

COAL FE RESOURCES LIMITED

ABN 41 121 969 819

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of one (1) New Share for every five (5) Shares held by Shareholders registered at 5.00pm (WST) on 24 July 2008 at an issue price of 10 cents per New Share to raise approximately \$1,434,685 together with one (1) free attaching New Option for every two (2) New Shares issued exercisable at 10 cents on or before 31 December 2010 (**Entitlement Issue**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.



COAL FE RESOURCES LIMITED

A.B.N. 41121 969 819

15 July 2008

Dear Shareholder

On behalf of the Board, I am pleased to invite you to participate in this Non-Renounceable Entitlement Offer we announced on 15 July 2008. This Offer provides you with the opportunity to increase your investment in Coal Fe Resources Limited (**Coal Fe** or **Company**) and participate in the progress of the Company.

Purpose of the Offer

Coal Fe is seeking to raise approximately \$1,434,685 through this Offer. Whilst not underwritten, the Offer has the support of major Shareholders and all Board members will take up their full Entitlements.

As you are aware, the Company recently announced a JORC compliant resource of 27.26 million tonnes at the Company's 95%-owned 1,017ha Abadi coal concession, located on the east coast of the East Kalimantan province in Indonesia. The JORC resource, based on drilling results from ~30% of the concession area and Ravensgate memorandum dated 30 May 2008, indicate good quality thermal coal with low ash and sulphur content.*

The Offer will enable the Company to replace working capital used not only on the investment made in completing the due diligence exercise and other work on the Company's proposed acquisition of PT Nusantara Thermal Coal, but also on the associated costs of the extended work undertaken to bring the Pancaran Abadi Project to its present status.

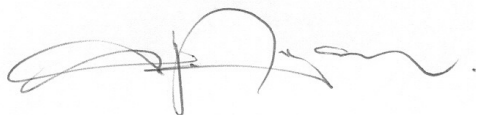
These funds will enable the Company to immediately progress drilling to define a JORC compliant reserve at the Pancaran Abadi Project and initiate a mine plan. The Company has set a minimum subscription for this Offer of \$700,000. In addition good support from major Shareholders and the Board is anticipated where it is expected that sufficient funds will be received to see the Company through the next 12 months. Should the Offer fall short of full subscription, the Company will scale back funds directed to other projects and other working capital commitments in order to concentrate funds to the Pancaran Abadi Project.

Other Information

Pursuant to the Collaboration Agreement that the Company entered into with CDH Limited (subsequently renamed Handini Resources Limited) (**Handini**) on 11 February 2008, Coal FE will be allotted 10,000,000 ordinary shares in the capital of Handini at the time of Handini's IPO. Handini has given notice of a general meeting to take place on 31 July 2008 and shortly following that meeting it is expected that Handini will list on ASX. The shares received by Coal Fe are unlikely to be escrowed so, while there are no current plans to divest this asset, it provides the Company with a liquid investment.

The Directors advise you to carefully read this Prospectus in its entirety before making your investment decision and, if in any doubt, seek professional advice. Descriptions of risk factors that you may wish to consider are set out in Section 6 of this Prospectus.

On behalf of the Board, I thank you for your continued support as a Coal Fe Shareholder and I commend the Offer to you.

A handwritten signature in black ink, appearing to read 'Allan Ryan', with a stylized flourish at the end.

Allan Ryan
Chairman

* This information relates to Exploration Results or Mineral Resources is based on information compiled by Ms Liesl Kemp, a Non Executive Director of the Company, who is a Member of the Australasian Institute of Mining and Metallurgy. She has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Persons as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Ms Kemp consents to the inclusion of this statement in the form and context in which it appears.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES

Lodgement of Prospectus with ASIC	15 July 2008
Notice sent to Shareholders and Option Holders	17 July 2008
Ex Date	18 July 2008
Record Date for determining Shareholder entitlements	24 July 2008
Prospectus despatched to Shareholders	28 July 2008
Closing Date of Offer	20 August 2008
Securities quoted on a deferred settlement basis	21 August 2008
Despatch date/Shares entered into Shareholders' security holdings	28 August 2008

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 15 July 2008 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 14 August 2009 (**Expiry Date**). No Shares or Options will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for New Shares and New Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

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2. CORPORATE DIRECTORY

Directors

Mr Allan Ryan (Non Exec. Chairman)
Mr Dato' Ramiah Anpalagan (Deputy Chairman)
Mr Cheng Jew Keng (Managing Director)
Ms Liesl Kemp (Non Exec. Director)
Mr Faris Azmi Abdul Rahman (Finance Director)

Company Secretary

Mr Ian Macpherson
Mr Darren Crawte (assistant Company Secretary)

Registered Office

Level 2
47 Colin Street
WEST PERTH WA 6005

Postal Address:
c/- Ord Nexia Pty Ltd
PO Box 359
WEST PERTH WA 6872

Telephone: (08) 9320 5220
Facsimile: (08) 9481 6343

ASX Code

CES

Share Registry*

Security Transfer Registrars Pty Limited
770 Canning Highway
APPLECROSS WA 6153

Telephone: (08) 9315 2333

Solicitors to the Offer

Steinepreis Paganin
Lawyers & Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Auditor*

Bentleys
Level 1, 12 Kings Park Road
WEST PERTH WA 6005

*These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company offers for subscription approximately 14,346,850 New Shares and approximately 7,173,425 New Options pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) New Share for every five (5) Shares held on the Record Date at an issue price of 10 cents per New Share together with one (1) free attaching New Option for every two (2) New Shares issued. Fractional entitlements will be rounded up to the nearest whole number.

The New Options will be exercisable at 10 cents each on or before 31 December 2010.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of New Shares to be issued pursuant to the Offer is approximately 14,346,850. The Offer will raise approximately \$1,434,685. The purpose of the Offer and the use of funds raised are set out in Section 4 of this Prospectus.

Holders of Options will not be entitled to participate in the Offer. The Company currently has 35,867,126 listed Options and 8,500,000 unlisted Options on issue which Options may be exercised by the Option Holder prior to the Record Date in order to participate in the Offer.

3.2 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and
 - (ii) attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement:
 - (i) fill in the number of Securities you wish to accept in the space provided on the Entitlement and Acceptance Form; and
 - (ii) attach your cheque for the appropriate application monies (at 10 cents per New Share); or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Coal Fe Resources Limited – Entitlement Offer Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5pm WST on the Closing Date.

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

3.3 Shortfall

Any Entitlement not taken up pursuant to the Offer will form the Shortfall. The Directors, reserve the right to issue Shortfall Shares and Options at their absolute discretion. Accordingly, Shareholders who may wish to subscribe for the Shortfall are invited to complete the Shortfall Application Form accompanying this Prospectus and return it to the Company together with a cheque for the value of the Shortfall.

The Directors reserve the right to allot to an Applicant a lesser number of the Shortfall than the number for which the Applicant applies for on their Shortfall Application Form, or to reject an application, or to not proceed with placing the Shortfall.

The offer of any Shortfall is a separate offer made pursuant to this Prospectus and will remain open for up to three (3) months following the Closing Date. The issue price of any Shortfall Shares shall be 10 cents together one (1) free attaching listed New Option for every two (2) New Shares issued exercisable at 10 cents on or before 31 December 2010 being the price and terms at which the Entitlement has been offered to Shareholders pursuant to this Prospectus.

3.4 Minimum Subscription

The minimum subscription in respect of this Offer is \$700,000.

3.5 Australian Securities Exchange Listing

Application for official quotation by ASX of the New Shares and New Options offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any New Shares or New Options and will repay all application monies for the Securities within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the New Shares and/or New Options is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

3.6 Allotment of New Shares and New Options

New Shares and New Options issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the New Shares and New Options on the basis of a Shareholder's Entitlement. Where the number of New Shares and New Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the New Shares and New Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as

required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3.7 Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Securities these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

Any recipient of this Prospectus residing outside Australia should consult their professional advisors on requisite compliance requirements. It is the responsibility of any overseas Applicant to ensure compliance with all laws of any country relevant to their application. The return of a duly completed application will be deemed to be a representation and warranty by the Applicant that there has been no breach of such laws.

3.8 Taxation Implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Securities under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Securities offered pursuant to this Prospectus.

3.9 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.10 Privacy Act

If you complete an application for New Shares and New Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to

assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for New Shares and New Options, the Company may not be able to accept or process your application.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$1,434,685 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	\$
Pancaran Abadi Project:	
Progress JORC reserve drilling (300 Ha)	200,000
Initiate Mine plan	100,000
Land acquisition	150,000
Pre feasibility study	50,000
Surveying and scout drilling on other projects	300,000
Working Capital:	
Fees and salaries	480,000
Company secretarial fees	24,000
Compliance fees	12,000
Travelling costs	48,000
Corporate costs	36,000
Estimated expenses of the offer	34,685
Total	\$1,434,685

Notes:

1. Refer to Section 7.6 of this Prospectus for further details relating to the estimated expenses of the Offer.
2. If the Offer is not fully subscribed the funds raised will be scaled back by concentrating funds to the Pancaran Abadi Project and reducing the level of working capital commitments outlined above on a pro rata basis.

4.2 Effect of the Offer and Pro Forma Consolidated Balance Sheet

The principal effect of the Offer will be to:

- (a) increase the cash reserves by approximately \$1,400,000 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 71,734,253 Shares prior to the Offer to approximately 86,081,103 Shares following completion of the

Offer;

- (c) increase the number of Options on issue from 35,867,126 listed Options and 8,500,000 unlisted Options prior to the date of this Prospectus to approximately 43,040,551 listed Options and 8,500,000 unlisted Options.

4.3 Consolidated Balance Sheet

The unaudited Balance Sheet as at 31 May 2008 and the unaudited Pro Forma Balance Sheet as at 31 May 2008 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Shares and Options pursuant to the Offer in this Prospectus are issued.

The Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

	Unaudited as at 31 May 2008 \$	Proforma Adjustments \$	Proforma as at 31 May 2008 \$
Current assets			
Cash and cash equivalents	183,767	1,400,000	1,583,767
Trade and other receivables	1,397,424	-	1,397,424
Total current assets	1,581,191	1,400,000	2,981,191
Non-current assets			
Plant and equipment	153,972	-	153,972
Intangible assets	4,479,025	-	4,479,025
Total non-current assets	4,632,997	-	4,632,997
Total assets	6,214,188	1,400,000	7,614,188
Current liabilities			
Trade and other payables	86,883	-	86,883
Total current liabilities	86,883	-	86,883
Non-current liabilities			
Other payables	158,087	-	158,087
Total non-current liabilities	158,087	-	158,087
Total liabilities	244,970	-	244,970
Net assets	5,969,218	-	7,369,218
Equity			
Issued capital	7,789,944	1,400,000	9,189,944
Reserves	687,954	-	687,954
Accumulated losses	(2,508,680)	-	(2,508,680)
Total equity	5,969,218	1,400,000	7,369,218

4.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares currently on issue	71,734,253
New Shares offered pursuant to the Offer	14,346,850
Total Shares on issue after completion of the Offer	86,081,103

Options

	Number
Unlisted Options exercisable at \$0.20 on or before 31 December 2009	8,500,000
Listed Options exercisable at \$0.30 on or before 31 December 2009	35,867,126
New Listed Options exercisable at \$0.10 on or before 31 December 2010 offered pursuant to the Offer	7,173,425
Total	51,540,551

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5. RIGHTS AND LIABILITIES ATTACHING TO THE NEW SHARES AND NEW OPTIONS

5.1 Terms of New Shares

The following is a summary of the more significant rights and liabilities attaching to New Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.1.1 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

5.1.2 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

5.1.3 Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the

Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

5.1.4 Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

5.1.5 Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

5.1.6 Future Increase in Capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

5.1.7 Variation of Rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

5.2 Terms of New Options

The new Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each New Option gives the Option Holder the right to subscribe for one Share. To obtain the right given by each New Option, the Option Holder

must exercise the New Options in accordance with the terms and conditions of the New Options.

- (a) The New Options will expire at 5:00 pm (WST) on 31 December 2010 (**Expiry Date**). Any New Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (b) The amount payable upon exercise of each New Option will be \$0.10 (**Exercise Price**).
- (c) The New Options held by each Option Holder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion. Where less than 1,000 New Options are held, all New Options must be exercised together.
- (d) An Option Holder may exercise their New Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of New Options specifying the number of New Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of New Options being exercised;

(Exercise Notice).

- (e) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (f) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of New Options specified in the Exercise Notice.
- (g) The New Options are transferable.
- (h) All Shares allotted upon the exercise of New Options will upon allotment rank *pari passu* in all respects with other Shares.
- (i) The Company will apply for quotation of the New Options on ASX.
- (j) If at any time the issued capital of the Company is reconstructed, all rights of an Option Holder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (k) There are no participating rights or entitlements inherent in the New Options and Option Holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the New Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 Business Days after the issue is announced. This will give Option Holders the opportunity to exercise their New Options prior to the date for determining entitlements to participate in any such issue.
- (l) Other than pursuant to term (n), a New Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the New Option can be exercised.

- (m) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the New Options, the number of securities over which a New Option is exercisable may be increased by the number of securities which the Option Holder would have received if the New Option had been exercised before the record date for the bonus issue.

6. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Shares and New Options. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for New Shares and New Options.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.1 Going Concern Risk

If no funds were raised from the Offer or insufficient funds were raised to cover the Company's working capital requirements, further funding will be required by the Company. There is no guarantee that such funding will be obtained on favourable terms or at all. This would have a materially adverse effect on the Company's ability to continue operating as a going concern.

6.2 Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of factors, including:

- (a) adverse geological conditions;
- (b) limitations on activities due to seasonal weather patterns and cyclone activity;
- (c) unanticipated operational and technical difficulties encountered in seismic survey, drilling and production activities;
- (d) mechanical failure of operating plant and equipment;
- (e) industrial and environmental accidents, industrial disputes and other force majeure events;
- (f) unavailability of aircraft or drilling equipment to undertake airborne electromagnetic and other geological and geophysical investigations;
- (g) unexpected shortages or increases in the costs of labour, consumables, spare parts, plant and equipment; and
- (h) inability to obtain necessary consents or approvals.

Indonesia, from time to time, experiences economic, social and political volatility. As a result, the Company's operations may be impacted by currency fluctuations, political reforms, changes in Indonesian government policies and procedures, civil unrest, social and religious conflict and deteriorating economic conditions. The likelihood of any of these changes, and their possible effects, if any, cannot be determined by the Company with any clarity at the present time, but they may include disruption, increased costs and, in some cases, total inability to establish or to continue to operate mining exploration or development activities.

6.3 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and future production activities, as well as on its ability to fund those activities.

6.4 Market conditions

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities and in particular, resources stocks. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

6.5 Security Investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

6.6 Environmental Impact Constraints

The Company's exploration and appraisal programs will, in general, be subject to approval by government authorities. Development of any coal resources will be dependent on the project meeting environmental guidelines and gaining approvals by government authorities.

6.7 Kyoto Protocol

The Kyoto Protocol to the United Nations Framework Convention on Climate Change was negotiated in December 1997 and aims to reduce emissions of greenhouse gases.

Whilst these restrictions have not yet been ratified by the member nations, their possible future ratification and implementation could adversely impact on the price and demand for coal or may result in the imposition of additional taxes or levies or other increased costs.

The recent UN Climate Change Conference ended with a road map agreement with 190 countries signing the Agreement. What the ultimate impact of this agreement will be is unknown until details are clarified.

Future Company exports could be adversely impacted in terms of volumes and price with the implementation of emissions targets.

6.8 Country Risks

While Indonesian coal production is highly competitive by international standards, Indonesia's export potential over the next ten years will depend to some extent on the perceived risks attached to investment in the coal mining

sector. The coal industry in Indonesia is facing a range of legal, governance and human capacity building and challenges in the transition to regional autonomy.

To the extent that these risk factors continue to affect the mining sector, they can be expected to have an adverse impact on mining exploration and coal production and exports in Indonesia.

Changes to the mining law or to the other government legislation and regulations in Indonesia, or to the division of regulatory powers between the Central Government in Jakarta and local and provisional bodies, may materially impact on the ability of the Company to operate in Indonesia, and on the ultimate profitability of the projects to be developed in Indonesia. In the event that an economic resource is identified in a project there can be no assurance that all or any of the relevant approvals and permits necessary to conduct mining operations will be granted by the Indonesian government and other appropriate regulatory authorities.

The risk of terrorism activities in Indonesia and the resulting impact upon the projects is also a relevant risk factor.

A number of local villages and some small scale mining operations are located within the area of the Company's Concessions. The Company may be required to pay compensation to land owners, local authorities, traditional land users and others who may have an interest in the Concession area. The Company's ability to resolve compensation issues and compensation costs involved will have an impact on the future success and financial performance of the Company's mining operations. If the Company is unable to resolve such compensation claims on economic terms, this could have a material adverse effect on the business, results or operations and financial condition of the Company.

6.9 Coal Marketing and Coal Prices

In the event that the Company's exploration is successful and the Company proceeds to develop a coal mine, the marketability of the coal production depends upon the quality and tonnage demand from the international and domestic marketplace.

Customers may default on their contractual obligations with the Company. Potential contractual defaults may include non payment for coal or failure to take delivery of contracted volumes. Should such a default occur, the Company may find it difficult to access other customers.

Depressed coal prices would affect the business. Future revenues, operating results, profitability, future rate of growth and the carrying value of the properties of the Company depend heavily on prevailing market prices for coal. Any substantial or extended decline in the price of coal would have a material adverse effect on the financial condition and results of operations. Various factors beyond the control of the Company will affect prices of coal, including:

- (a) exchange rates for coal is typically sold in US dollars and a strengthening of the Australian dollar relative to the US dollar will adversely impact upon Australian dollar returns;
- (b) domestic supplies of coal;
- (c) economic conditions;
- (d) marketability and quality of production;

- For personal use only
- (e) consumer demand;
 - (f) price trends for coal product types; the price, availability and acceptance of alternative fuels;
 - (g) weather conditions; and
 - (h) actions of federal, state, local and foreign government authorities.

Hedging transactions may limit potential gains. To manage the exposure of the Company to price risks in the marketing of coal, the Company may enter into coal price and or foreign currency hedging arrangements with respect to its production. While intended to reduce the effects of volatile coal prices, these arrangements may limit potential gains if coal prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose the Company to the risk of financial loss.

6.10 Future Capital Requirements

The Company's ongoing activities will require substantial expenditures. There can be no guarantee that the funds raised through the Offer will be sufficient to successfully achieve all the objectives of the Company's overall business strategy. If the Company is unable to continue to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Offer there can be no assurances that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional fundraising on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to shareholders and any debt financing if available may involve restrictive covenants, which may limit the Company's operations and business strategy.

The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

6.11 Reliance on Key Personnel and Employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

In addition, Western Australia is currently experiencing a shortage of skilled labour including those skills utilised in the mining industry. The Company cannot guarantee that its mining and exploration activities will not be negatively affected by an inability to employ appropriately skilled staff.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2007 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;
 - (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the

year ended 30 June 2007 lodged with ASIC before the issue of this Prospectus; and

- (iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2007 audited financial statements:

Date	Description of Announcement
14/07/2008	Research Report
03/06/2008	Abadi JORC Compliant Resource
30/05/2008	Trading Halt
30/04/2008	Quarterly Activities and Cashflow Report
30/04/2008	Response to ASX Query
16/04/2008	Abadi Coal Project Update
14/03/2008	Half Year Accounts
25/02/2008	Priority Offer in New Coal Mining IPO
12/02/2008	Collaboration Agreement
07/02/2008	Proposed acquisition of PT Nusantara Thermal Coal
01/02/2008	Competent Person Statement
01/02/2008	Abadi Drilling Results and Killisuci Update
01/02/2008	Second Quarter Activities and Cashflow Report
30/01/2008	Request for Trading Halt
30/01/2008	Trading Halt
16/01/2008	Appendix 3B
16/01/2008	Release from Escrow
27/11/2007	Final Director's Interest Notice
27/11/2007	Coal Fe Resources - AGM Presentation
27/11/2007	Results of Meeting

01/11/2007	First Quarter Activities and Cash Flow Report
29/10/2007	Notice of Annual General Meeting
29/10/2007	Annual Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.coalferesources.com.

7.2 Material Contracts

The following are summaries of the significant terms of the material agreements which relate to the business of the Company.

7.3 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Entitlement (assuming no Directors exercise their Options prior to the Record Date)
Mr Allan Ryan	585,000 ¹	792,500 ¹	117,000 Shares and 58,500 Options
Mr Dato' Ramiah Anpalagan	Nil	Nil	Nil
Mr Cheng Jew Keng	1,000,000	2,000,000	200,000 Shares and 100,000 Options
Ms Liesl Kemp	500,000	750,000	100,000 Shares and

			50,000 Options
Mr Faris Azmi Abdul Rahman	12,976,318 ²	7,488,158 ²	2,595,264 Shares and 1,297,632 Options

Notes:

1. Allan Ryan has an indirect interest in 85,000 of the Shares and 42,500 of the Options detailed above.
2. Faris Azmi Abdul Rahman has an indirect interest in 11,976,318 of the Shares and 5,988,158 of the Options detailed above.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares. The Company was incorporated on 28 September 2006. The Company paid to the Directors a total of \$150,416 for the year ended 30 June 2007. In addition to the above, the Directors have been paid fees totalling \$195,459 from the end of the previous financial year until the date of this prospectus. Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.4 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is

named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin has acted as solicitors to the Company providing general advice to the Company and assisting in the preparation of the Prospectus. The Company estimates it will pay Steinepreis Paganin a fee of \$10,000 for these services

In the past two years, Steinepreis Paganin have been paid \$51,080 by the Company.

Pursuant to Section 716 of the Corporations Act, Liesl Kemp has given, and has not withdrawn her consent to the inclusion of statements in the Chairman's Letter in the form and context in which the statement is included. Liesl Kemp has not withdrawn her consent prior to the lodgement of this Prospectus with the ASIC.

7.5 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

7.6 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,010
ASX fees	3,000
Prospectus preparation	27,000
Printing and other expenses	2,675
Total	34,685

7.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: 28 cents on 3 June 2008

Lowest: 3 cents on 23 April 2008

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was 8.9 cents on 14 July 2008.

7.8 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. AUTHORITY OF DIRECTORS

8.1 Directors' Consent

Each of the Directors of Coal Fe Resources Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated the 15th day of July 2008



Darren Crawte
Company Secretary
For and on behalf of
Coal Fe Resources Limited

For personal use only

9. **DEFINITIONS**

Applicant means a Shareholder or other party who applies for Securities pursuant to the Offer or the Shortfall offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHES.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the closing date of the Offer, being 5pm (WST) on 20 August 2008 (unless extended).

Company or **Coal Fe** means Coal Fe Resources Limited (ABN 41 121 969 819).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Issue means the issue of Shares and Options offered by this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

New Option means a new listed Option proposed to be issued pursuant to this Offer.

New Share means a new Share proposed to be issued pursuant to this Offer.

Offer means the offer pursuant to the Prospectus of one New Share for every three Shares held by a Shareholder on the Record Date together with one free attaching New Option for every two (2) New Shares issued.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of ASX.

Option means an option to acquire a Share.

Option Holder means the holder of an Option.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5pm (WST) on 25 July 2008.

Related Corporation has the meaning given to that term in the Corporations Act.

Securities means Shares and Options and/or New Share and New Options as the context requires.

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

Shareholder means a shareholder of the Company.

Shortfall means those Securities under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

WST means Western Standard Time.