



29 October 2009

Companies Announcements Office
Australian Stock Exchange Limited
Exchange House
Level 4, 20 Bridge Street
Sydney, NSW 2000

ASX ANNOUNCEMENT – UPDATE ON PROPOSED ACQUISITION OF CHINA TIME INTERNATIONAL LIMITED

It was disclosed in the Prospectus dated 14 August 2009 that the Company proposed to acquire China Time International Limited ("CTI"), a British Virgin Island incorporated company which directly and indirectly owns 100% of PT Bungo Raya Nusantara ("BRN") which in turn controls 60% of PT Nusantara Termal Coal ("NTC"), both companies being incorporated in Indonesia.

The Company wishes to announce that it has decided not to proceed with the proposed acquisition of CTI because of ongoing litigation affecting BRN.

BRN is the legal owner of 18,750 shares issued by NTC ("NTC Shares") representing 60% of its equity. BRN has pledged the NTC Shares to Coal FE Resources Limited ("CFRL") pursuant to a Pledged of Shares Agreement dated 14 September 2007 as security for a loan made to CTI which is BRN's holding company.

Based on a Settlement and Release Agreement dated 15 May 2008 between CFRL, BRN and CTI, BRN has agreed to sell the NTC shares to fulfill its corporate guarantee obligation. BRN has granted full power of attorney to CFRL to sell and transfer the NTC Shares to other parties to settle its obligation and obtain a release from CFRL.

On 16 May 2008 the Company entered into a Conditional Share Sale Agreement ("CSSA") with CFRL as attorney for BRN to purchase 18,750 shares in NTC by issuing 10,000,000 shares in the Company to CFRL.

Under the CSSA, the Company will acquire all rights, title and interest in or attached to the NTC Shares and will be entitled to all benefits, gains or proceeds arising from the NTC Shares and will execute all rights of ownership and will perform all obligations with respect thereto, subject to certain conditions precedent which as at date are still pending.

As the conditions precedent has not yet been fulfilled and the Company does not have operational or functional controls, NTC will not be consolidated as a subsidiary for the financial year ended 30 June 2009.

The arbitration and ongoing litigation involving PT BRN and does not involve the Company as BRN is not a subsidiary of the Company. As the CTI acquisition has yet to be completed none of the litigation matters affect the Company in any way.

Presently the Company only has entered into an agreement for the purchase of 14,400,000 tonnes of coal from NTC signed on 21 November 2007 ("coal purchase contract"). The agreement provides for advance payment for the coal purchase by the issue, among others, of a convertible bond for \$21,240,000 (USD20,000,000) less earnest deposits of \$1,177,117 paid, as disclosed in the Supplementary Prospectus dated 13 October 2008. Whatever the outcome of the ongoing litigation in Indonesia, the Company expects NTC to fulfill its obligation as stated in the coal purchase contract.

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