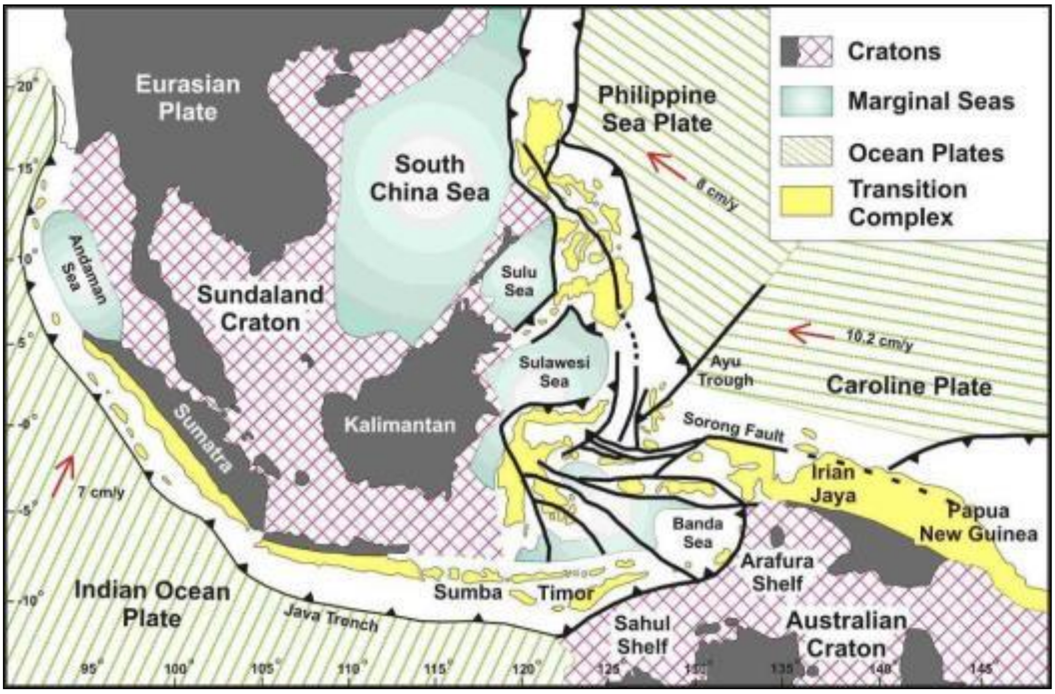

Figure 3: Tectonic setting of Indonesia.

Fringing coral reefs began to form in the early Pliocene period, to be followed by a major event in Indonesia geological history, namely the reaction between the Indian, Pacific and Eurasian plates. Uplift of at least 300m occurred and the orientation of the outcrops of the district was set with NW trending and shallow NE dipping beds. These landforms have been recently modified by Quaternary erosion.

Sumatra Island is the most northwest oriented physiographic expression, affixed on the western edge of Sundaland, a southern extension of the Eurasian Continental Plate (Fig 3). Sumatra Island has an area of about 435,000km^2, measuring 1650km from Banda Aceh in the north to Tanjungkarang in the south. Its width is about 100-200km in the northern part and about 350km in the southern part. The main geographical trendlines of the island are rather simple. Its backbone is formed by the Barisan Range which runs along the western side. This region divides the west and the east coasts. The slope towards the Indian Ocean is generally steep, consequently the west belt is mostly mountainous, with the exception of two lowland embayments in north Sumatra which are about 20km wide. The eastern belt of the island is covered by broad, hilly tracts of Tertiary Formations and alluvial lowlands. At Diamond Point, in Aceh, this low eastern belt has a width of about 30km and its width increases to 150-200km in central and south Sumatra.

Sumatra Island is interpreted to be constructed by collision and suturing of discrete micro-continents in late Pre-Tertiary times. At the present-day, the Indian Ocean Plate is being subducted beneath the Eurasian Continental Plate in a N20^{0}E direction at a rate of between 6-7cm/yr. This zone of oblique convergence is marked by the active Sunda Arc Trench system which extends for more than 5000km, from Burma in the north to where the Australian Plate is in collision with Eastern Indonesia in the south. The basinal configuration of Sumatra is directly related to the presence of the subduction induced non-volcanic forearc and the volcano-plutonic backarc that comprise the morpho-structural backbone of the Island.

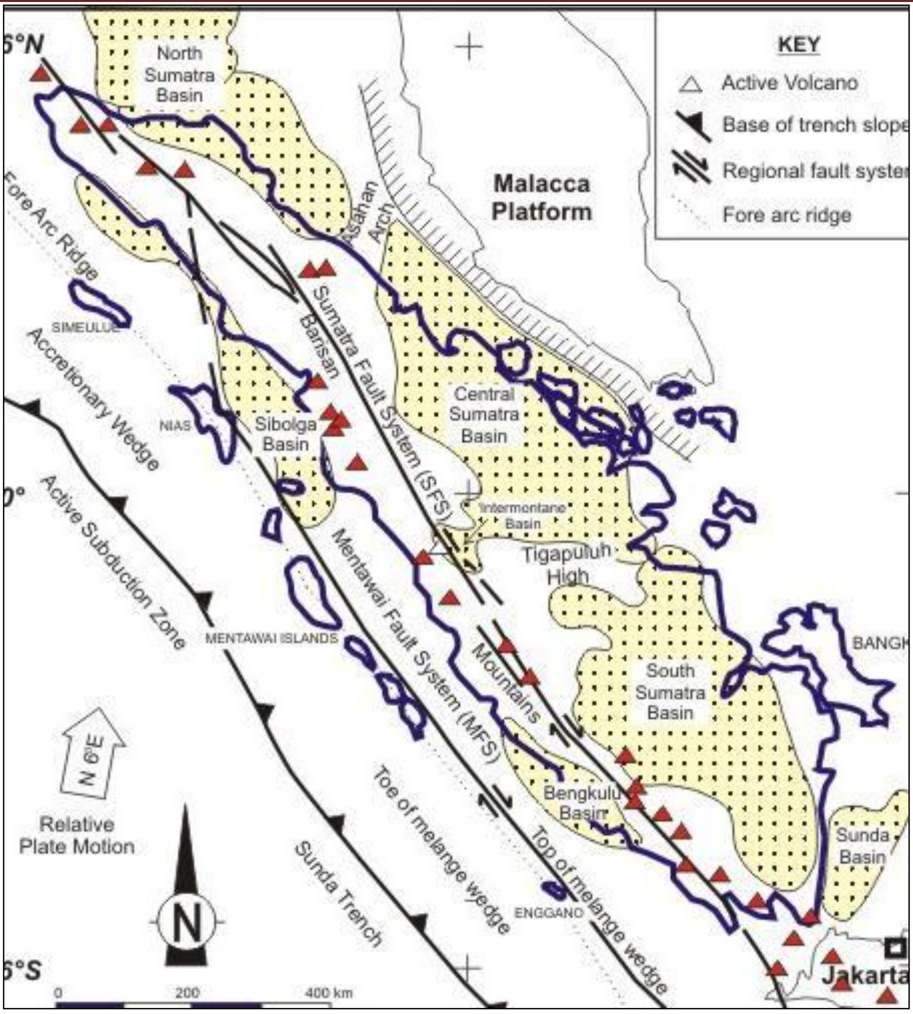

Figure 4: Regional Geological Setting of Sumatra Island.

In general the region can be divided into 5 regions (Fig 4).

- Sunda outer-arc ridge, located along the active margin of the Sunda forearc basin and separate from the trench slope
- Sunda forearc basin, lying between the accreting non-volcanic outer-arc ridge with submerged segments, and the volcanic back arc of Sumatra
- Sumatra back arc basins including North, Central and South Sumatra basin. The system developed as distinct depressions at the foot of the Barisan range
- Barisan mountain range that occupies the axial part of the island and is composed mainly of Permo-Carboniferous to Mesozoic rocks
- Sumatra intra-arc or intermontane basin, separated by subsequent uplift and erosion from this former depositional area, thus with similar lithologies to the fore-and backarc basins.

4.2.1 Painan and South Solok Area Geology

The tenements lie immediately west or east of the Barisian Range where volcanics dominate with minor granitic intrusions exposed. Underlying the volcanics are remnants of basinal sediments that where developed unconformable over basement rocks. These sediments are of relatively thin extent but in some areas are coal bearing. The sediments are deformed to varying degrees dependant on the local stress regime.

The local rocks stratigraphically present are:

Qal – Recent silt, sand, mud, clay and gravel deposits.

Qou – Undifferentiated acid volcanic rocks comprising lava, crustal and vitric tuff, tuff, tuff-breccia, ignimbrite and obsidian of acid to intermediate composition. Obsidian occurs in the upper reaches of S. Teboin Bukit Cermin. These rocks are dacitic in composition. The crystal tuff is composed of quartz and feldspar with a matrix of silica, chlorite hornblende and calcite that locally contain andesite fragments. A few banded rhyolite flows also occur. Aplite, dacititic quartz porphyry and andesite dykes occur locally. These rocks are interpreted to be early Quaternary in age.

Tomp – are Oligo-Miocene volcanic rocks with minor amounts of sedimentary rocks. The volcanics consist of lava, breccia, tuff breccia, crystal tuff ignimbrite, and lithic tuff, mostly andesitic with detrital sandy clay, glass, and chert with cement of glass, calcite, quartz, and feldspar. Crystal tuff contains abundant feldspar and quartz with a groundmass of sericitic clay mineral, and glass, included arkose, bituminous shale, shaley coal, tuffaceous sandstone, andesitic tuff and tuff breccia. Sedimentary rocks south of G. Kerinci often contain Dicotylendenblad. This formation is inferred to be Oligo-Miocene in age. Thickness reaches 700 m. In the Painan Quadrangle mining occurs in the Painan Formation.

Tgr – granite that occurs mainly as biotite granite, quartz porphyry and graphic granite. The granite occurs as cores within granodiorite stocks in the area south of G. Kernici. These granites are inferred to be of Middle Miocene age because of their association with the granodiorite stocks.

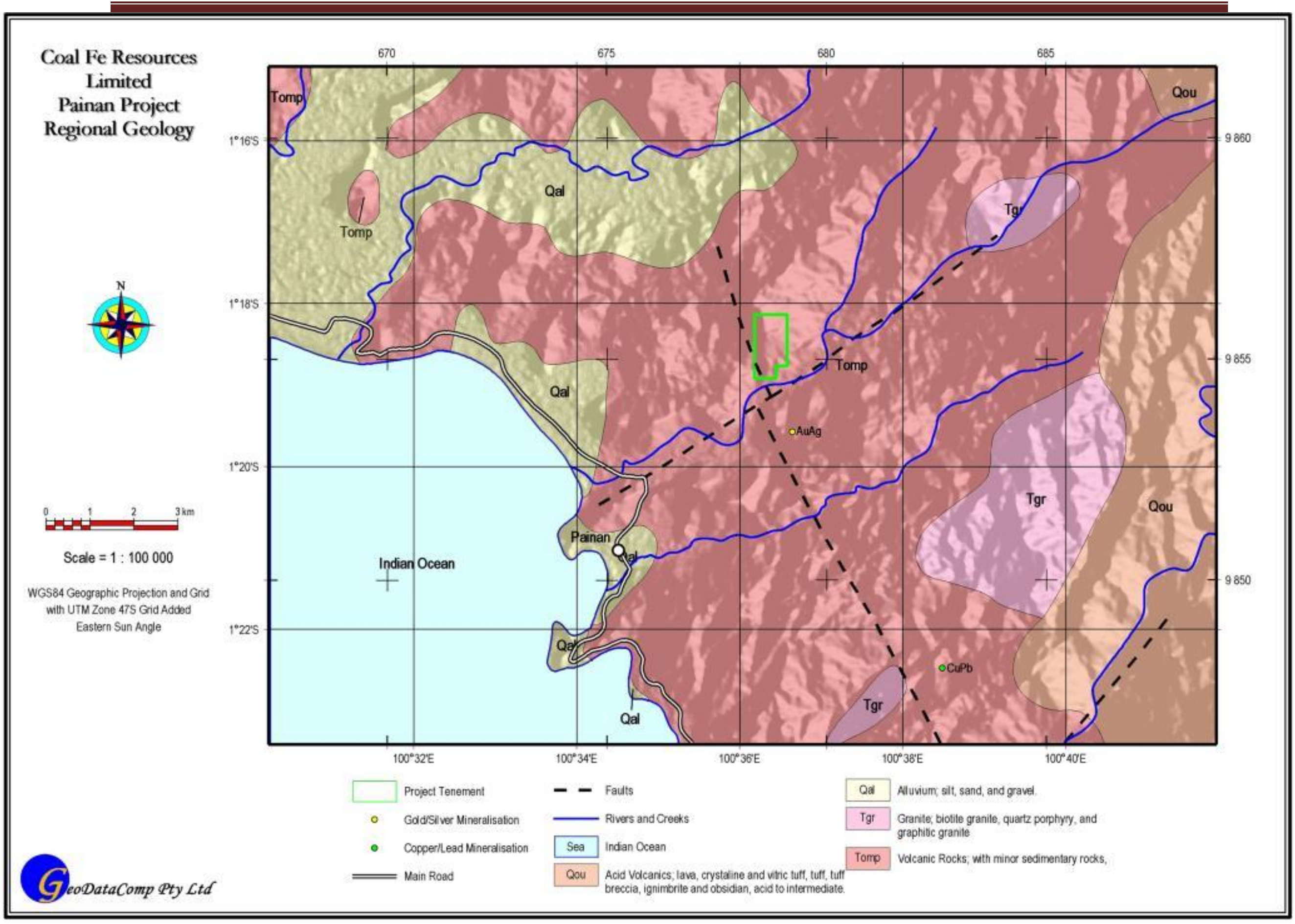

Figure 5: Painan Local Geological Map with PRL Tenements.

The local geological map is inaccurate to the extent that it does not show the outcropping sediments. The area requires detailed mapping to show the remnant overlying volcanic flows and dykes that served to metamorphose the coal with a significant increase in rank to anthracite quality.

4.3 Painan Site Details

The main working areas were visited during the fieldtrip (GPS track in Fig 6). Good exposures of the coal mineralisation were viewed in the workings.

The site comprises three main zones. The short strike length western area passes from a controlling river that will limit the base of any open pit mining over some 150 m of gently sloping ground where the seam dips into mildly sloping ground. The central 220 m zone comprises a mined area where the pit highwall is approaching its strip ratio limits. To the east is an unexplored and unmined possible 450 m strike extension.

Seam exposure includes a 40-60 cm high value anthracite seam (see coal notes section 7.0) that overlies a black shale and coal unit where the coal plies range from 1-10 cm. The hangingwall to the complex seam package is a medium grained, lithified white sandstone.

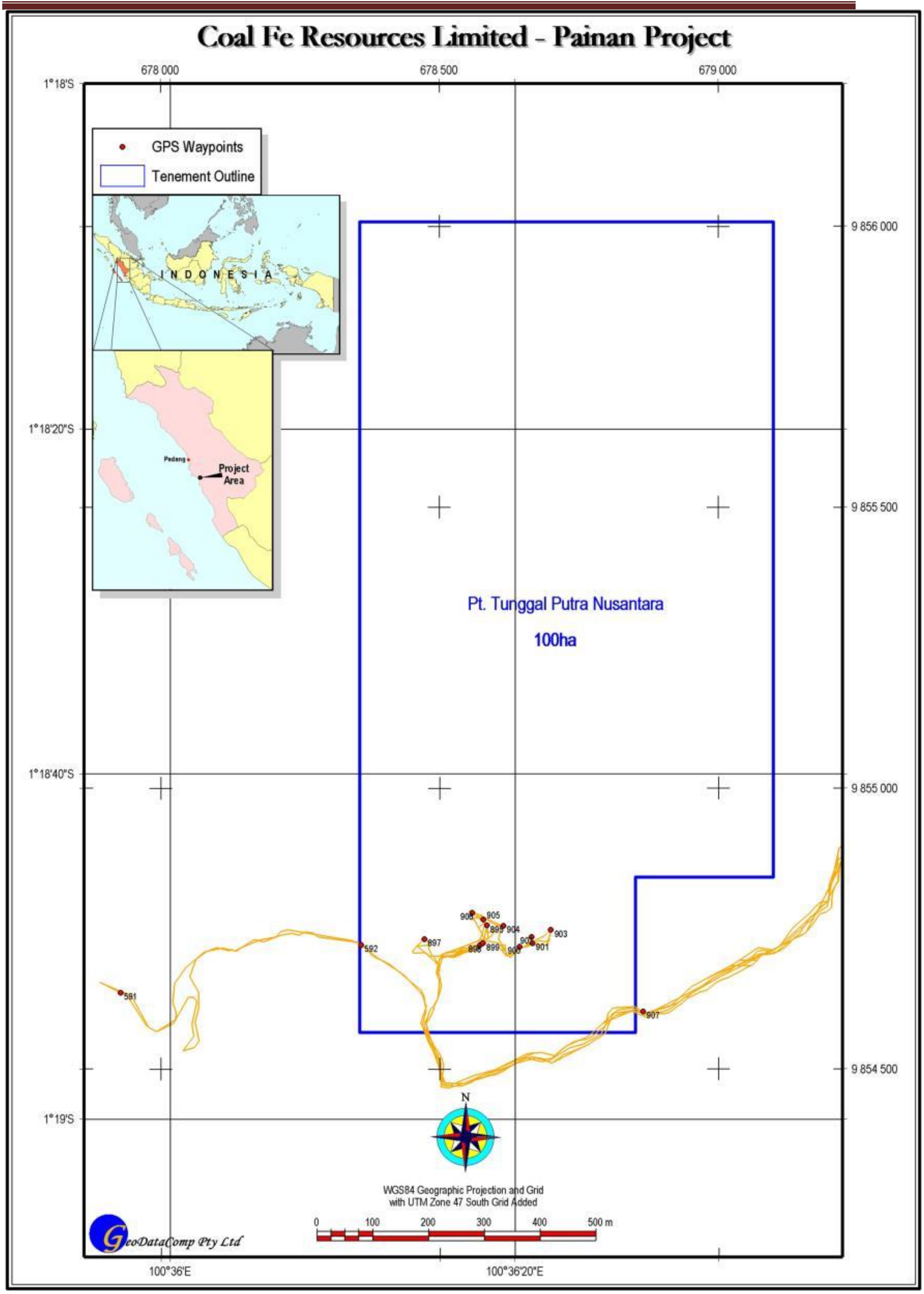

Figure 6: Painan East Coal Project IUP with GPS Track.

Figure 7: (L) Anthracite Seam with Black Shale Footwall with minor Plies of Dull Coal – SamplesTR03A & B collected in the channel at left edge of picture, (R) View West from WP903 over WP592 to Neighbouring Mining Area (horizon – central).

At several footwall locations (WP900-903) a general strike of 070-80^0 with a dip from 18-25^0 NW was observed. At the mining face exposures between WP904-906 show an approximately 2m wide complex seam, including a 40-60cm anthracite ply, within a surface stripped area at an elevation between 67-100m (Fig 7).

From WP903 a good view of the neighbouring mining area indicates that the strike direction is consistent at about 075^0 dipping up to 25^0 to the north.

This strike continuity implies that perhaps approximately 800m of strike is available within the IUP but the full zone is yet to be substantiated by mapping. The potential down-dip length of seam available for potential mining is governed by the strip ratio that reflects the slope of the hill in the down-dip section. The rising ground to the large hill in the down-dip direction to the north will limit any large open pit unless coal seam width is substantially thicker.

There is a possibility that there could be duplication of horizons both as multiple beds and with local strike length on the tenement increased by folding. The generally thin shale parting to the thicker two anthracite seams in the area indicates that washing the coal may produce a cleaner, more valuable, saleable product as has been established and described at the Painan West property (Perpetual Resources Limited ASX:PEC quarterly reports).

Figure 7: (L) WP904 – Sample TR02A Channel Sample of 40cm Anthracite Seam, (R) Sampling Black Shale Footwall Sample TR02B.

Figure 8: (L) View of WP904 Face from above and West to WP906, (R) View East up towards WP903 and Hanging Wall Sandstone.


Figure 9: (L) View East from WP903 of Possible Strike Extension Area (R) New Loading Wharf 10km By Road From Site.

4.3.1 Previous Exploration.

Limited details of earlier exploration are available elucidating drilling that has been undertaken on the strike extension of the same seam within the non associated neighbouring IUP some 350 m to the west where complex seam intersections between 2.0 to 3.0 m were reported (Perpetual Resources Limited September 2013 Quarterly report to ASX). Where holes achieved reliable complete coal seam intersections a composite sample was tested to simulate coal washing. This sample's assays simulate the successful upgrade of mined material using a washing option that could deliver two washed products, namely 18% reporting as high value anthracite and 32% as good value thermal coal (Perpetual Resources Limited January 2014 Quarterly report to ASX.)

Note that there is no commercial relationship between PT TPN and Perpetual Resources Limited other than that of holding neighbouring tenements.

It is understood that Coal Fe intends to ensure that coal washing is undertaken by PT TPN.

Quality and presence of anthracitic coal is confirmed in two channel samples with approximately 7,400kcal/kg and >80.0%FC collected during the site visit. Assay results for the footwall mixed seam and one of hangingwall shale material are also presented in Table 2. Other statutory sampling information is included in Appendix II.

ID	Width m	Material	∑H_2O% ar	H_2O% adb	Ash% adb	Vol% adb	FC% adb	∑S% adb	CV kcal/kg adb
Tr 1	2.00	H/W Shale	6.80	4.23	89.12	5.46	1.19	0.26	72
Tr 2A	0.39	Anthracite	4.30	3.15	5.39	5.32	86.14	2.82	7,557
Tr 2B	0.80	F/W Mixed	10.66	5.89	70.13	6.09	17.89	0.73	1,158
Tr 3A	0.40	Anthracite	4.59	2.38	10.56	4.54	82.52	2.93	7,178
Tr 3B	0.70	F/W Mixed	10.52	5.03	63.55	6.60	24.83	1.89	1,804
Tr 4	1.00	F/W Mixed	10.46	5.61	78.91	7.72	7.76	0.91	630

Table 2: Coal Channel Sample Material Results.

4.3.2 Exploration Potential

Limited mining has been completed at the tenement and mapping is required with associated trenching and drilling to define the full potential.

The potential of the Project could be significant. The geological setting at the pit is identical to the neighbouring Painan mine to the west where one 300 m coherent strike target zone outlined some 123,000t of washed product from 247,000 seam tonnes in the drilled area (Perpetual Resources Limited January 2014 Quarterly report to ASX).

Due to the elevation of the seam and the surrounding topography limited underground mining could also be considered provided coal quality and local rock strength and a lack of weathering permit mining thereby creating additional upside.

Minor Exploration Target estimates have been constructed for valuation purposes and discount factors have been applied to the potential in situ mineralisation; results are summarised in Appendix 1. Note that exploration targets are conceptual in nature and future work may or may not outline a target in part or in whole and the valuation is dependent on the installation of a washing plant.

The current estimate of 281,000 seam tonnes has a 10% range namely 253,000t to 309,000t.There could be other seams on the tenement but these await discovery after full ground-truthing with the aid of detailed mapping, geophysical survey and interpretation and subsequent investigation in detail. The full true potential of the project cannot be estimated until drilling of targets has occurred but there is undoubtedly potential for significant tonnages.

4.3.3 Painan Conclusions

The Painan East project presents an opportunity to mine and supply limited quantities of anthracitic and thermal coal from a complex seam where higher valued quality products would be produced by washing the mined material.

4.4 South Solok Project

4.4.1 Introduction

The project is ideally situated adjacent to the South Solok Highway in mountainous country that parallels the main trans-Sumatra fault zone. Several companies have mined high grade iron pods in the local area. Exploration has been sporadic and there is no known mineralisation model at present (Fig. 10).

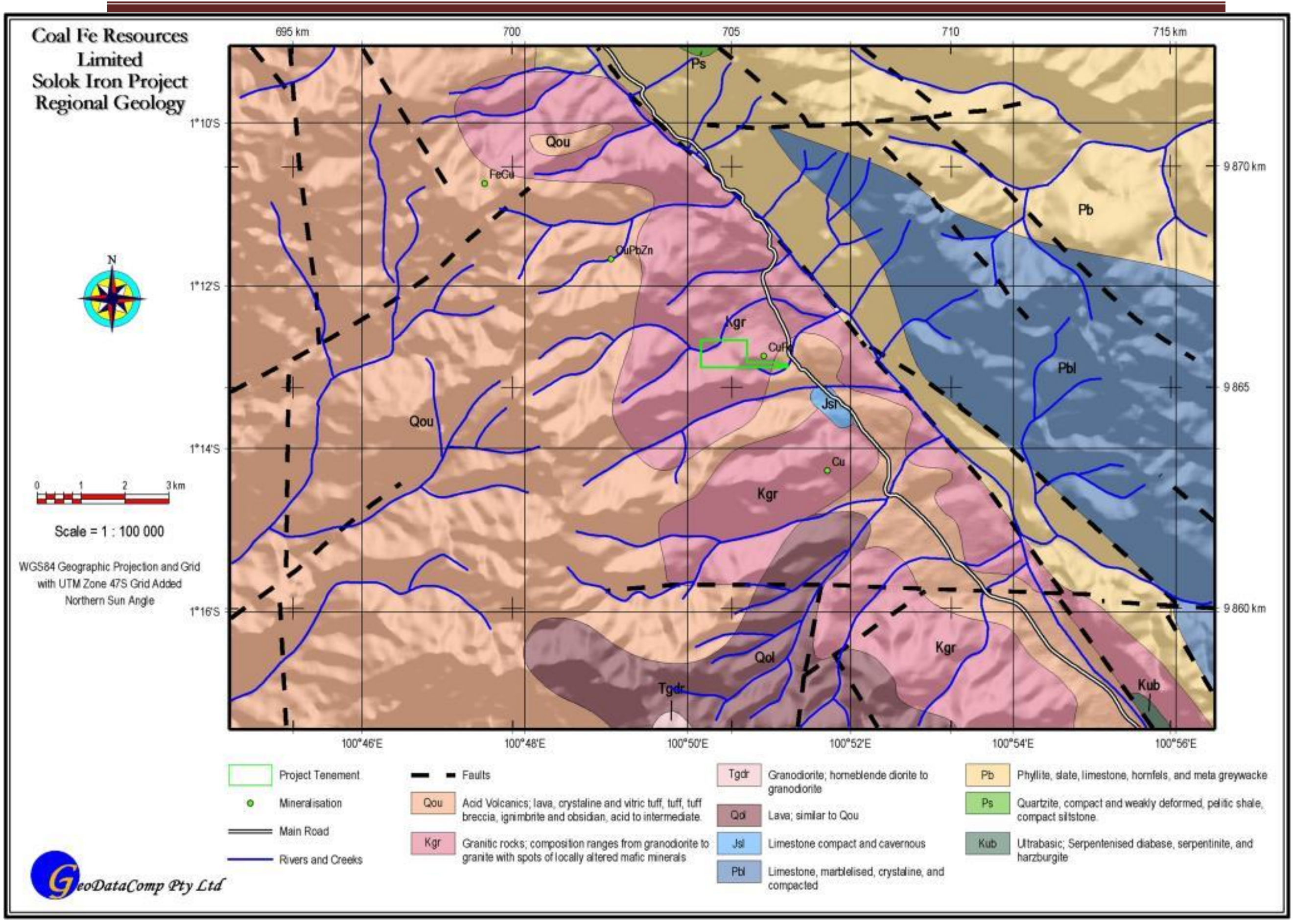

Figure 10: Solok Project Licence Location on Local Geology.

4.4.2 Project Details

The IUP has a forest area to the west and two other IUPs to the east and south. The area between WP626-627 is the site of previous mining of another small high grade iron pod in a small pit that has recently been covered by waste from the current mining operation (Figs 11 & 12).

Mining in the current area has removed material from WP919-914 and waste obscures detail. The only zone open to inspection was from WP915-911 where a narrow slot is exploiting the eastern portion of the pod (Figs 12 & 13). Current pod length is some 100 m and it has been mined down some 20 m.

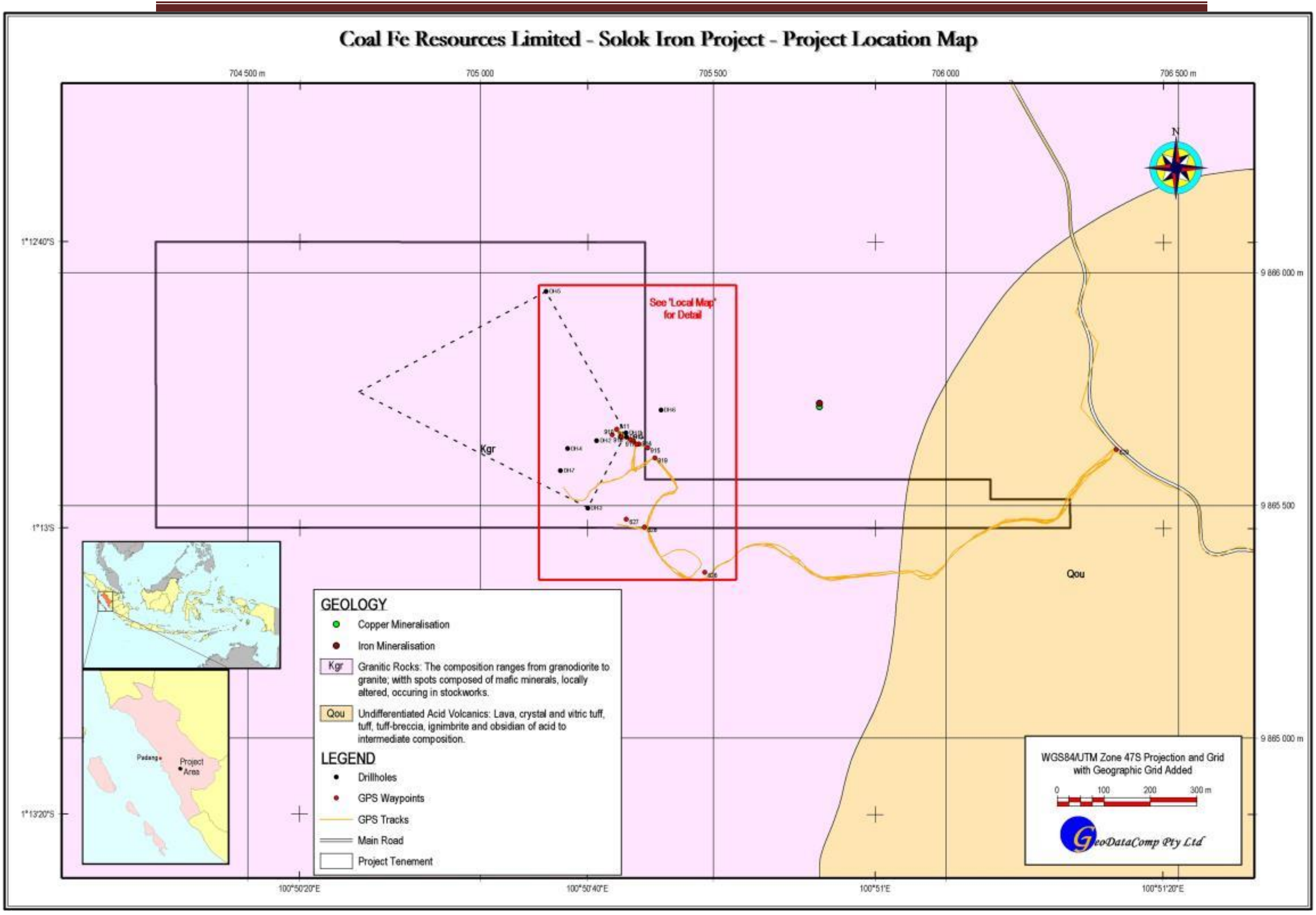

Figure 11: Solok Project IUP Map.

Figure 12: (L) Current Western Mining Face 13m Wide by 11m High and (R) Checking face width.

Previous Joint Venture partners to the property drilled some 11-13 vertical drillholes, eight of which apparently recovered massive magnetite to varying depths.

Collar positions for holes that failed to intersect mineralisation where not plotted on their diagram; only logs for the first two holes have been sighted with both holes lost in mineralisation.

Hole 1 intersected massive magnetite from 25-48 m and Hole 2 the same from 28-41 m; no assay information is available. There are three sub-vertical zones of mineralisation trending west northwest within the IUP.

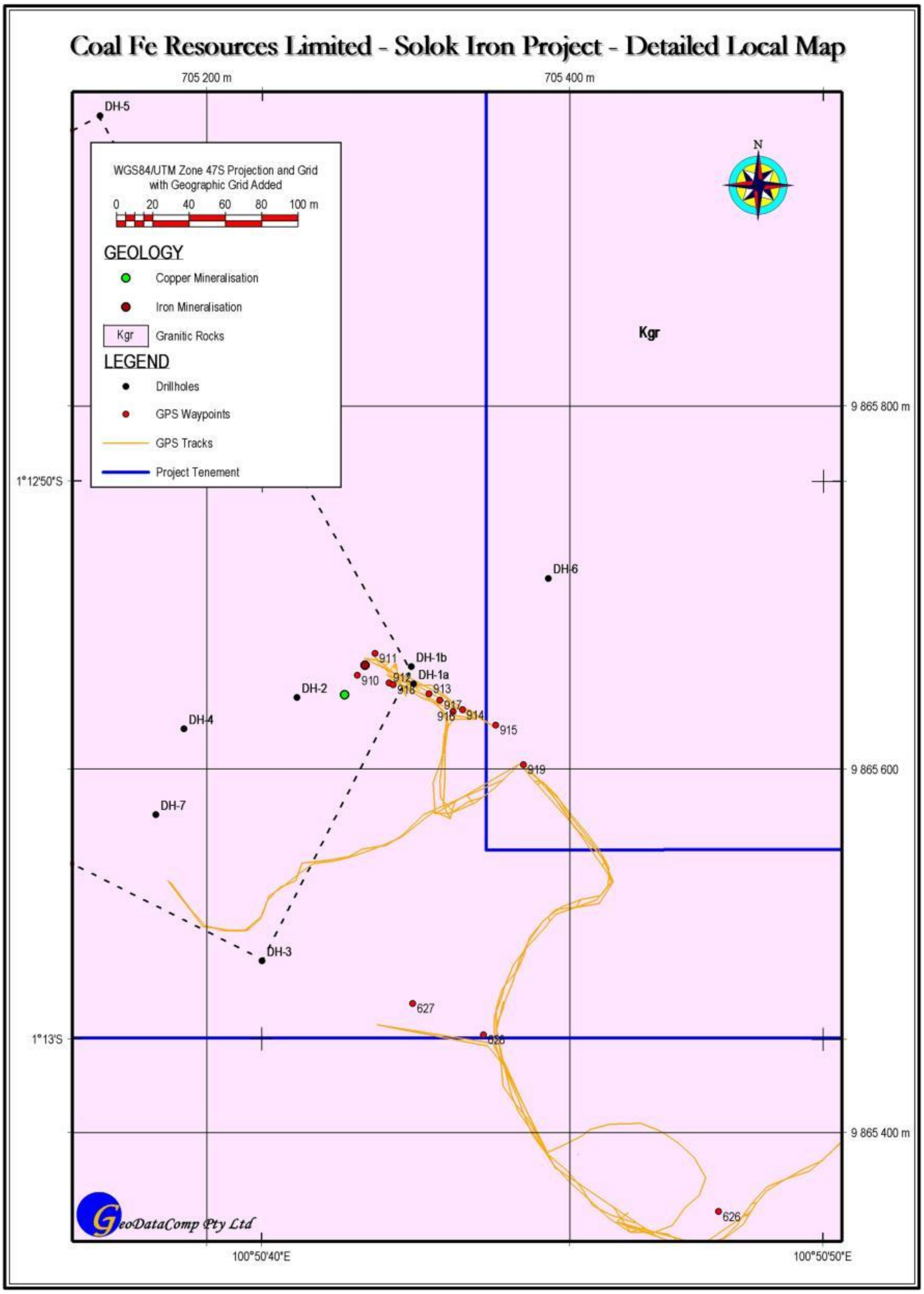

Figure 13: Solok IUP Working Area GPS Track Map.

There is a selvage of alteration around the massive magnetite mineralisation, to the southwest it is altered andesite with base metal mineralisation (Fig 14).To the northeast the alteration appears to be in tuffaceous material. Four samples were collected to characterise the western selvage and in two positions across the mining magnetite slot where phosphorus and sulphur were both <0.02%. Key assay results are presented in Table 3 below Other statutory sampling information is included in Appendix II.The base metal zone, once understood, may be of minor economic significance.

ID	Width m	Material	FeO %	SiO_2 %	Al_2O_3 %	LOI %	Cu ppm	Pb ppm	Zn ppm	Mo ppm	Ag g/t
Pit 2-1	1.00	Altered Basalt	11.6				1,152	<	581	47	2.8
Pit 2-2	2.15	Selvage	62.3				1,663	200	635	11	4.5
Pit 2-3	0.65	Altered Basalt	3.4				101	10	84	105	2.4
Pit 2-4	1.00	Sheared Selvage	7.5				476	10	264	77	4.1
Pit 2-5	13.00	Magnetite	76.3	0.46	1.28	6.60	543	75	1,024	1	5.2
Pit 2-6	11.00	Magnetite	59.7	16.61	1.41	7.72	612	75	1,812	3	5.6

Table 3: Solok Mining Area Assay Results.

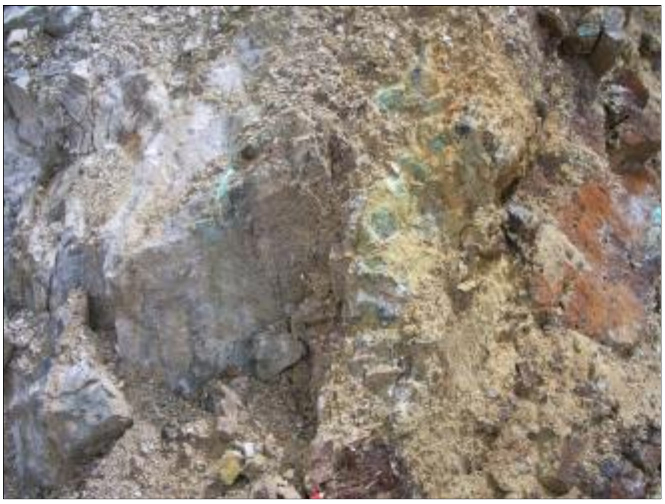

Figure 14: (L) Visible Malachite Staining in the Sheared Selvage – Sample Pit 2-2 and (R) Broken Massive Magnetite Material in floor of Mining Slot.

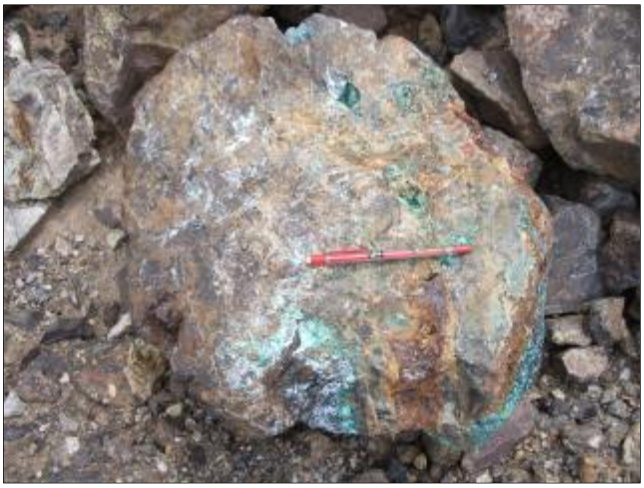

Figure 15: (L) High grade piece of possible copper mineralisation and (R) View over Slot WP626-627 extension structure to mountain top.

4.4.3 Solok Project Potential

The Solok detailed area is interpreted to have three parallel structural zones that contain pods of massive magnetite mineralisation. These occur as a southern zone of extension of the WP626 zone (South=Zone 3 of the valuation table workings in Appendix 1) and the current mining area ('Exposed' of the valuation workings). The third zone is drill indicated as explained by the site manager during the field visit (drill logs currently unavailable) and referred to as Central in the valuation table.

Use of a ground magnetic or aeromagnetic survey would help identify the position of any additional trends or pods within the licence area.

Strike length of pods could be from 100-150 m based on available exposures. Depth of pods, based on verbal comments regarding drillholes and already mined out material, can be taken as 40-50 m, observed widths are over 10 m and a conservative specific gravity of 4.0 is used for a target exploration potential estimate which is 640,000t.

Standard target exploration potential tonnage ranges were estimated as ±10% of length times breadth times depth times specific gravity as used in the Table in Appendix 1. The tonnage range is 576,000t to 704,000t. Note that exploration targets are conceptual in nature and future work may or may not outline a target in part or in whole.

Discount factors to possible in situ mineralisation were applied ranging from 95-99% according to the known data of the potential mineralised zone. The value of the estimated tonnage potential of 640,00t is detailed in the Appendix 1.

5.0 Valuation of the Projects

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the cash value estimates of the mineral asset/project under consideration. In this Report AM&A considers the primary features to be taken into account are the Mineral Licence Security; Mineral Resource/Ore Reserve Estimates; Sovereign Risk; Available Infrastructure; Relevant Expenditure and the general geological setting.

Basically, these "Boxes are Ticked" as described above with regards to mineral licence security, convenient infrastructure, previous mining and favourable geological environment.

5.1 Selection of Valuation Methods

The following valuation methods, as described in section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Project as the resource estimate levels will not sustain a DCF;
- The Kilburn 'prospectivity' method - as the range of values generated is typically too wide to be realistic;
- Joint Venture Terms - as there are no external joint ventures in place;

- Comparable transactions – generally Indonesian vendors have recently had unrealistic deal aspirations so no completed similar transactions could be located.

Accordingly the Empirical method has been accepted for the potential resources at the Projects with various applicable discount factors have been used to apply to the potential resources.

5.2 Valuation Methods

The Empirical Method was selected as the basis for the valuation. Estimates of target exploration mineralisation for the Solok and Painan Projects were made and heavy discount factors ranging from 90-99% were then applied to these tonnage estimates (Appendix 1). Product prices were applied to the target tonnage estimates in order to determine a preferred value. Finally a range of values was achieved by applying low to high values as a ±10% range. Note that exploration targets are conceptual in nature and future work may or may not outline a target in part or in whole.

The results of this determination are summarised in Appendix 1.

5.3 Valuation Conclusions

This Report concludes that the current cash value of 100% of the Projects is ascribed at US$3.5 million from within the range of US$3.2 million to US$3.9 million. Using a conversion rate of 1A$=US$0.94 this relates to A$3.8 million from within the range of A$3.4 million to A$4.1 million.

The Report also concludes that the current cash value of the Coal Fe various equity interests in the Projects is ascribed at US$3.0 million from within the range of US$2.7 million to US$3.3 million. Using a conversion rate of 1A$=US$0.94 this value relates to A$3.2 million from within the range of A$2.9 million to A$3.6 million.

	US$M			**Coal Fe %**	**US$M**		
Project	**Low**	**High**	**Preferred**		**Low**	**High**	**Preferred**
Solok	**2.72**	**3.33**	**3.03**	90	**2.45**	**3.00**	**2.72**
Painan	**0.66**	**0.80**	**0.73**	70	**0.6**	**0.56**	**0.51**
Totals	**3.38**	**4.13**	**3.76**		**3.00**	**3.56**	**3.23**
Totals A$M	**3.4**	**4.1**	**3.8**		**2.9**	**3.6**	**3.2**

Table 4: Summary Range of Current Values.

Yours faithfully,

Allen J. Maynard
BAppSc(Geol), MAIG, MAusIMM.

Brian J Varndell
BSc(SpecHonsGeol), FAusIMM

6.0 References

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Appendix 1: Valuation Estimate Workings.

Coal Fe Painan- Solok; 2014 Valuation Worksheet									A$1=US$0.94							
Assumptions	Exploration Target* discount factors (DF %) 95-99%							Fe +60% US$90/t.			SR mining 10:1 not accounted.					
Solok											**VALUATION**			90% owned		
												US$M				
							Product t				**Pref**	**Low 90%**	**High 110%**	**P**	**L**	**H**
Zone	**Strike m**	**Horiz m**	**Thick m**	**SG**	**Raw t**	**DF %**	**Lump**		**Lump**		**Total**					
Exposed	100	10	40	4	160000	90	16000		1.44		1.44	1.30	1.58			
Central	150	10	40	4	240000	99	3600		0.324		0.32	0.29	0.36			
South = Zone 3	150	10	40	4	240000	95	12000		1.08		1.08	0.97	1.19			
US$					**640000**						**2.84**	**2.56**	**3.13**	2.56	2.30	2.82
A$											**3.03**	**2.72**	**3.33**	2.72	2.45	3.00
**NOTE: Exploration targets are conceptual in nature and future work may or may not outline any target in whole or in part*																
Painan														70% owned		
Assumptions	Model from drilled area 350m to west.						Anthracite US$150/t		Good quality Thermal wash product US$70/t							
Wash product 20%	anthracite (Anth); 30% thermal (Th)					Complex Seam thickness 3m						Discount Factors (DF %) 90-99%				
							Wash Product t					**US$M**				
Zone	**Strike m**	**Horiz m**	**Thick m**	**SG**	**Raw t**	**DF %**	**Anth. 20%**	**Th 30%**	**Anth**	**Th.**	**Total**	**Low 90%**	**High 110%**			
West	120	80	3	2	43200	90	864	1296	0.130	0.091	0.22	0.20	0.24			
Central Mined	220	40	3	2	39600	90	792	1188	0.119	0.083	0.20	0.18	0.22			
East	140	100	3	2	63000	95	630	945	0.095	0.066	0.16	0.14	0.18			
Far East	300	100	3	2	135000	99	405	608	0.061	0.043	0.10	0.09	0.11			
US$					**280800**		**2691**	**4037**			**0.69**	**0.62**	**0.75**	0.48	0.43	0.53
A$											**0.73**	**0.66**	**0.80**	0.51	0.46	0.56
TOTAL US$											**3.53**	**3.18**	**3.88**	**3.04**	**2.74**	**3.34**
Total A$											3.8	3.4	4.1	3.23	2.91	3.56

Appendix II: JORC Code, 2012 Edition – Table 1 Report

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	Commentary
Surface Sampling techniques	• Six chip grooved samples collected to check grades at each location.
Quality of assay data and laboratory tests	• ISO accredited laboratory.
Verification of sampling and assaying	• None conducted
Location of data points	• GPS survey
Sample security	• Delivered by geologist to laboratory.
Audits or reviews	• Nil review.

Section 2 Reporting of Exploration Results and Section 3 Estimation and Reporting of Mineral Resources – not yet applicable.

7.0 Coal Information and Definitions

Types of coal

Coal can be broadly classified into two types based on application:

Thermal coal or **steaming coal**—principally used as a solid fuel to generate electricity and heat.

Metallurgical coal or **coking coal**—used to produce coke, which is used as a fuel and reducing agent in the smelting of iron ore to produce steel.

Coal also comes in four main types or ranks, the characteristics of which are predominantly affected by moisture, volatile content and carbon content:

Anthracite: the most valuable coal type which is a hard black coal with a high carbon content (+75%) and high energy density.

Bituminous coal: a soft black coal that can be used for thermal or metallurgical applications.

Sub-bituminous coal: a soft black coal with an energy density lower than that of bituminous coal and the most common type of coal used for electricity generation.

Lignite: a brown coal with a high moisture content and low energy density, used almost exclusively for electricity generation.

Moisture (H_2o)

The moisture content of coal varies by type of coal, the region where it is mined and the location of coal within a seam. The moisture content of coal is related to the energy content. In general, high moisture content decreases the energy content and increases the weight of the coal, thereby making it more expensive to transport. Moisture content in coal, as sold, can range from approximately 5–30% for bituminous and sub-bituminous coal to up to 45% for lignite.

Total moisture is analysed by loss of mass between an untreated sample and the sample once heated and analysed. When analysing a coal sample, the analysis results need to account for moisture content. Results are typically reported as either:

'as received' (**ar**)—as a percentage of the coal including the total moisture content; i.e. including both the surface and the air-dried moisture content of the coal;

'air dried basis' (**adb**)—as a percentage of the air-dried coal; i.e. including the air-dried moisture but not the surface moisture;

'dry basis' (**db** or **dry**)—as a percentage of the coal after all moisture has been removed; and

'dry ash-free' (**daf**)—as a percentage of the volatile matter and fixed carbon components of the coal, with moisture and ash removed.

Energy content (CV)

The energy content of coal is typically measured as the heat released on complete combustion in air or oxygen, expressed as the amount of heat per unit weight. It is usually expressed in units of kilocalories per kilogram (**kcal/kg**). Energy content is affected by moisture content. Generally a higher energy content means a higher economic value, particularly for thermal coal.

Volatile matter (Vol)

Volatile matter in coal refers to the components of coal (excluding water) that are liberated at high temperatures in the absence of air. This is usually a mixture of short and long chain hydrocarbons, aromatic hydrocarbons and some sulphur. The volatile matter of coal is determined by heating the coal sample under controlled conditions.

Ash content

Ash is the inorganic residue remaining after the combustion of coal. It is an important characteristic of coal because electricity generators must handle and dispose of ash following combustion. Coal with a lower ash content is therefore considered to be of higher quality. Analysis is fairly straightforward, with the coal thoroughly burnt and the ash material expressed as a percentage of the original weight.

Fixed carbon (FC)

The fixed carbon content of coal is the carbon remaining after volatile materials are driven off. This differs from ultimate carbon content because some carbon is lost with the volatile materials as hydrocarbons. Fixed carbon is used as an estimate of the amount of coke that will be yielded from a sample of coal. Fixed carbon is determined by subtracting the moisture, ash and volatile matter content from the original mass of the coal sample.

Sulphur content (S)

Low sulphur coal is generally characterised as coal with a sulphur content of 1% or less by weight. In many countries, environmental controls restrict sulphur emissions by electricity generators. Low sulphur coal therefore offers environmental and economic advantages over high sulphur coal and reduces the need for flue gas desulphurisation. Coking coal requires a maximum sulphur content of 0.8%, because higher values affect steel quality.

Proximate analysis

This is the determination of moisture, ash, volatile matter and fixed carbon and is quoted along with the gross calorific value (ad), total sulphur and sometimes the phosphorous content. The other key parameters of crucible swelling index, ash softening temperature, ash fusion temperature and Hardgrove Grindability Index ("HGI") are often analysed and quoted with proximate analysis results.

Ultimate Analysis

This entails determination on a daf basis of carbon, hydrogen, nitrogen, oxygen, carbonates, phosphorous and chlorine on a percentage basis.

Ash Constituents

This entails analysis on a percentage basis of SiO_2, Al_2O_3, Fe_2O_3, TiO_2, CaO, MgO, Na_2O, K_2O, P_2O_5, Mn_3O_4, SO_3, and the SiO_2: Al_2O_3 ratio.

Density

Is determined on an ad basis.

Petrographic Parameters – Maceral Analysis

This is a microscopic analysis to determine on a percentage basis the coal mineral components that are vitrinite, exinite, micrinite, semi-fusinite, fusinite, and mineral matter as well as quoting the reactives to inerts ratio.

8.0 Glossary of Technical Terms and Abbreviations

Aeromagnetic Survey	A survey made from the air for the purpose of recording magnetic characteristics of rocks.
Alluvial	Transported and deposited by water.
Complex	An assemblage of rocks or minerals intricately mixed or folded together.
Conformable	Beds deposited upon one another in uninterrupted sequence.
Conglomerate	Sedimentary rock formed by the cementing together of rounded water- worn pebbles, distinct from breccia.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.
Dip	The angle at which a rock layer, fault of any other planar structure is inclined from the horizontal.
Dyke	A tabular intrusive body of igneous rock that cuts across bedding at a high angle.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Felsic	Descriptive of an igneous rock which is predominantly of light coloured minerals (antonym: of mafic).
Footwall	Rocks underlying mineralisation .
Granite	A coarse grained igneous rock consisting essentially of quartz and more alkali feldspar than plagioclase.
Intercept	The length of rock or mineralisation traversed by a drillhole.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Magnetic Survey	Systematic collection of readings of the earth's magnetic field.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Palaeochannel	A drainage channel of the geological past which may be buried.
Palaeozoic	A time period from approximately 590 to 225 million years ago.

Porphyry	A rock with conspicuous crystals in a fine-grained ground mass.
Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Proterozoic	The geological age after Archaean, approximately 570 to 2400 million years ago.
Quartz	A very common mineral composed of silicon dioxide-SiO_2.
Quaternary	A division of geological time ranging between 1.8 million years and the present. .
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Recent	Geological age from about 20,000 years ago to present (synonym: Holocene).
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing Imagery	Geophysical data obtained by satellites processed and presented as photographic images in real or false colour combinations.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Sandstone	A cemented or otherwise compacted detrital sediment composed predominantly of quartz grains.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth’s crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.
Subcrop	The surface expression of a mostly concealed rock layer.
Syncline	A fold where the rock strata dip inwards towards the axis (antonym: anticline).
Ultramafic	Synonymous with ultrabasic.
Unconformable	Descriptive of rocks on either side of an unconformity.
Unconformity	Lack of parallelism between rock strata in sequential contact, caused by a time break in sedimentation.
Volcanic	Relating to the eruption of a volcano.
Volcaniclastic	Describes clastic fragments of volcanic origin.

CHEMICAL SYMBOLS

Ag	Silver	Al	Aluminium
As	Arsenic	Au	Gold
Ca	Calcium	Cu	Copper
Fe	Iron	K	Potassium
Mg	Magnesium	Mn	Manganese
Mo	Molybdenum	Na	Sodium
Ni	Nickel	Pb	Lead
P	Phosphorus	Si	Silica
Ti	Titanium	Zn	Zinc

ABBREVIATIONS

B	billion	cm	centimetre
ha	hectare	km	kilometre
km^2	square kilometre	m	metre
m^2	square metre	m^3	cubic metre
mm	millimetre	M	million
t	tonne	tpa	tonnes per annum

UNITS OF CONCENTRATION

ppb	parts per billion	ppm	parts per million

ANNEXURE B

TERMS OF OPTIONS ISSUED UNDER RESOLUTION 4

(i) Each Option entitles the holder to acquire one fully paid ordinary share in the Company.

(ii) The Options are exercisable on or before 4 years from the date of issue.

(iii) Each Option may be exercised by forwarding to the Company at its principal office the exercise notice, duly completed together with payment of the sum of $0.02 per Option exercised.

(iv) The Options may be transferred by an instrument (duly stamped where necessary) in the form commonly used for the transfer of Options at any time until expiry of the Options. This right is subject to any restrictions on the transfer of a Option that may be imposed by ASX in circumstances where the Company is listed on ASX.

(v) Option holders shall be permitted to participate in new issues of securities on the prior exercise of options in which case the Option holders shall be afforded the period of at least nine (9) business days prior to and inclusive of the record date (to determine entitlements to the issue) to exercise the Option.

(vi) Shares issued on the exercise of Options will be issued not more than fourteen (14) days after receipt of a properly executed exercise notice and application moneys. Shares allotted pursuant to the exercise of a Option will rank equally with the then issued ordinary shares of the Company in all respects. If the Company is listed on ASX it will, pursuant to the exercise of an Option, apply to ASX for Quotation of the Shares issued as a result of the exercise, in accordance with the Corporations Act and the Listing Rules.

(vii) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, all rights of the Option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital at the time of the reconstruction.

(viii) If there is a bonus issue to Shareholders, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.

(ix) In the event that a pro rata issue (except a bonus issue) is made to the holders of the underlying securities in the Company, the exercise price of the Options may be reduced in accordance with Listing Rule 6.22.

(x) Application will not be made for the Options to be quoted on the Official List of the ASX.

Proxy Form

Shareholder Details

Name: ……

Address: ……

Contact Telephone No: ……

Contact Name (if different from above): …………………………………………………………………………………………………..

Appointment of Proxy

I/We being a shareholder/s of Coal Fe Resources Limited and entitled to attend and vote hereby appoint

(*Write here the name of the person you are appointing if this person* ***is someone other than*** *the Chairman of the Meeting*)

or failing the person named, or if no person is named, the Chairman of the Meeting, as my/our proxy to attend and act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Coal Fe Resources Limited to be held on 17 October 2014 at 10am AEST at Level 24, Royal Exchange Building, 56 Pitt Street, Sydney, NSW, and at any adjournment of that meeting.

I acknowledge that if the Chairman of the meeting is appointed as proxy or becomes proxy by default the Chairman intends to vote undirected proxies in favour of all resolutions.

Voting directions to your proxy – please mark ☒ to indicate your directions

Agenda

		For	**Against**	**Abstain***
Resolution 1	Acquistion of 90% shareholding in MSM	☐	☐	☐
Resolution 2	Acquistion of 70% shareholding in TPN	☐	☐	☐
Resolution 3	Issue of Shares to Mr Robert Swarbrick or nominees	☐	☐	☐
Resolution 4	Issue of Shares to Advisers or their nominees	☐	☐	☐
Resolution 5	Issue of Shares to sophisticated investors	☐	☐	☐
Resolution 6	Re-Election of Mr Robert Swarbrick as a Director	☐	☐	☐
Resolution 7	Election of Mr Ben Donovan as a Director	☐	☐	☐
Resolution 8	Change of Company Name to Aus Asia Resources Limited	☐	☐	☐

*If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Appointment of a second proxy (see instructions overleaf)
If you wish to appoint a second proxy, state the % of your voting rights applicable to the proxy appointed by this form %

PLEASE SIGN HERE **This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented**

Individual or Shareholder 1	**Shareholder 2**	**Shareholder 3**
Sole Director and Sole Company Secretary	**Director**	**Director/Company Secretary**

How to complete this Proxy Form

Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If shares are jointly held, please ensure the name and address of each joint shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a shareholder of the Company.

Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning Company Secretary Jatin Cholera on +61 8 9209 2466 or you may photocopy this form.
To appoint a second proxy you must on each Proxy Form state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If both Proxy Forms do not specify that percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

Signing Instructions

You must sign this form as follows in the spaces provided:

Individual:	where the holding is in one name, the holder must sign.
Joint Holding:	where the holding is in more than one name, all of the shareholders should sign.
Power of Attorney:	to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies:	where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place. If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting i.e. no later than 10am AEST on 15 October 2014. Any Proxy Form received after that time will not be valid for the scheduled meeting.
This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at C/- Nexia Corp, 7/11 Exchange Road, MALAGA, WA, AUSTRALIA, 6090 or sent by facsimile to the registered office on +61 8 9248 9033.