



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
30 June 2014

Highlights

- Appointment of Mr. Robert Swarbrick as the Managing Director of the company.
- Company will focus on acquiring deposits with high calorific values which will command higher prices and deliver greater returns to the shareholders.
- Proposed acquisitions of 90% equity interest in PT. Mineral Sukses Makmur (MSM), a producing iron ore concession in Solok, West Sumatra; and 70% equity interest in PT. Tunggal Putra Nusantara (PTN), a high calorie anthracite coal concession in Palin, West Sumatra.
- Coal sale of 61,209 Metric Tons recorded for the quarter in the Abadi Coal Project.

1.0 INTRODUCTION

The quarter under review saw the Standard Steam Coal Prices (HPB 3500-3800 Kcal/Kg GAR) and Coal Reference Price (HBA 6322 Kcal/Kg GAR) as reported by the Ministry of Energy and Mineral Resources in the Republic of Indonesia to have continued to move sideways over the last 12 months along the median prices of USD25-USD29 for the 3500-3800 Kcal/Kg GAR and USD76 for the 6322 Kcal/Kg GAR coal types respectively (See Chart 1).

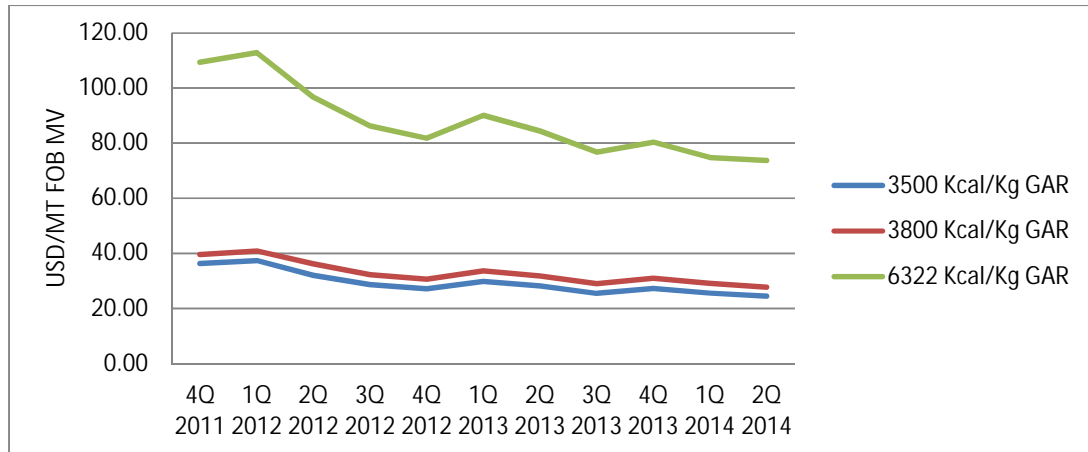


Chart 1: Indonesian Standard Steam Coal Prices

Source: Ministry of Energy and Mineral Resources, Republic of Indonesia

2.0 PROJECT REVIEW – THE ABADI COAL PROJECT

Coal Sale

Total coal sales of 61,209 Metric Tons were recorded for the quarter under review. As provided in the Joint Mine Management Agreement between the Company and PT. Toba Jaya, at present coal prices these coal sales translate into a royalty of USD1.00 per metric tonne for the Company.

3.0 CORPORATE - Proposed Acquisitions

As previously announced on 14 April 2014, following the appointment of Mr Robert Swarbrick as Managing Director, a strategic review of the Company's assets was undertaken, with the end result being a clear focus on the acquisition of higher calorific projects aimed at commanding higher prices and therefore greater margins to shareholders than the current Abadi coal project held by the Company.

On the 7 May and 24 June 2014, the Company announced the following acquisitions that will provide the Company with access to cash-flow immediately, potentially leading to a re-rating of the Company as a producer:

- a) 90% equity interest in PT. Mineral Sukses Makmur (MSM), a producing iron ore concession in Solok, West Sumatra; and
- b) 70% equity interest in PT. Tunggal Putra Nusantara (PTN), a high calorie anthracite coal concession in Palin, West Sumatra.

The Projects

Iron Ore

The first acquisition will see the Company acquire a 90% interest in PT Mineral Saksur Makmur ("MSM"). MSM is the sole owner of a producing iron ore concession in Solok, West Sumatra which is located approximately 80 km from Padang, West Sumatra. The concession is approximately 74 hectares, with current production coming from a 3 hectare area, with further drilling required to define additional mineralization on the remaining area.

MSM currently holds all valid export permits, producing licenses and a smelter permit, which allows the Company to produce and export the product.

MSM currently produces 30,000 MT/Month of 62% Fe product. It currently supplies this product to Krakatoa Steel, a leading Indonesian Steel Company at a price of US\$80/MT. Coal Fe plans to increase production to 60,000 MT/month.

The mined iron ore is transported by road truck to stockpile located approximately 40 kilometres south of the mine site where it is crushed and there is a small smelter. From there it is road trucked approx. 40 km to another stockpile close to Teluk Bayur Port, Padang. It is then loaded at the port onto a barge and shipped CFR West Java, Indonesia for Krakatoa Steel.



Current mining operations - PT Mineral Saksur Makmur

Coal

The second acquisition will see the Company acquire a 70% interest in PT Tunngal Putra Nusantara (“TPN”), the sole owner of a high calorie anthracite coal concession in Palin, West Sumatra, Indonesia which was formerly producing 30,000 MT/Month. The concession is approximately 100 hectares with production currently being sourced from an area of 70 hectares, and is located approximately 10 km from a jetty for barging.

The concession has ceased production at present due to TPN having insufficient working capital to maintain the ongoing running of the mine. The concession is close to infrastructure and has a current contract with a leading Indonesian cement company which purchases the product at a premium to current market prices.

The coal previously produced and sold is a highly desirable anthracite coal with product specifications as follows:

Calorific Value (kcal / kg)	7,200 K Cal/Kg (air dried basis)
Total Moisture (%)	4.96 (air dried basis)
Ash (%)	8.43 (air dried basis)
Total Sulphur (%)	2.21 (air dried basis)

(sourced from sales contracts)

Following acquisition by the Company, it is intended that operations will recommence with a view to being in production within 2-6 months of shareholder approval. It is expected that the historic production of 300,000 MT per annum will be increased to 500,000 MT per annum.

Acquisition Terms

Subject to completion of due diligence, and the obtaining of shareholder and any necessary regulatory approvals including those under Indonesian mines department regulations, the key terms of the transaction are:

- The Company will acquire 90% interest in Indonesian company PT. Mineral Sukses Makmur for consideration comprising cash payments totaling US\$2.5 million plus a royalty of US\$5/MT of iron ore produced and sold from the mining area. The consideration of US\$2.5 million will be paid in four instalments. The first instalment of US\$20,000 to be paid upon signing of the Conditional Sale and Purchase Agreement; the second payment of US\$980,000 to be paid upon completion of the transaction; the third payment of US\$1 million to be paid within 30 days from the second payment; and the last payment of US\$500,000 to be paid within 30 days from the third payment.
- The Company will acquire a 70% interest in Indonesian company PT. Tunggal Putra Nusantara for consideration comprising cash payments totaling Indonesian Rupiah (Rp)1,500,000,000 (approx. US\$150,000) plus a royalty of US\$5/MT of coal produced and sold from the mining area. The consideration of Rp1,500,000,000 will be paid in two instalments; the first instalment of Rp230,000,000 to be paid upon signing of the Conditional Sale and Purchase Agreement; and the final payment of Rp1,270,000,000 to be paid upon completion of the transaction. The consideration is subject to a further payment of Rp1,000,000,000 should the coal reserves in the concession exceeds 150,000 MT as determined by the purchaser's geological survey.

The Company is well advanced in preparing the Notice of Meeting for consideration by shareholders, having appointed the relevant independent experts to assist with due diligence studies and fulfillment of the conditions precedents by the both parties.

4.0 Reporting Requirement In Accordance with ASX Listing Rule 5.3.3

4.1 Mining tenements held at the end of this quarter:

Name	Location	Beneficial Interest Held in Farim-In or Farm-Out Agreement
PT Pancaran Surya Abadi	District of Muara Badak/Anggana, Regency of Kutai Kartanegara, Province of East Kalimantan, Republic of Indonesia	<p>Royalty income on coal tonnage produced and sold from the tenement in accordance to the prevailing market price of coal where:</p> <p>If market price FOB Barge is USD35/MT or lower – royalty payable at USD1.00/MT</p> <p>If market price FOB Barge exceeds USD35/MT but does not exceed USD45/MT – royalty payable at USD2.50/MT</p> <p>If market price FOB Barge exceeds USD45/MT – royalty payable at USD3.00/MT</p>

4.2 Mining tenements and beneficial percentage interest held in farm-in or farm-out agreements acquired or disposed during the quarter:

Name	Location	Beneficial Percentage Interest of Farm-In or Farm-Out Agreements
Nil	Nil	Nil

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