



COAL FE RESOURCES LIMITED
A.B.N. 41121 969 819

21 June 2007

The Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

ACQUISITION OF PT NUSANTARA THERMAL COAL ("NTC")

- **2832 hectare 3rd generation Coal Contract of Work COW—South-Central Sumatra.**
- **Historical (non JORC Compliant) Mineral Resource of 29.9 million tonnes of coal.**
- **Established infrastructure and operating history.**

1. INTRODUCTION

The Board of Directors of CES is pleased to announce that the Company has today entered into a conditional Share Sale Agreement ("SSA") with PT Bungo Raya Nusantara ("BRN") for the acquisition of a 60% equity interest in NTC upon the terms and conditions hereinafter mentioned ("NTC Acquisition").

BRN owns and controls 60% of the fully paid capital issued by NTC, a limited liability company duly established and existing under the laws of the Republic of Indonesia and having its domicile in Jakarta.

NTC has a 3rd generation Coal Contract of Work ("CCOW") concession carrying the right to mine an area of 2,832 hectares for a period of 30 years commencing on 27 March 2006 in Muara Bungo Regency, Jambi Province, Indonesia ("Coal Concession").

The total historical mineral resource for the Coal Concession is estimated to be 29.9 million tonnes of coal. Seven coal seams have been reported on the Coal Concession in a Due Diligence report by mining consultants John T Boyd ("Boyd") dated February 1996. The mineral resource and ore reserve estimates were calculated by Boyd in December 1995 and are based upon the Coal Resource Classification System of the U.S. Geological Survey as opposed to the guidelines and recommendations as set out in the Australasian Joint Ore Reserves Committee (JORC) Code and cannot therefore be considered to be compliant with the JORC Code.

BRN currently has off-take agreements with two parties for export sales amounting to 110,000 metric tonnes (MT) per month. BRN itself is currently undertaking production for domestic sales with an average of approximately 31,000 MT per month. The Board of Directors of CES is targeting to increase total production by 60,000 MT per month once the NTC Acquisition is completed.

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Further details of the Coal Concession are given below.

2. PURCHASE CONSIDERATION

CES shall acquire the NTC Shares for a purchase consideration ("Consideration") comprising a cash consideration of USD35 million (AUD42 million) ("Cash Consideration") and a share consideration of USD15 million (AUD18 million) comprising 36,000,000 ordinary shares in CES at an equivalent issue price of AUD 0.50 per share or 273,000,000 ordinary shares in CES's subsidiary, PT Techventure Indocoal ("PTI") at an equivalent issue price of IDR500 per share ("Consideration Shares").

The Consideration was arrived at on a willing-buyer-willing-seller basis after taking into consideration the net present value of the cash flows expected from the extraction of the recoverable resource of the Coal Concession.

The Company is currently considering different structuring alternatives for funding the Cash Consideration and the Consideration Shares. One alternative may involve PTI (a wholly owned subsidiary of CES) completing the acquisition and listing on the Jakarta stock exchange in its own right. Such a scenario would involve CES retaining an approximate 75% interest in PTI. Further details on structuring alternatives will be released to ASX as soon as they are available.

The Consideration shall be settled as follows:

- (a) Cash Consideration:
 - (i) USD300,000 upon signing of the SSA; and
 - (ii) USD34,700,000 60 business days after all conditions precedent have been satisfied ("Completion Date").
- (b) Consideration Shares - on the Completion Date.

3. CONDITIONS PRECEDENT

The NTC Acquisition shall be conditional, *inter alia*, upon the following:

- (a) the successful completion of a fund raising exercise by CES of at least US\$40,000,000 from financial institutions in the banking sector or investors in the capital market;
- (b) CES completing a financial and legal due diligence on NTC, to the sole and absolute satisfaction of CES;
- (c) BRN providing an undertaking to CES to settle all outstanding actual and contingent liabilities of NTC up to the Completion Date;
- (d) CES obtaining an independent geologist's report in relation to the Coal Concession; and
- (e) the following approvals being obtained:
 - (i) the approval of the shareholders of NTC for the sale of the Sale Shares in accordance with the provisions of the SSA; and

- (ii) the approval of the shareholders of CES in general meeting and the regulatory authorities to complete the acquisition of the NTC Shares.

4. FUND RAISING EXERCISE

The funds to be raised for the NTC Acquisition will occur as follows: (the structure is subject to change as deemed necessary by the Board of Directors of CES):

- (a) USD15 million (AUD18 million) to be satisfied by the issuance of 36,000,000 ordinary shares in CES at an equivalent issue price of AUD 0.50 per share to the vendors;
- (b) The balance, USD35 million (AUD42 million), of the Cash Consideration to be raised through the issue of convertible bonds in CES or by issuing other securities within the Group.

Under the terms of the Agreement CES will up be reimbursed uptoUSD5,000,000 in relation to its transaction costs.

In addition, the Company is currently in discussions with a financial institution in relation to securing a USD20,000,000 secured credit facility to assist the acquisition and with development of the project. Further details in respect of this facility and its availability are expected in the next 2 weeks.

5. NON-JORC COMPLIANCE ON DISCLOSURE OF TOTAL RESOURCE

CES is of the opinion that the mineral resource and ore reserve estimates calculations and subsequent classification as documented in the Boyd report have been carried out using appropriate coal estimation and classification methodologies available at the time.

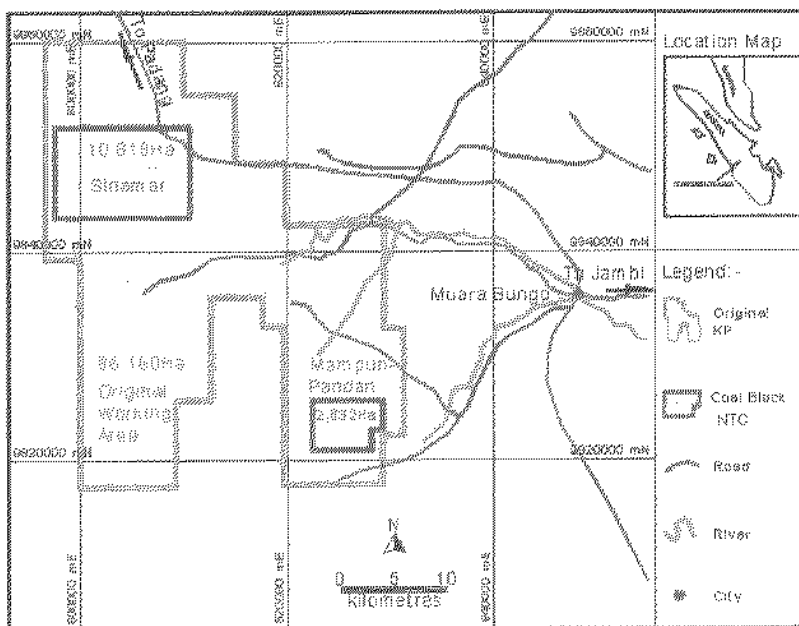
CES has appointed Ravensgate which is a Perth based Mineral Exploration and Mining Consultancy to undertake an Independent Resource Review ("Review") of the Boyd estimate. The Review will be based upon the recommendations outlined in Table 1 of the JORC Code. The scope of works will include drill hole data quality verification and validation. If the necessary data are no longer available, additional work in the form of confirmatory (twin) drilling would be necessary to confirm the results of the initial study or to complete an independent resource model based on the new results.

The following important points regarding the Historical Estimates are noted:

- a) The Historical Estimates are not reported in accordance with the JORC Code. It is uncertain that following evaluation and/or further exploration that the resource or reserve estimate will necessarily be reported in accordance with the JORC Code.
- b) The Historical Estimates were calculated by John T Boyd, a US mining consultant, from drilling which commenced in 1993. The estimates and the means by which they were generated are documented in a John Boyd report dated February 1996.

- c) CES considers that the Historical Estimates are relevant because they are integral to the valuation of the NTC and the Concession. Exploration techniques used to acquire data and generate the estimates are similar to those used today and are considered appropriate.
- d) CES considers that the Historical Estimates are considered reliable in itself. Boyd used a modern mining software package that is routinely used for coal resource modeling to model the coal seams. The structural complexity of the area was modeled and accounted for in terms of an appropriate dilution factor. Appropriate cut-offs, based on a minimum seam width and coal quality expressed in Ash percent were applied to the resource. Estimates were prepared at overburden depths of 50, 100 and 150 meters intervals. Recoverable tonnes are based on an overall mining recovery of 75%.
- e) The coal classification system recommended by the us geological survey is similar but not identical to that of the jorc code. The terms inferred, indicated and measured are common to both systems and suggest an increasing level of geological knowledge and confidence. In the jorc code, mineral resources classified as indicated and measured can upon the application of appropriate "modifying" factors be converted to probable and proved coal reserves. Whereas the usgs system does not make provision for these two terms, and instead refers to marginal reserves and reserves within the measured and indicated categories.
- f) There are no more recent estimates available.
- g) It is the intention of ces to evaluate the matters listed in table 1 of the jorc code which are relevant to the estimate and/or to conduct exploration for the purposes of allowing a competent person to take responsibility for the estimates of mineral resources or ore reserves so that they may be reported by the company in accordance with the jorc code. This process is estimated to take approximately three months to complete.
- h) The Australian Securities Exchange has granted a waiver from listing rule 5.6 to allow the company to report the above historical estimates.

6. DETAILS OF THE COAL CONCESSION



6.1 Location

The 2,832 Ha Coal Concession is located 31 km west of the city of Muara Bungo in Sumatera. It is 283 km by roads to the west of the city of Jambi and 354km to the east of the city of Padang. The city of Muara Bungo is 5 hours by road from Jambi and 6 hours by road from Padang.

6.2 Faulting

The major geological feature of the area is the structural complexity of the coal bearing basin. Two major fault sets divide the deposit into a West and an East resource area. The Largest area is the West Area which is divided into 23 fault blocks while the East Area is divided into 4 fault blocks. Fault block displacements range from 15 to 80 m, averaging about 30 m. Secondary smaller faults with less than 15 m displacement are common.

6.3 Coal Seams

Seam dips range from 5 degrees to 11 degrees and are typically 9 degrees. The mean seam dip in the East Area is approximately 20 degrees while the mean dip of the seam in the East Area is 13 degrees. There are seven identified coal seams. Only three are determined to contain potentially mineable coal resources (Seam A, B and C). The total resource estimated by John Boyd is 29,923,000 recoverable tonnes. The C Seam is the major seam of the deposit containing 95% or 28,330,000 recoverable tonnes. Coal resources for the C Seam are estimated to a maximum depth of 150 metres. The A and B Seam contain 2% or 587,000 recoverable tonnes and 3% or 1,006,000 recoverable tonnes, respectively.

The Historical (non-JORC) resource base of the deposit as calculated by John T Boyd is summarised in the table below:

Seam	Overburden depth	Seam thickness (m)	Recoverable tonnes (Mt)	Burden ration	Moisture (%) air dried	Ash dry basis (%)	Kcal/kg
C	<100m	7.4	22,733	5.7	11.7	10.9	6,900
	<150m	7.5	28,330	7.6	11.7	11.5	6,850
B	<50m	4.4	587	3.5	8.6	25.74	5,580
A	<50m	3.4	1,006		8.6	24.71	5,676
TOTAL			29,923				

The Historical (non-JORC) reserve base of the deposit is summarised in the following table

Seam	Seam thickness (m)	Recoverable tonnes (Mt)	Burden ration	Moisture (%) air dried	Ash dry basis (%)	Kcal/kg
C	7.4	22,733	5.7	11.7	10.9	6,900

Notes:

1.The Resources and Reserves as stated are representative of the resources and reserves as estimated by Boyd in 1996 and do not account for any mining and associated depletion that may have occurred since that time

7. BALANCE SHEET

A draft pro-forma Balance Sheet for CES incorporating the effect of the transaction and capital raising is as follows:

Coal Fe Resources Limited
Proforma Balance Sheet
As at 31 May 2007

	Unaudited As at 31 May 07 \$	Transaction adjustments \$	Proforma after Transaction \$
CURRENT ASSETS			
Cash & cash equivalents	2,909,058	(500,000) ³ 378,000 ⁴	2,787,058
Trade & other receivables	400,500		400,500
Total Current Assets	<u>3,309,558</u>		<u>3,187,558</u>
NON CURRENT ASSETS			
Interest in subsidiaries	4,129,013	60,000,000 ¹	64,129,013
Property plant & equipment	156,830		156,830
Total Non Current Assets	<u>4,285,843</u>		<u>64,285,843</u>
TOTAL ASSETS	<u>7,595,401</u>	<u>59,878,000</u>	<u>67,473,401</u>
CURRENT LIABILITIES			
Trade & other payables	<u>104,795</u>		<u>104,795</u>
NON CURRENT LIABILITIES			
Convertible bonds	<u>-</u>	<u>42,000,000</u> ²	<u>42,000,000</u>
TOTAL LIABILITIES	<u>104,795</u>	<u>42,000,000</u>	<u>42,104,795</u>
NET ASSETS	<u>7,490,606</u>	<u>17,878,000</u>	<u>25,368,606</u>
EQUITY			
Issued Capital	8,110,303	17,500,000 ³	25,610,303
Option reserve	209,700	(378,000) ⁴	587,700
Accumulated losses	(829,397)		(829,397)
TOTAL EQUITY	<u>7,490,606</u>	<u>17,122,000</u>	<u>25,368,606</u>

Notes

1. Acquisition of the NTC Shares - USD50 million converted to AUD at exchange rate of 1:1.2
Funds raised for this acquisition - USD15 million via Rights Issue and USD35 million via issue of Convertible Bonds
2. Convertible bonds issued at face value equivalent to USD35 million converted to AUD at exchange rate of 1:1.2
3. Placement shares - USD15 million converted to AUD at exchange rate of 1:1.2, less costs of issue of AUD500,000
4. The issuance of 1 for 2 non renounceable rights issue of options at AUD 1 cent to raise AUD 378,000.

8. REGULATORY MATTERS AND ANTICIPATED TIMETABLE

The Company is currently in discussions with ASX in relation to whether the acquisition of NTC will constitute a change in the scale of its activities under Listing Rule 11.1. If this Listing Rule applies, the Company may need to re-comply with Chapters 1 and 2 of the ASX Listing Rules in conjunction with completion of the acquisition.

Assuming the transaction does not constitute a change in the scale of the Company's activities under Listing Rule 11.1, the anticipated timetable for completion of the NTC acquisition and the balance of the matters referred to above is set out below:

Event	Date
Announcement of Transaction	20 June 2007
Completion of Due Diligence	20 July 2007
Despatch Notice of Meeting seeking approval for Transaction	20 July 2007
General Meeting to approve Transaction	28 August 2007
Completion of Fund Raisings	23 October 2007
Settlement of the NTC Acquisition	29 October 2007

If the Company is required to re-comply with Chapters 1 and 2 of the Listing Rules, the above timetable is likely to be delayed by up to 6 weeks.

Full details of the proposed transaction and capital raising will be forwarded to shareholders and participating option holders in due course, subject to CES confirming its intentions following its due diligence investigations.

It is the CES Board's view that the acquisition of the NTC Shares will give all shareholders the opportunity to participate in a significant exploration and development program within a high potential coal concession.

Importantly, it moves CES closer to the status of producer.

For further information, please contact:

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Or

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Resources is based on information compiled by Andre Wulfse who is a registered Natural Scientist and who is a Member of The South African Institute of Mining and Metallurgy which is a Recognised Overseas Professional Organisation (ROPO). Andre Wulfse has sufficient experience that is relevant to the styles of mineralisation and types of deposit under consideration and to the activities that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Wulfse consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.