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Coal FE Resources Ltd

ABN 41 121 969 819

Financial report for the financial period ended 30 June 2007

Annual financial report for the financial year ended 30 June 2007

	Page
Corporate governance statement	2
Directors' report	5
Auditor's independence declaration	12
Independent audit report	13
Directors' declaration	15
Income statement	16
Balance sheet	17
Statement of changes in equity	18
Cash flow statement	19
Notes to the financial statements	20
Additional stock exchange information	39

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Corporate governance statement

Since listing on the Australian Securities Exchange ("ASX"), Coal FE Resources Ltd ("**the consolidated entity**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Principles of Good Corporate Governance and Best Practice Recommendations, the consolidated entity has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for corporate governance practices, taking into account factors such as the size of the consolidated entity's and the Board, resources available and activities of the consolidated entity.

Further information about the consolidated entity's corporate governance practices is set out on the consolidated entity's website at www.coalferesources.com. In accordance with the recommendations of the ASX, information published on the consolidated entity's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

During the consolidated entity's 2006/2007 financial year ("**Reporting Period**") the consolidated entity has complied with each of the Ten Essential Corporate Governance Principles and the corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council ("**ASX Principles and Recommendations**")¹

NOMINATION COMMITTEE

The following table identifies those directors who are members of the Nomination Committee and shows their attendance at committee meetings:

Name	No. of meetings held	No. of meetings attended
Dato' Ramiah Anpalagan (Chair)	1	1
Allan Ryan	1	1
Ian Macpherson	1	1

AUDIT COMMITTEE

Names and Qualifications of Audit Committee Members

The names of the Audit Committee Members and their attendance at Committee Meetings are set out below.

Name	No of meetings held	No of meetings attended
Liesl Kemp (Chair)	-	-
Ian Macpherson	-	-
Dato' Ramiah Anpalagan	-	-

Each of the Audit Committee Member's qualifications set out in the Director's Report. All of the members are independent, non executive directors. Mr Ian Macpherson holds a Bachelor of Commerce and specialises in the area of corporate advice with a particular emphasis on capital structuring, equity and debt raising and corporate affairs. He also specialises in ASX compliance procedures for both mining and industrial public companies. He has acted in the role of director and company secretary for a number of companies and has been involved in numerous asset acquisition and disposal engagements. Because of his qualifications and experience, Mr Macpherson meets the tests of financial literacy, financial expertise and industry knowledge.

¹ A copy of the ASX Principles and Recommendations is set out on the Company's website under the Section entitled "Corporate Governance".

REMUNERATION COMMITTEE

Remuneration Policies

Composition

The Remuneration Committee shall comprise a minimum of three members, the majority being independent directors. The committee shall be chaired by an independent director.

Role

The function of the committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on remuneration packages of executive directors, non-executive directors, senior executives and employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Responsibilities

The responsibilities of the committee is to make recommendations to the Board with respect to appropriate remuneration and incentive policies for executive directors and senior executives which motivates executive directors and senior executives to pursue long term growth and success of the Company within an appropriate control framework, demonstrates a clear correlation between key performance and remuneration; and aligns the interests of key leadership with the long-term interests of the Company's shareholder.

Executive Remuneration Packages

The remuneration of Executives must include the following:

- executive remuneration packages involve a balance between fixed and incentive pay, reflecting short and long term performance objectives appropriate to the Company's circumstances and objectives;
- a proportion of executives' remuneration is structure in a manner designed to link reward to corporate and individual performances; and
- recommendations are made to the Board with respect to the quantum of bonuses to be paid to executives. To the extent that the Company adopts a different remuneration structure for its non-executive directors, the committee shall document its reasons for the purpose of disclosure to stakeholders.

Non-Executive Directors

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity scheme of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

Incentive Plans and Benefits Programs

The committee is to:

- review and make recommendations concerning long-term incentive compensation plans, including the use of share options and other equity-based plans. Except as otherwise delegated by the Board, the committee will act on behalf of the Board to administer equity-based and employee benefit plans, and as such will discharge any responsibilities under those plans, including making and authorising grants, in accordance with the terms of those plans; and
- ensure that incentive plans are designed around appropriate and realistic performance targets that measure relative performance and provide rewards when they are achieved; and continually review and if necessary improve any existing benefit programs established for employees.

Names of Remuneration Committee Members and their attendance at Committee Meetings

Name	No of meetings held	No of meetings attended
Dato' Ramiah Anpalagan (Chair)	1	1
Allan Ryan	1	1
Ian Macpherson	1	1

OTHER

Skills, Experience, Expertise and term of office of each Director

A profile of each director containing the applicable information is set out in the Directors' Report.

Identification of Independent Directors

In considering independence of directors, the Board refers to the criteria for independence as recommended by the ASX. To the extent that it is necessary for the Board to consider issues of materiality, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the consolidated entity's website.

The independent directors of the consolidated entity are Allan Ryan, Dato' Ramiah Anpalagan, Liesl Kemp and Ian Macpherson.

In the interests of disclosure, the Board notes that Mr Macpherson is a director and shareholder of Ord Group Pty Ltd, which is a professional adviser to the consolidated entity. The Board notes the fees paid to Ord Group Pty Ltd are not material to the consolidated entity or to Ord Group Pty Ltd. In the absence of Mr Macpherson, the Board considers that Mr Macpherson's ability to exercise independent judgment is in no way affected by this relationship. Therefore the Board considers Mr Macpherson to be independent.

Statement concerning availability of Independent Professional Advice

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director, then, provided the director first obtains approval for incurring such expense from the chairperson, the consolidated entity will pay the reasonable expenses associated with obtaining such advice.

Confirmation whether performance Evaluation of the Board and its members have taken place and how conducted

During the Reporting Period an evaluation of the Board and its members was not carried out as work undertaken as stipulated under the Company objectives began late in the reporting period.

Existence and Terms of any Schemes for Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive directors.

Directors' report

The directors of Coal FE Resources Ltd (the consolidated entity) submit herewith the annual financial report of the consolidated entity for the financial period ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the consolidated entity during or since the end of the financial period are:

Directors

Mr Allan Ryan

Non-Executive Independent Chairman

Mr Ryan was appointed to the Board as Non-Executive Director and Chairman on 15 November 2006. Mr Ryan graduated with a Diploma in Accounting from Perth Technical College and later obtained an Advanced Certificate in Banking and Finance from Central Metropolitan College, TAFE, Perth. Mr Ryan has extensive experience working in the field of banking and finance and has held several managerial positions in Bank West. He is presently a licensed Finance Broker and a partner of One Finance. Mr Ryan is a Fellow of the National Institute of Accountants, a Senior Associate of The Financial Services Institute of Australasia and a Full Member of the Mortgage Industry Association of Australia. Mr Ryan has not held any other directorships in publicly listed companies within the last three years.

Dato' A. Ramiah

Non-Executive Independent Deputy Chairman

Dato' Ramiah was appointed as the Non-Executive Deputy Chairman of the Board when the consolidated entity was incorporated and is the Chairman of the Nomination Committee and Remuneration Committee. Dato' Ramiah is a lawyer by profession. He obtained a Bachelor of Applied Science from Curtin University of Technology, Western Australia in 1985 and a Graduate Diploma in Business Administration in 1988. He then obtained a Bachelor of Laws (Honours) degree from the University of East London in 1992 and another Bachelor of Laws from Bond University. He has also completed a Masters in Business Administration from the University of Southern Queensland. Dato Ramiah has not held any other directorships in publicly listed companies within the last three years.

Mr Cheng Jew Keng

Operations Director

Mr Cheng was appointed to the Board as Executive Director in charge of Operations when the consolidated entity was incorporated. He graduated from the National University of Singapore with a Bachelor of Science (Hons) in Estate Management and subsequently obtained a Certified Diploma in Accounting and Finance (ACCA, UK) and Master of Business Administration (University of Strathclyde, UK). He is a Registered Valuer and Estate Agent and a Member of the Institution of Surveyors, Malaysia. He was instrumental in developing PTI's mining interest in Indonesia. Mr Cheng has not held any other directorships in publicly listed companies within the last three years.

Faris A Rahman

Finance Director

Mr Faris was appointed to the Board as Executive Director in charge of Finance when the consolidated entity was incorporated. He has a Bachelor of Commerce from Bond University in Queensland and is an Associate Member of CPA Australia. After graduating, Mr Rahman worked for three years in auditing with Arthur Andersen in Malaysia. He then joined the Malaysian Securities Commission in the Securities Issues Department for two years. Following this he worked in the Corporate Finance Department of the Kuala Lumpur City Securities Sdn Bhd. He has spent time in Indonesia developing PTI's mining interest. Mr Faris has not held any other directorships in publicly listed companies within the last three years.

Liesl Kemp**Non-Executive Independent Director**

Ms Kemp was appointed to the Board as Non-Executive Director on 15 November 2006 and she is the Chair Person of the Audit Committee. She graduated with a Bachelor of Engineering (Honours) in Mineral Exploration and Mining Geology from Western Australian School of Mines, Kalgoorlie WA and is a Member of Australasian Institute of Mining & Metallurgy. Ms Kemp is a geologist with more than 10 years working experience in mining operations, exploration and project development and has previously been involved in the Three Mine Hill Gold Project, Kalgoorlie Consolidated Gold Mines, GRD Minproc Limited and Summit Resources Limited holding various responsible positions. She is presently attached with the Gemcom Software Aust Pty Ltd where she was the European Divisional Manager managing the sales, support and marketing for the European and Middle East clients. Presently she is responsible for the sales and marketing of specialised coal mining software in Australia. Ms Kemp has not held any other directorships in publicly listed companies within the last three years.

Ian Macpherson**Non-Executive Independent Director & Company Secretary**

Mr Macpherson was appointed to the Board as Non Executive Director on 15 November 2006. He graduated from the University of Western Australia with a Bachelor of Commerce in 1977. He was admitted as a partner of the firm which became known as KMG Hungerfords in 1986, having built up a specialist practice in the provision of corporate and financial advice to the mining and mineral exploration industry. In 1987 the firm merged with Arthur Andersen & Co. In 1990 he resigned from the partnership of Arthur Andersen & Co to establish Ord Partners. Mr Macpherson has specialised in the area of corporate advice with a particular emphasis on capital structuring, equity and debt raising and corporate affairs and ASX compliance procedures for both mining and industrial public companies. He has acted in the role of director and company secretary for a number of clients and been involved in numerous asset acquisition and disposal engagements involving the preparation of detailed Information memorandum, pre-acquisition review and Independent Reports. Mr Macpherson is an Associate Member of the Institute of Chartered Accountants in Australia and past member of the Executive Council of the Association of Mining Exploration Companies (WA) Inc. Mr Macpherson is the Non Executive Chairman of Talisman Mining Limited, Navigator Resources Limited and Visiomed Group Limited.

Principal activities

The principal activity of Coal FE Resources Ltd is exploring for coal and iron in Indonesia.

Operating results

The loss after tax attributable to equity holders of the consolidated entity for the financial period ended 30 June 2007 amounted to \$796,936 while that of the Company amounted to \$664,303.

Review of operations

Below is a summary of the consolidated entity's main exploration projects and activities that have taken place throughout the year to 30 June 2007. We encourage all interested persons to visit www.coalferesources.com for a comprehensive review of the consolidated entity's activities.

Introduction

Overall, activity for the year was minimal due to the Company listing late in the reporting period.

Works undertaken during the period predominantly comprised of administrative and human resource development in Indonesia; logistical preparation for proposed field work, and initial geological exploration efforts for the Pancaran Abadi and Palapa projects.

Corporate

The Company completed the IPO process and successfully listed on the Australian Securities Exchange ("ASX") on 12th April 2007 having issued 19,549,250 shares and raising a total of \$3,909,850 (before costs of the issue).

On 21 June 2007, the Company initiated and entered into a conditional Share Sale Agreement (“SSA”) with PT Bungo Raya Nusantara (“BRN”) for the acquisition of a 60% interest in a 2,832 hectares Coal Contract of Work (“CCOW”) operating coal mine in Muara Bungo Regency, Jambi Province, Indonesia. Exploitation of the mine is presently on-going.

The total historical mineral resource for the Coal Concession is estimated to be (non JORC compliant) mineralisation of 29.9 million tonnes of coal.

The acquisition is at a consideration of USD50 million to be settled by cash and shares of the Company. The settlement of the consideration, the structure of which is subject to change as deemed necessary by the Board, will be USD15 million (AUD18 million) satisfied by the issuance of 36 million ordinary CES shares at an equivalent issue price of AUD0.50 per share to the vendors and USD35 million (AUD42 million) cash raised through an issue of convertible bonds in CES or other securities within the Group. The Board is currently negotiating with several parties to secure the necessary finance to complete the acquisition.

PANCARAN ABADI PROJECT

The Pancaran Abadi (“Abadi”) Project is located in the district of Muara Badak and Anggana, Sub Province Kutai Kartanegara, in the Province of East Kalimantan. The area of the concession is 1,017 ha. It takes about one hour to reach the concession area from the town of Samarinda by vehicle.

The geology of the survey area is primarily covered by 2 coal formations, the Balikpapan Formation and Pulau Balang Formation. The seam found within the Balikpapan Formation is mainly on the western part of the survey area with a reported seam thickness of approximately 1.8 metres. The seam is striking south westerly and dips between 52° to vertical. Thirty percent of the survey area is underlain by the Kampung Baru Formation which is found irregularly above the Balikpapan Formation.

The Kampung Baru coal formation is less well developed, central to and west of the investigation area, and has a strike of almost north to south with a steep dip.

In general, the coal outcrop found has two directional down dips, that is, towards the north west and south east. This is interpreted from the position of the investigation area; it is a synclinal fold within the Balikpapan Formation. From the data collected it is possible that the thickness of the coal seam will increase and boring activities should be undertaken in the survey area.

Based on coal outcrops found during the mapping exercise of the research area, there are 8 coal seams consisting of 4 seams in the Balikpapan Formation and 4 seams in the Kampung Baru Formation.

From the eight (8) samples taken during the field trip, the quality of the coal indicates a dust rate value smaller than 10%. Total Moisture (TM) is at an average of 47.42%, while the calorific value is between 3929 kcal/kg to 5256 kcal/kg.

The targeted prospect area measuring 300 ha was selected at the Balikpapan Formation. The selection of the prospect area was made based on the location being away from oil palm plantations and sufficient thickness of the coal seam.

Currently the initial drilling program is being finalised to establish the indicated resource in the tenement in accordance with JORC Code.

KILISUCI PARAMITA PROJECT

The Kilisuci Paramita project has an exploitation licence over 663 hectares of mining land and an exploration licence over 1,337 hectares adjoining the land. Preliminary surveying indicates that the coals in the Bengkulu area of South Sumatra will have an average calorific value of 5,325 Kcal/kg. The Kilisuci Project is geographically favourable and is located near existing road, rail and port infrastructure.

As disclosed in the Prospectus, part of the concession area is located within a production forest area. Whilst a letter from the Ministry of Forest and Plantation dated 22 April 1999 has been issued approving the use of the production forest area for the exploitation of coal and the development of supporting facilities under the procedure of borrow without compensation (pinjam pakai tanpa kompensasi) for a period of 5 years, CES is in the process of obtaining an extension of the licence to use the production forest area and the prerequisites to the extension, such as payment of retribution and preparation of the area map.

Further field work will commence upon obtaining the extension of the licence to use the production forest area.

PALAPA PROJECT

The Palapa Coal project is located upon the western margin of the island of Sulawesi. The regional geology is strongly reminiscent of Kalimantan with moderate coal production coming from the south western corner of the island.

The project is located within the administrative boundary of the Banti Village, Kecamatan Baraka, Kabupaten Enrekang, South Sulawesi Province and can be reached by two wheel or four wheel drive. Ujungpandang city is approximately 300 kilometres from the project area.

Within the project area there are two coal seams considered of economic importance. The No. 1 seam is very thin, and is very variable. It is described as being between 10-15 cm with intercalated siltstone and shales. The second seam is also variable and has been recorded as having a thickness of up to 1.2 metres, but appears to have no parting.

A geological team has conducted a preliminary survey and has identified "resources" that comply with the Indonesian Standard for reporting coal resources.

Further mapping, geotechnical and hydro-geological studies have been planned and should commence in the next quarter.

Changes in state of affairs

During the financial period there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

On 1 August 2007, the Company issued 27,082,576 new options exercisable at 20 cents each on or before 31 December 2009 pursuant to the closure of a non-renounceable rights issue.

Future developments

Apart from the above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in future financial years.

Environmental regulations

The consolidated entity is aware of its environmental obligations and acts to ensure its environmental commitments are met.

Dividends

No dividends were paid or declared since the start of the financial period. No recommendation for the payment of dividends has been made.

Share options

Share options granted to directors and executives

During and since the end of the financial period an aggregate of 4,500,000 share options were granted to the following directors and executives of the consolidated entity:

Directors and executives	Number of options granted	Issuing entity	Number of ordinary shares under option
Allan Ryan	500,000	Coal FE Resources Ltd	500,000
Dato' Ramiah Anpalagan	Nil	Nil	Nil
Cheng Jew Keng	1,500,000	Coal FE Resources Ltd	1,000,000
Faris Azmi Abdul Rahman	1,500,000	Coal FE Resources Ltd	1,000,000
Liesl Kemp	500,000	Coal FE Resources Ltd	500,000
Ian Macpherson	500,000	Coal FE Resources Ltd	500,000

Share options on issue

Details of unissued shares or interests under option at the date of this report are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Coal FE Resources Ltd	3,500,000	Ordinary	20 cents	31 December 2009

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

No shares or interests have been issued during and since the end of the financial period as a result of the exercise of options.

Indemnification of officers and auditors

During or since the end of the financial period the consolidated entity has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- except as may be prohibited by the Corporations Act 2001 every Director and Officer of the consolidated entity shall be indemnified out of the property of the consolidated entity against any liability incurred by him in his capacity as director or officer of the consolidated entity or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal;
- since the beginning of the financial period the consolidated entity has paid insurance premiums of \$5,500 in respect of directors and officers liability and corporate reimbursement, for directors and officers in the consolidated entity. The insurance premiums relate to:
 - any loss for which the directors and officers may not be legally indemnified by the consolidated entity arising out of any claim, by reason of any wrongful act committed by them in their capacity as a director or officer of the consolidated entity or any related corporation, first made against them jointly or severally during the period of insurance; and
 - indemnifying the consolidated entity against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any director or officer in their capacity as a director or officer of the consolidated entity or any related corporation, first made against the director or officer during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the consolidated entity.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial period, seven board meetings were held (including circulating resolutions passed by Directors).

Directors	Board of directors	
	Held	Attended
Allan Ryan	7	7
Dato' Ramiah Anpalagan	7	7
Cheng Jew Keng	7	7
Faris Azmi Abdul Rahman	7	7
Liesl Kemp	7	7
Ian Macpherson	7	7

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the consolidated entity or a related body corporate as at the date of this report.

Directors	Ordinary Shares	Option over Shares
Allan Ryan	500,000	500,000
Dato' Ramiah Anpalagan	-	-
Cheng Jew Keng	1,000,000	1,500,000
Faris Azmi Abdul Rahman	1,000,000	1,500,000
Liesl Kemp	500,000	500,000
Ian Macpherson	450,000	450,000

Remuneration report

Remuneration policy for directors and executives

The Board policy for determining emoluments is based on the principle of remunerating directors and senior executives on their ability to add value to the consolidated entity (taking into account the consolidated entity's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the consolidated entity's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Director and executive details

The directors of Coal FE Resources Ltd during the period were:

Allan Ryan, Chairman appointed on 15 November 2006
 Dato' Ramiah Anpalagan, Deputy Chairman appointed on 28 September 2006
 Cheng Jew Keng, Operations Director appointed on 28 September 2006
 Faris Azmi Abdul Rahman, Finance Director appointed on 28 September 2006
 Liesl Kemp, Non-Executive Director appointed on 15 November 2006
 Ian Macpherson, Non-Executive Director appointed on 15 November 2006

There were no group executives employed by Coal FE Resources Ltd during the period.

Elements of director and executive remuneration

The following table discloses the remuneration of the directors of the consolidated entity:

	Primary			Post-employment			Equity	Other	Total
	Salary & fees	Bonus	Non-monetary	Super-annuation	Prescribed benefits	Other	Options	benefits	
2007	\$	\$	\$	\$	\$	\$	\$	\$	\$
Executive									
Cheng Jew Keng	45,000	-	-	-	-	-	69,900	3,000	117,900
Faris Azmi Abdul Rahman	45,000	-	-	-	-	-	69,900	3,000	117,900
Non-Executive									
Allan Ryan	16,667	-	-	-	-	-	23,300	-	39,967
Dato' Ramiah Anpalagan	14,583	-	-	-	-	-	-	3,000	17,583
Liesl Kemp	14,583	-	-	-	-	-	23,300	-	37,883
Ian Macpherson	14,583	-	-	-	-	-	23,300	-	37,883

Elements of remuneration related to performance

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the period:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the year	Percentage of total remuneration for the year that consists of options
	Value at grant date	Value at exercise date	Value at time of lapse			
	\$	\$	\$	\$	\$	%
Allan Ryan	23,300	-	-	23,300	23,300	58
Dato' Ramiah Anpalagan	-	-	-	-	-	-
Cheng Jew Keng	69,900	-	-	69,900	69,900	71
Faris Azmi Abdul Rahman	69,900	-	-	69,900	69,900	71
Liesl Kemp	23,300	-	-	23,300	23,300	61
Ian Macpherson	23,300	-	-	23,300	23,300	61

Value of options - basis of calculation

The following factors and assumptions were used in determining the fair value of options of grant date:

Grant Date	Expiry Date	Fair Value per Option (cents)	Exercise Price (cents)	Share Price on Grant Date (cents)	Estimated Volatility %	Risk Free Interest Rate %
1 January 2007	31 December 2009	4.66	20.00	10.00	100.00	5.00

Proceedings on behalf of the company

No persons have applied for leave pursuant to section 237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of the consolidated entity.

Non-audit services

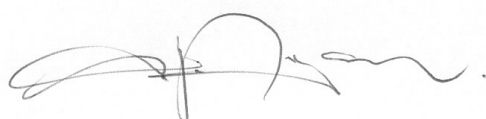
Other than a fee of \$6,000 for the investigating accountants' report prepared for inclusion in the prospectus for the Company's IPO, there were no non-audit services performed during the period by the auditor (or by another person or firm on the auditor's behalf).

Auditor's independence declaration

The auditor's independence declaration is included on page 12 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Allan Ryan
Director

Perth, 28 September 2007



To The Board of Directors

**Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001**

This declaration is made in connection with our audit of the financial report of Coal FE Resources Limited and Controlled Entities for the year ended 30 June 2007 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

RANKO MATIC
Director

DATED at PERTH this 28th day of September 2007

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Independent Audit Report

To the Members of Coal FE Resources Limited

We have audited the accompanying financial report of Coal FE Resources Limited (the company) and Coal FE Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

To the Members of Coal FE Resources Limited (Continued)

Independence

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

Auditor's Opinion

In our opinion:

- a. The financial report of Coal FE Resources Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



RIX LEVY FOWLER
Audit & Corporate Pty Ltd



RANKO MATIĆ
Director

DATED at PERTH this 28th day of September 2007

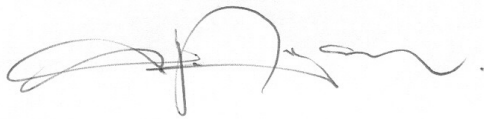
Directors' declaration

The directors declare that:

1. the financial statements and notes set out on pages 16 to 38 are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2007 and of the performance for the financial period ended on that date of the Company and the consolidated group;
2. the Operations Director and the Finance Director have each declared that:
 - a. the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements and notes for the financial period comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial period give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Allan Ryan
Director

Perth, 28 September 2007

Income statement for the financial period ended 30 June 2007

	<u>Note</u>	<u>Consolidated</u> <u>2007</u> <u>\$</u>	<u>Company</u> <u>2007</u> <u>\$</u>
Revenue	2	49,528	49,528
Employee benefits expense		(369,116)	(369,116)
Depreciation and amortisation expense		(1,559)	(1,559)
Consulting expense		(258,314)	(172,474)
Occupancy expense		(11,724)	-
Other expenses		(212,616)	(170,682)
Loss before income tax expense/benefit	2	(803,801)	(664,303)
Income tax (expense)/benefit relating to ordinary activities	3	-	-
Loss for the year		(803,801)	(664,303)
Attributable to:			
Equity holders of the parent		(796,936)	(664,303)
Minority interest		(6,865)	-
		(803,801)	(664,303)
Loss per share:			
Basic (cents per share)	15	1.87	1.56

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

Notes to the financial statements are included on pages 20 to 38.

Balance sheet as at 30 June 2007

	<u>Note</u>	<u>Consolidated</u> <u>2007</u> <u>\$</u>	<u>Company</u> <u>2007</u> <u>\$</u>
Current assets			
Cash and cash equivalents	22(a)	2,850,644	2,827,899
Trade and other receivables	6	688,315	39,361
Total current assets		<u>3,538,959</u>	<u>2,867,260</u>
Non-current assets			
Trade and other receivables	6	-	594,594
Mining and exploration assets	7	1,984,852	-
Goodwill	8	1,673,268	-
Property, plant and equipment	9	156,263	156,263
Other financial assets	10	-	3,900,000
Total non-current assets		<u>3,814,383</u>	<u>4,650,857</u>
Total assets		<u>7,353,342</u>	<u>7,518,117</u>
Current liabilities			
Trade and other payables	11	132,312	81,997
Total current liabilities		<u>132,312</u>	<u>81,997</u>
Non-current liabilities			
Trade and other payables	11	108,330	108,330
Total non current liabilities		<u>108,330</u>	<u>108,330</u>
Total liabilities		<u>240,642</u>	<u>190,327</u>
NET ASSETS		<u>7,112,700</u>	<u>7,327,790</u>
Equity			
Issued capital	12	7,782,393	7,782,393
Reserves	13	34,583	209,700
Minority interest		92,660	-
Accumulated losses	14	(796,936)	(664,303)
TOTAL EQUITY		<u>7,112,700</u>	<u>7,327,790</u>

Notes to the financial statements are included on pages 20 to 38.

Statement of Changes in Equity for the financial period ended 30 June 2007

Consolidated

For the period ended 30 June 2007	Attributable to equity holders					Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Exchange Reserve \$	Accumulated Losses \$	Minority Interest \$	
At beginning of period	3	-	-	-	-	3
Loss for the period				(796,936)	-	(796,936)
Issue of shares	8,110,300	-	-	-	-	8,110,300
Shares issue expenses	(327,910)	-	-	-	-	(327,910)
Share based payments	-	209,700	-	-	-	209,700
Currency translation differences	-	-	(175,117)	-	-	(175,117)
Minority interest	-	-	-	-	92,660	92,660
At end of period	<u>7,782,393</u>	<u>209,700</u>	<u>(175,117)</u>	<u>(796,936)</u>	<u>92,660</u>	<u>7,112,700</u>

Company

For the period ended 30 June 2007	Attributable to equity holders					Total Equity \$
	Ordinary Shares \$	Option Reserve \$	Exchange Reserve \$	Accumulated Losses \$	Minority Interest \$	
At beginning of period	3	-	-	-	-	3
Loss for the period				(664,303)		(664,303)
Issue of shares	8,110,300					8,110,300
Shares issue expenses	(327,910)					(327,910)
Shares based payments		209,700				209,700
At end of period	<u>7,782,393</u>	<u>209,700</u>	<u>-</u>	<u>(664,303)</u>	<u>-</u>	<u>7,327,790</u>

Notes to the financial statements are included on pages 20 to 38.

Cash flow statement

for the financial period ended 30 June 2007

	<u>Note</u>	<u>Consolidated</u> <u>2007</u> <u>\$</u>	<u>Company</u> <u>2007</u> <u>\$</u>
Cash flows from operating activities			
Payments to suppliers and employees		(782,645)	(191,606)
Payments for exploration and evaluation		(9,914)	-
Interest and other costs of finance paid			
Net cash provided by/(used in) operating activities	22(c)	(792,559)	(191,606)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		31,721	-
Amounts advanced to related parties		-	(594,594)
Payment for property, plant and equipment		(17,822)	(17,822)
Interest received		49,528	49,528
Net cash (used in)/provided by investing activities		63,427	(562,888)
Cash flows from financing activities			
Proceeds from issues of equity securities		3,910,300	3,910,300
Payment for share issue costs		(327,910)	(327,910)
Net cash provided by/(used in) financing activities		3,582,390	3,582,390
Net increase/(decrease) in cash and cash equivalents		2,853,258	2,827,896
Effects of exchange rate changes on cash and cash equivalents		(2,617)	-
Cash and cash equivalents at the beginning of the financial period		3	3
Cash and cash equivalents at the end of the financial period	22(a)	2,850,644	2,827,899

Notes to the financial statements are included on pages 20 to 38.

Notes to the Financial Statements

1. Summary of accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the consolidated group of Coal Fe Resources Ltd and controlled entities and Coal Fe Resources Ltd as an individual parent entity. Coal Fe Resources Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Coal Fe Resources Ltd and controlled entities and Coal Fe Resources Ltd as an individual parent entity complies with all International Financial Reporting Standards (IFRS) in their entirety.

The financial statements were authorized for issue by the directors on 27 September 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

- (a) **Cash and cash equivalents**
Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.
- (b) **Employee benefits**
Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.
Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.
- (c) **Financial assets**
Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1. Summary of accounting policies (cont'd)

Available-for-sale financial assets

Shares and options held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described below. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Financial assets at fair value through profit or loss

The consolidated entity classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described below.

Loans and receivables

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

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(d) **Financial instruments issued by the company**

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) **Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) **Impairment of assets**

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

1. Summary of accounting policies (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

1. Summary of accounting policies (cont'd)

(h) Intangible assets

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Exploration and Evaluation Expenditure

Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(i) Joint ventures

Jointly controlled assets and operations

Interests in jointly controlled assets and operations are reported in the financial statements by including the entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to the joint ventures and the share of any expenses incurred in relation to the joint ventures in their respective classification categories.

Jointly controlled entities

Interests in jointly controlled entities are accounted for under the equity method in the consolidated financial statements and the cost method in the consolidated entity financial statements.

(j) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(k) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(l) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

1. Summary of accounting policies (cont'd)

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

(m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 18 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the surplus is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(n) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

Class of fixed asset	Depreciation rate (%)
• Office Building	2
• Furniture and Fittings	10
• Office Equipment	10

1. Summary of accounting policies (cont'd)

- (o) Provisions
Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

- (p) Revenue recognition
Dividend and interest revenue
Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.
- (q) Share-based payments
Equity-settled share-based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black and Scholes model or binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

- (r) Critical accounting estimates and judgments
The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. No impairment has been recognised in respect of exploration and evaluation for the financial period ended 30 June 2007.

— share based payments

One of the inputs into the option valuation model is volatility of the underlying share price which is estimated based on the expected range of the share price for such a counter on the ASX and has been estimated at approximately 100%.

Vesting terms for options have also been estimated by Directors as being a thirty two and a half month period for options granted with the share price estimated at 10 cents per share.

2. Loss from operations

(a) Revenue

	Consolidated 2007 \$	Company 2007 \$
Interest revenue:	49,528	49,528

(b) Loss before income tax

Profit/(loss) before income tax has been arrived at after charging the following expenses. The line items below combine amounts attributable to both continuing operations and discontinued operations:

Depreciation of non-current assets	1,559	1,559
Rent of office premises	11,724	-
Employee benefits		
Salaries and wages	150,416	150,416
Share based payments	209,700	209,700
Other benefits	9,000	9,000

3. Income taxes

(a) Income tax recognised in profit or loss

Tax expense/(income) comprises:

	Consolidated 2007 \$	Company 2007 \$
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

Loss from operations	(796,936)	(664,303)
Income tax benefit calculated at 30%	(239,081)	(199,291)
Tax effect of:		
Non-deductible expenses	62,916	62,910
Unused tax losses and temporary differences not recognised as deferred tax assets	176,165	136,381
Income tax attributable to operating loss	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

3. Income taxes (cont'd)

Unrecognised deferred tax balances

The following deferred tax assets and (liabilities) have not been brought to account :

	Consolidated 2007 \$	Company 2007 \$
Tax losses – revenue	176,165	136,381
Net temporary differences	98,373	98,373
	274,538	234,754

4. Key management personnel remuneration

The directors of Coal FE Resources Ltd during the financial period were:

Allan Ryan
Dato' Ramiah Anpalagan
Cheng Jew Keng
Faris Azmi Abdul Rahman
Liesl Kemp
Ian Macpherson

There were no executives of Coal FE Resources Ltd during the period.

(a) Key management personnel remuneration

The Board policy for determining emoluments is based on the principle of remunerating directors and senior executives on their ability to add value to the consolidated entity (taking into account the consolidated entity's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the consolidated entity's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional directors or senior executives in the future.

Directors' remuneration

2007	Short Term			Post-employment			Equity*	Other	Total
	Salary & fees	Bonus	Non-monetary	Super-annuation	Pre-scribed benefits	Other	Options	bene-fits*	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Allan Ryan	16,667	-	-	-	-	-	23,300	-	39,967
Dato' Ramiah Anpalagan	14,583	-	-	-	-	-	-	3,000	17,583
Cheng Jew Keng	45,000	-	-	-	-	-	69,900	3,000	117,900
Faris Azmi Abdul Rahman	45,000	-	-	-	-	-	69,900	3,000	117,900
Liesl Kemp	14,583	-	-	-	-	-	23,300	-	37,883
Ian Macpherson	14,583	-	-	-	-	-	23,300	-	37,883
Total	150,416	-	-	-	-	-	209,700	9,000	369,116

4. Key management personnel remuneration (cont'd)

Cheng Jew Keng and Faris Azmi Abdul Rahman are the Company's Executive Directors. The Board has approved three-year (expiring 31 December 2007) remuneration packages for each Executive Director, of equal value, generally comprising \$60,000 per annum (exclusive of superannuation) and reimbursement of work related expenses. Under the Company's Constitution, the Directors are entitled to be paid such remuneration as is authorised by an ordinary resolution of the Company in general meeting (excluding remuneration of the Executive Directors). The Directors are currently entitled to receive a maximum of \$250,000 to be divided between them as Directors fees. If a Director undertakes any work additional to that usually required of Directors of a company similar to the Company, the Board may decide to pay that Director additional remuneration which is not included in the aforementioned limits. Directors are also entitled to travelling expenses for, or in connection with the Company's business.

Elements of remuneration related to performance

During the period the Board approved the issue of 4,500,000 options to the Directors. The Directors who were granted options were Allan Ryan (500,000), Cheng Jew Keng (1,500,000), Faris Azmi Abdul Rahman (1,500,000), Liesl Kemp (500,000) and Ian Macpherson (500,000). Each of the option is exercisable into 1 ordinary share in Coal FE Resources Ltd at an exercise price of 20 cents per ordinary share. The options can be exercised at any time prior to the expiry date on 31 December 2009 subject to the following conditions:

- 25% of the options shall be exercisable no earlier than 12 months from the date of grant
- 25% of the options shall be exercisable no earlier than 24 months from the date of grant
- 50% of the options shall be exercisable no earlier than 36 months from the date of grant

The following share-based payment arrangements were in existence during the period:

Options series	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
31 December 2009	4,500,000	1 January 2007	31 December 2009	0.20	0.0466

The fair value of the share options granted during the financial year is \$209,700. Options were priced using a Black-Scholes model. The expected life used in the model has not been adjusted. Expected volatility is based on the expected movement of the underlying share price around its IPO price over the next 12 months. No allowance has been made for the effects of early exercise.

Inputs into the model	Option series
	31 Dec 2009
Grant date share price (estimated)	10 cents
Exercise price	20 cents
Expected volatility	100.00
Option life	2.7 years
Dividend yield	Nil
Interest rate	5.00

The following reconciles the outstanding share options granted at the beginning and end of the financial period:

	2007	
	Number of options	Exercise price \$
Balance at beginning of the financial period	-	-
Granted during the financial period	4,500,000	0.20
Balance at end of the financial period (ii)	4,500,000	0.20
Exercisable at end of the financial period	-	-

The share options outstanding at the end of the financial period had an exercise price of \$0.20 and a weighted average remaining contractual life of 2.50 years.

	Consolidated	Company
	2007	2007
	\$	\$
7. Mining and exploration assets		
Cost carried forward in respect of areas of interest in:		
Exploration and evaluation phases-at cost	1,984,852	-
Balance at beginning of financial period	-	-
Exploration expenditure acquired/capitalised during the year	1,984,852	-
Balance at end of financial period	1,984,852	-

	Consolidated	Company
	2007	2007
	\$	\$
8. Goodwill		
Goodwill on acquisition of subsidiaries	1,673,268	-

Goodwill arose from the acquisition of PT Techventure Indocoal and Lambang Bitara Sdn Bhd.

9. Property, plant and equipment

	Consolidated			
	Office Building	Furniture and Fittings	Office Equipment	Total
	\$	\$	\$	\$
Gross carrying amount				
Balance at beginning of period	-	-	-	-
Additions	140,000	17,076	746	157,822
Balance at 30 June 2007	140,000	17,076	746	157,822
Accumulated depreciation				
Balance at beginning of period	-	-	-	-
Depreciation expense	933	587	39	1,559
Balance at 30 June 2007	933	587	39	1,559
Net book value				
As at 30 June 2007	139,067	16,489	707	156,263

9. Property, plant and equipment (cont'd)

	Company			Total \$
	Office Building \$	Furniture and Fittings \$	Office Equipment \$	
Gross carrying amount				
Balance at beginning of period	-	-	-	-
Additions	140,000	17,076	746	157,822
Balance at 30 June 2007	<u>140,000</u>	<u>17,076</u>	<u>746</u>	<u>157,822</u>
Accumulated depreciation/ amortisation and impairment				
Balance at beginning of period	-	-	-	-
Depreciation expense	933	587	39	1,559
Balance at 30 June 2007	<u>933</u>	<u>587</u>	<u>39</u>	<u>1,559</u>
Net book value				
As at 30 June 2007	<u>139,067</u>	<u>16,489</u>	<u>707</u>	<u>156,263</u>

10. Other non-current financial assets

Shares in controlled entities at cost

Consolidated 2007 \$	Company 2007 \$
-	3,900,000

11. Current trade and other payables

Trade payables (i)
Other

Consolidated 2007 \$	Company 2007 \$
-	-
132,312	81,997
<u>132,312</u>	<u>81,997</u>

Non-current trade and other payables

Loan from shareholder (ii)

<u>108,330</u>	<u>108,330</u>
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- (i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.
- (ii) The loan from shareholder is unsecured, is interest-free and has no fixed term of repayment.

12. Issued capital

71,734,253 fully paid ordinary shares

Consolidated	Company
2007	2007
\$	\$
7,782,393	7,782,393

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the consolidated entity does not have a limited amount of authorised capital and issued shares do not have a par value.

	Company 2007	
	No.	\$
Fully paid ordinary shares		
Balance on incorporation	3	3
Shares issued for acquisition of subsidiaries	37,685,000	3,900,000
Shares issued for purchase of office premises	2,000,000	140,000
Shares issued as promoter capital	6,000,000	100,100
Shares issued for accounting services rendered	3,000,000	60,000
Shares issued to directors and management	3,500,000	350
Public issue per prospectus	19,549,250	3,909,850
Share issue costs	-	(327,910)
Balance at end of financial period	<u>71,734,253</u>	<u>7,782,393</u>

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

13. Reserves

	Consolidated	Company
	2007	2007
	\$	\$
Option reserve	209,700	209,700
Exchange reserve	(175,117)	-
	<u>34,583</u>	<u>209,700</u>
Option reserve		
Balance at beginning of financial period	-	-
Directors share options	209,700	209,700
Balance at end of financial period	<u>209,700</u>	<u>209,700</u>
Exchange reserve		
Balance at beginning of financial period	-	-
Currency translation differences	(175,117)	-
Balance at end of financial period	<u>(175,117)</u>	<u>-</u>

Share options

As at 30 June 2007, options over 8,500,000 ordinary shares in aggregate are as follows:

Share options on issue at year end or exercised during the period

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Coal FE Resources Ltd	8,500,000	Ordinary	\$0.20	31 December 2009

Share options are all unlisted, carry no rights to dividends and no voting rights. During the period, no options have been exercised.

14. Accumulated losses

Balance at beginning of financial period
(Loss) attributable to members of the parent
entity
Balance at end of financial period

Consolidated	Company
2007	2007
\$	\$
-	-
(796,936)	(664,303)
(796,936)	(664,303)

15. Loss per share

Basic loss per share

1.87 1.56

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

Net loss

(796,936) (664,303)

Weighted average number of ordinary shares for
the purposes of basic loss per share

42,675,392 42,675,392

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Consolidated	Company
2007	2007
\$	\$

16. Commitments for expenditure

Exploration, evaluation & development
(expenditure commitments)

The Company and its controlled entities have no minimum obligations pursuant to the terms and conditions of tenement licences and applications for tenement licences in the forthcoming year for exploration commitments

-	-
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17. Contingent liabilities and contingent assets

In the opinion of the directors, there are no contingent liabilities as at 30 June 2007 and none were incurred in the interval between the period end and the date of this financial report.

18. Subsidiaries

Name of entity	Country of Incorporation	Ownership Interest	
		2007 %	2006 %
Subsidiaries:			
PT Techventure Indocoal	Indonesia	95	-
Lambang Bitara Sdn Bhd	Malaysia	100	-

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19. Segment information

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

20. Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in Note 18 to the financial statements.

(b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

(c) Key management personnel equity holdings

Fully paid ordinary shares of Coal FE Resources Ltd

	Balance@ 28/9/06	Granted as remuneration	Received on exercise of options	Net other change	Balance@ 30/6/07
	No.	No.	No.	No.	No.
Directors					
Allan Ryan	-	500,000	-	-	500,000
Dato' Ramiah Anpalagan	-	-	-	-	-
Cheng Jew Keng	-	1,000,000	-	-	1,000,000
Faris Azmi Abdul Rahman	-	1,000,000	-	-	1,000,000
Liesl Kemp	-	500,000	-	-	500,000
Ian Macpherson	-	500,000	-	-	500,000
	-	3,500,000	-	-	3,500,000

Share options of Coal FE Resources Ltd

	Bal @ 1/7/06	Granted as remuneration	Exercised	Net other change	Bal @ 30/06/07	Bal vested @ 30/06/07	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
Allan Ryan	-	500,000	-	-	500,000	500,000	375,000	125,000	500,000
Dato' Ramiah Anpalagan	-	-	-	-	-	-	-	-	-
Cheng Jew Keng	-	1,500,000	-	-	1,500,000	1,500,000	1,125,000	375,000	1,500,000
Faris Azmi Abdul Rahman	-	1,500,000	-	-	1,500,000	1,500,000	1,125,000	375,000	1,500,000
Liesl Kemp	-	500,000	-	-	500,000	500,000	375,000	125,000	500,000
Ian Macpherson	-	500,000	-	50,000	450,000	450,000	337,500	112,500	500,000
	-	4,500,000	-	50,000	4,500,000	4,500,000	3,337,500	1,112,500	4,500,000

During the financial period, no options were exercised by specified directors for ordinary shares in Coal FE Resources Ltd.

Further details of the share options granted during the financial period are contained in Note 4 to the Financial Statements.

20. Related party disclosures (cont'd)

(d) Transactions with other related parties

Other related parties include:

- entities with joint control or significant influence over the consolidated entity;
- associates;
- joint ventures in which the entity is a venturer;
- subsidiaries;
- other related parties.

Amounts receivable from and payable to these related parties are disclosed in notes 6 to 8 to the financial statements. All loans advanced to and payable to related parties are unsecured and subordinate to other liabilities. No interest is charged on the outstanding intercompany loan balance during the financial period.

(e) Parent entities

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

21. Subsequent events

(a) Entitlements issue of options

On 4 July 2007, the Board offered Shareholders registered on 12 July 2007 the opportunity to participate in a 1 for 2 non-renounceable entitlement issue of options. The options, which expire on 31 December 2009, was issued at 1 cent per option with an exercise price of 20 cents. Upon closing date on 10 August 2007, entitlements taken up under the offer totalled 27,087,576 which raised a total of \$270,875 before costs of the issue. The Board has placed the balance of 8,779,550 option entitlements not taken up, which at the date of this report has not been completed yet.

(b) Proposed acquisition of PT Nusantara Termal Coal ("NTC")

On 23 August 2007, the Company announced the signing of a Memorandum of Agreement with an affiliate of a reputable multinational independent power producer ("MNC") listed on the New York Stock Exchange to work together to jointly acquire the 60% equity interest stake in NTC. Among others, the MNC will consider entering into an off-take agreement to buy 1.5 million tonnes of coal from the mine for 6 years and to invest in the NTC acquisition. Due diligence by the MNC is ongoing at the date of this report.

22. Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	Company
	2007	2007
	\$	\$
Cash and cash at bank	2,850,644	2,827,899
	2,850,644	2,827,899

**22. Notes to the cash flow statement
(cont'd)**

	Consolidated	Company
	2007	2007
	\$	\$
(b) Non-cash financing and investing activities		
Shares issued for pre-IPO expenses	160,000	160,000
Shares issued for acquisition of equity interests in subsidiaries	3,900,000	3,900,000
	<u>4,060,000</u>	<u>4,060,000</u>
(c) Reconciliation of loss for the period to net cash flows from operating activities		
Loss for the period	(796,936)	(664,303)
Depreciation and amortisation of non-current assets	1,559	1,559
Equity settled share-based payment		
Exploration expenditure written off		
Exploration expenditure incurred	(9,914)	-
Provision for loan to subsidiary		
Exchange difference	5,801	
Share-based payments	209,700	209,700
Interest income	(49,528)	(49,528)
Minority interest	(6,865)	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
<u>(Increase)/decrease in assets:</u>		
Trade and other receivables	(516,573)	(39,361)
<u>Increase/(decrease) in liabilities:</u>		
Trade and other payables	370,197	350,327
Net cash from operating activities	<u>(792,559)</u>	<u>(191,606)</u>

(d) Acquisition of subsidiaries

On 31 October 2006, the Company acquired PT Techventure Indocoal and Lambang Bitara Sdn Bhd with the following aggregate assets and liabilities :

	\$
Cash and cash equivalents	31,721
Trade and other receivables	181,108
Mining and exploration assets	2,145,169
Trade and other receivables	(19,101)
Amount due to director	(12,640)
Minority interest	(99,525)
Share of net assets acquired	2,226,732
Goodwill on acquisition	1,673,268
Total purchase consideration	<u>3,900,000</u>
Less: Ordinary Shares consideration	<u>(3,900,000)</u>
	-
Less: Cash balances acquired	(31,721)
Cash flow on acquisition, net of cash	<u>(31,721)</u>

23. Financial instruments

(a) Financial risk management objectives

The consolidated entity's manages the financial risks relating to the operations of the consolidated entity.

The consolidated entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the consolidated entity's board of directors.

The consolidated entity's activities expose it primarily to the financial risks of changes in interest rates. The consolidated entity does not enter into derivative financial instruments to manage its exposure to interest rate.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Foreign currency risk management

The group does not transact in foreign currencies other than inter-company transfers, hence no exposure to exchange rate fluctuations arise.

(d) Interest rate risk management

The consolidated entity is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity exposure and the credit ratings of its counterparties are continuously monitored. The consolidated entity measures credit risk on a fair value basis.

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(f) Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The fair values and net fair values of financial assets and financial liabilities are determined as follows :

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.

(g) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Additional stock exchange information

As at 17 October 2007

1. Shareholdings

a. Distribution of Shareholders Number

Category (size of Holding)	Ordinary shares	Number of holders
1 – 1,000	1,026	4
1,001 – 5,000	101,611	32
5,001 – 10,000	1,809,402	188
10,001 – 100,000	11,355,027	312
100,001 – and over	58,467,187	52
Total shareholding	71,734,253	588

b. The number of shareholdings held in less than marketable parcels is 16 given a share value of 24 cents per share.

c. Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

d. 20 Largest Shareholders — Ordinary Shares

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Coal Resources Pty Ltd	11,476,315	16.00
2. Accent Capital Pty Ltd	11,261,148	15.70
3. Mr Dato' Nik Othman Bin Nik	3,515,015	4.90
4. E C Dawson Investments Pty Ltd	2,978,125	4.15
5. Mr Rajendran Perumal	2,615,000	3.65
6. Redcode Pty Ltd	2,500,000	3.49
7. Mr Dato' Anad Krishnan	2,054,179	2.86
8. Mr Gunawan Sukardi Subur	1,900,000	2.65
9. Elohim Nominees Pty Ltd	1,800,000	2.51
10. Mr Dato' Razif Bin Abdullah	1,757,507	2.45
11. Mr Faris Azmi Abdul Rahman	1,000,000	1.39
12. Mr Sanjeev Dewan	1,000,000	1.39
13. Mr Julian Cheng Jew Keng	1,000,000	1.39
14. Lee Poh Choo Pty Ltd	1,000,000	1.39
15. Mr Teow Choo Hing	1,000,000	1.39
16. Webber Family Investments Pty Ltd	750,000	1.05
17. E C Dawson Investments Pty Ltd	634,375	0.88
18. Mr Wayne Alan Sims	540,000	0.75
19. Coal Resources Pty Ltd	500,003	0.70
20. Ms Liesl Anna Kemp	500,000	0.70
	49,781,667	69.39

e. Names of substantial shareholders listed in the holding company's register as at 17 October 2007.

	Number of Shares Held
Coal Resources Pty Ltd	11,976,318
Accent Capital Pty Ltd	11,261,148
E C Dawson Investments Pty Ltd	4,012,500

f. **Distribution of Option holders**

Category (size of Holding)	Number of holders
1 – 1,000	6
1,001 – 5,000	152
5,001 – 10,000	80
10,001 – 100,000	192
100,001 – and over	41
Total	471

Voting Rights

Listed options

- The options have no voting rights.
- The options are exercisable at 20 cents each on or before 31 December 2009.

20 Largest Option holders — Listed options

Name	Number of listed options held	% Held of listed Options
1. Coal Resources Pty Ltd	5,988,158	16.70
2. Accent Capital Pty Ltd	5,630,574	15.70
3. Pearl Bliss Pty Ltd	3,000,000	8.36
4. E C Dawson Investments Pty Ltd	1,806,249	5.04
5. Mr Rajendran Perumal	1,325,000	3.69
6. Mr Dewan Sanjeev	1,260,352	3.51
7. Redcode Pty Ltd	1,250,000	3.49
8. Mr Gunawan Sukardi Subur	950,000	2.65
9. Elohim Nominees Pty Ltd	630,000	1.76
10. Mr Teow Choo Hing	500,000	1.39
11. Mr Faris Azmi Abbul Rahman	500,000	1.39
12. Mr Julian Cheng Jew Keng	500,000	1.39
13. Lee Poh Choo Pty Ltd	500,000	1.39
14. Mr Thomas Elliott Macleod	434,200	1.21
15. Mr Wayne Alan Sims	300,000	0.84
16. Inxs Pty Ltd	251,500	0.70
17. Ms Liesl Anna Kemp	250,000	0.70
18. Mr Chiah Cheang Lee	250,000	0.70
19. Mr Allan John Ryan	250,000	0.70
20. Pelrus Pty Ltd	250,000	0.70
	25,826,033	72.01

2. The name of the company secretary is Ian Macpherson.
3. The address of the registered office in Australia is Level 2, 47 Colin Street, West Perth WA 6005. The principal place of business is 1/76 Canning Highway, Victoria Park WA 6100. Telephone (08) 9470 9156.

4. **Registers of securities are held at the following addresses**

Western Australia Security Transfer Registrars Pty Limited
770 Canning Highway, Applecross WA 6153.

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Stock Exchange Limited.

6. **Unquoted Securities**

2009 Options (exercisable at 20 cents on or before 31 December 2009)

Category (size of Holding)	2009 Options	Number of holders
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	50,000	1
100,001 – and over	8,450,000	9
Total	8,500,000	10