

Coal FE Resources Ltd

ABN 41 121 969 819

**Interim Financial Report for the Half-Year ended
31 December 2008**

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Directors' Report

Your directors submit the financial report of Coal FE Resources Ltd ("the Company") for the half-year ended 31 December 2008.

Directors

The names of the directors in office at any time during or since the end of the half year are:

Mr Allan Ryan (Non-Executive Independent Chairman)

Dato' A Ramiah (Non-Executive Deputy Chairman)

Mr Cheng Jew Keng (Operations Director)

Mr Faris A Rahman (Finance Director)

Ms Liesl Kemp (Non-Executive Independent Director)

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Results of Operations

The loss after tax attributable to equity holders of the consolidated entity for the financial half-year ended 31 December 2008 amounted to \$413,039 (2007: Loss after tax \$980,385).

Review of Operations

Below is a summary of the consolidated entity's main exploration projects and activities that have taken place throughout the period 1 July 2008 to 31 December 2008. All interested persons are encouraged to visit www.coalferesources.com for a comprehensive review of the consolidated entity's activities.

Overall, activity for the period was dominated by commencement of negotiations with several potential off-takers on the Abadi project that was announced on 3 June 2008, and its collaboration with Handini Resources Limited ("HDI") in an initial public offer of a 2,832 hectares operating coal project in Indonesia.

On 2 October 2008, the Board decided to suspend the trading of the Company's securities on the Australian Securities Exchange ("ASX") to avoid speculation on the development of the Abadi project. Furthermore, the volatility of trading on the ASX as a result of the global financial crisis merited the continuous suspension of trading until further notice.

On 23 October 2008, the Company's 10,000,000 shares in HDI became tradeable with its successful listing on the ASX, closing at 46 cents. The Company's shareholding represents 5.24% of HDI and the shares are not escrowed.

In view of the present market crisis, the Company is presently focusing on securing an off-taker/joint venture partner on the Abadi project and will only proceed with exploration activities on the other projects once the project's production schedule is secured.

PROJECT REVIEW

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. Of this total concession area, the completed drilling program covered 300 Ha. The remaining 713 Ha is presently unexplored.

The geology of the survey area is primarily covered by 2 coal formations, the Balikpapan Formation and Pulau Balang Formation. 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.

On 2 June 2008, Coal FE announced results from drilling at the Abadi Project in accordance with the JORC Code, as summarised below:

<u>Resource Category</u>	<u>Million Tonnes</u>
Measured	0.440
Indicated	14.578
Inferred	12.242
Combined	27.260

The exploration area lies in Selo Lai Village, District of Muara Badak, Regency Kutai Kartanegara, Province East Kalimantan, Indonesia (see Figure 1). The exploration area can be reached from Balikpapan by land transportation to Samarinda and thence continued to Selo Lai village for about 2 hours drive. The exploration area is relatively easy to be reached by 4WD vehicles.

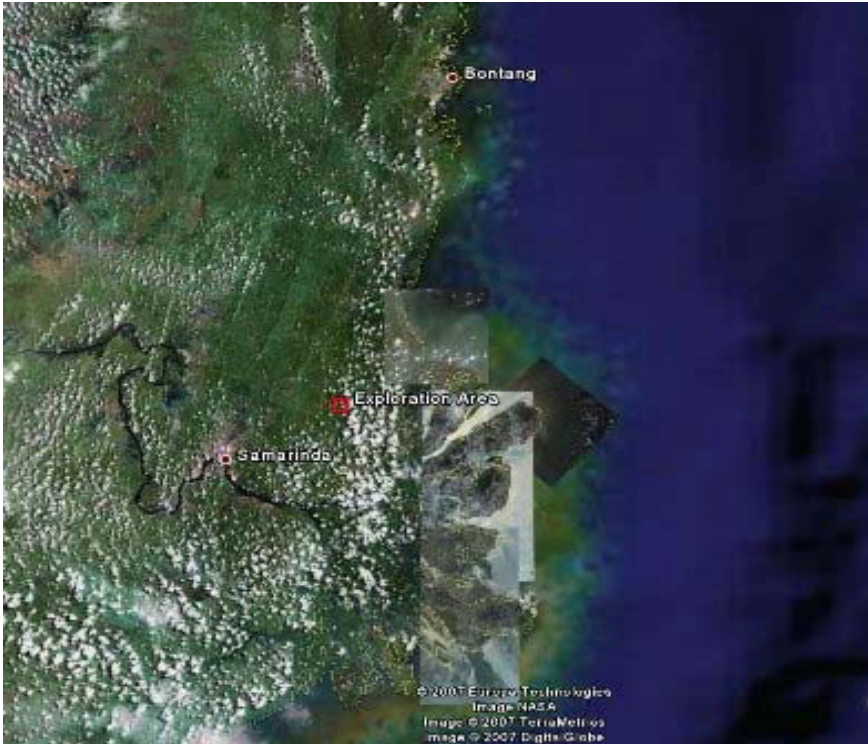


Figure 1: Location of Exploration Area

Morphology of the exploration area is divided into two morphological units, namely Penepalin Morphological Unit and Wavy Hills Morphological Unit. The Penepalin Morphological Unit is elevated approximately 25 – 30 m with slopes around 00-50°. Land use is dominated by thicket. The Wavy Hills Morphological Unit is elevated approximately 30 – 80 m with slopes between 6°- 47°. Land use in forms of fields, bushes, and wilderness are observed.

Lithology of the area is of Balikpapan Formation which is a Coal Bearing Formation. Seams are positioned at around N 285°-356° E, with dip around 60-110°.

Twenty six holes have been drilled within a 300 hectare block (see Figure 2). Most of the holes were drilled along two NW running drill lines. These two drill lines are approximately 500 metres apart. Along drill line 1 the boreholes are generally spaced approximately 200 metres apart. Borehole spacing along drill line 2 is variable and boreholes can be as far as 400 metres apart in places.

Of the twenty six holes, six recently drilled infill holes were located between drill lines previously designated as lines 1 and 2. Drill spacing in the southeast of the block is much closer spaced than in the northwest. The thickest coal seams occur towards the northwest where the drilling is more widely spaced.

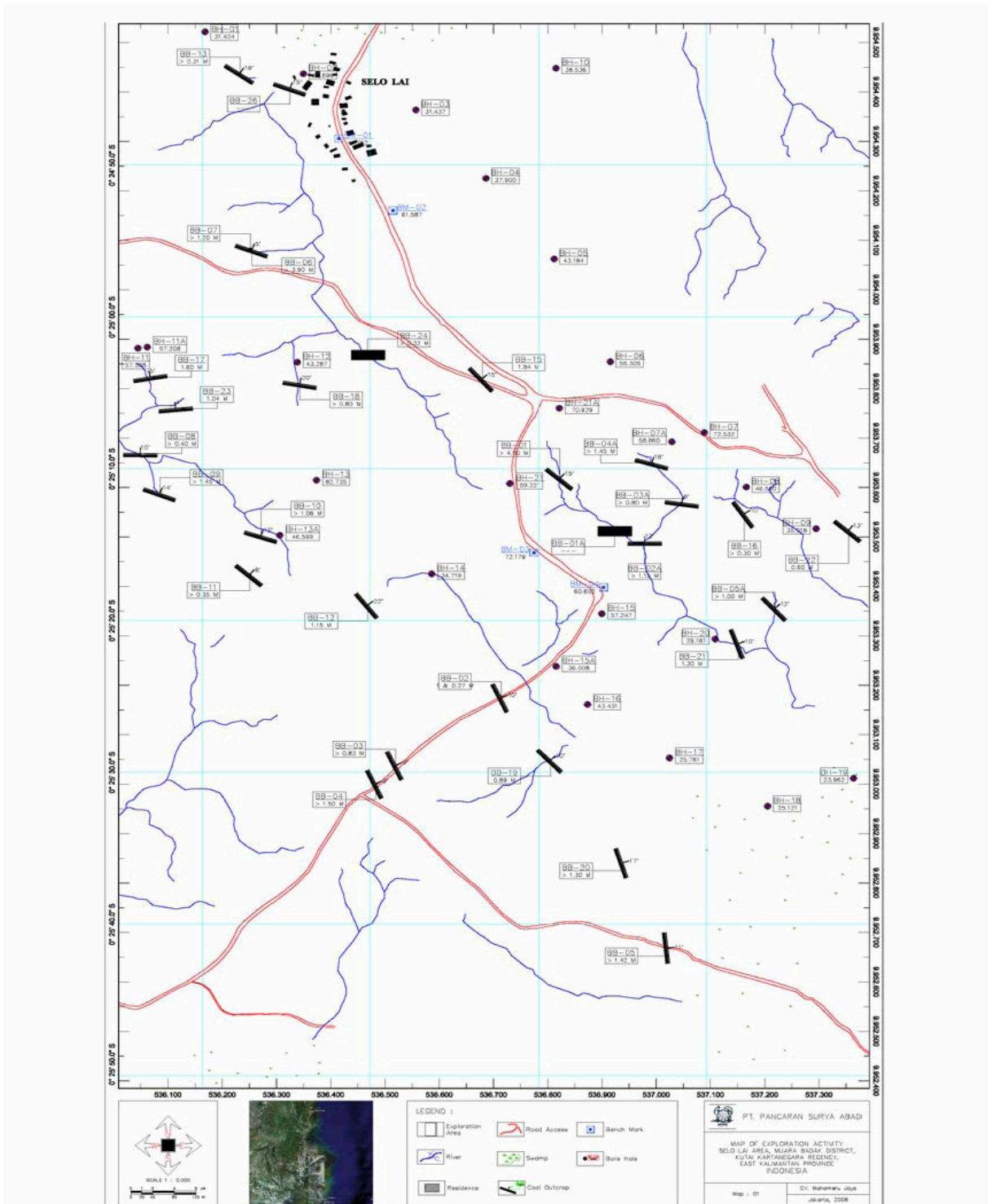


Figure 2: Drill Holes Location

Twenty samples were submitted to determine coal quality. The 20 samples constitute one composite value per coal seam. Six coal seams have been identified in the project area. Further analysis will be required to investigate the possibility of the current inferred and indicated resources into measured resources.

Directors' Report cont'd

The table below shows the results of the JORC resource from the drilling program.

Table 1: Abadi JORC Resource Classification

BCM	Tonnes	Dry Basis Analysis				CLASS
		DASH1	DVM1	DTS1	DGCV1	
338,000	440,000	10.74	49.36	0.84	5940	Measured
11,214,000	14,578,000	7.50	47.71	0.49	5626	Indicated
9,417,000	12,242,000	9.20	48.41	0.61	5723	Inferred
20,969,000	27,260,000	8.31	48.05	0.55	5674	(Combined)

DASH1 = Ash% Wt (Dry Basis)

DVM1 = Vm% Wt (Dry Basis)

DTS1 = TS% Wt (Dry Basis)

DGCV1 = GCV cal/g (Dry Basis)

The Company will continue to explore the remaining area of the 1,017 Ha concession for further resources as part of the agreed program in the Co-operation Agreement with PT. Pancaran Surya Abadi. Ongoing discussions with third parties are being held to assess possible joint venture arrangements in developing the project to an operating coal mine.

PROJECT REVIEW

PALAPA PROJECT

The Palapa Coal project is a 100 Ha project 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.

Coal FE has not been able to proceed with work on the 100 Ha Palapa Project during the period. This is due to outstanding obligations under the license that are to be fulfilled by the owners of CV Palapa. Coal FE has negotiated with the owners to allow Coal FE to explore another concession that has been granted to the owners whilst the owners settle its outstanding obligations stated under the license for the Palapa project. The new concession area is known as *Palapa 2* project).

Palapa 2 project is a 2,946 Ha concession area located next to the Palapa project has been offered to Coal FE at no cost to the company to carry out exploration activity. An exploration license has been issued for the concession area which expires on 1 November 200 and is currently being extended for a further 5 years.

The Mapping Exercise covering the entire 2,946 Ha concession was completed in March 2008. 200 Ha of the concession is now being proposed by the local geologist for further drilling. A outcrop sample was taken from the proposed 200Ha area with the following analysis;

Table 2: Sample Analysis on outcrop at Palapa

Total Moisture (ar)	%	14.7
Inherent Moisture (adb)	%	13.8
Ash Content (adb)	%	2.2
Volatile Matter (adb)	%	24.4
Fixed Carbon (adb)	%	60.6
Total Sulphur (adb)		0.48
Gross Calorific Value	Kcal/Kg	6,208

12 coal outcrops have so far been found and the outcrops indicate a strong presence of coal. The coal seam found in the area has thickness ranging from 0.3 metre to 1 metre with the inclination 20°-52° with strike in the North – North West direction.

The planned scout drilling program was delayed but has commenced on 26 October 2008. The program encompasses 5 drillholes to a depth of 50 metres to determine the number of seams in the concession area. The drilling was stopped after 20 metres on the first drillhole due to equipment malfunction halted the operation. Due to the present lack of funds the drilling activity will continue once more funds are raised. The exploration license will also be extended provided payments are made for its extension.

Directors' Report cont'd

PROJECT REVIEW

ANDALAS PROJECTS

The Company (through its subsidiary, PT Techventure Indocoal) has a 70% interest in four (4) Indonesian companies, which currently holds exploration licenses for iron ore concessions in Central and West Sumatra, Indonesia. Details of the iron ore concessions are as follows:

Table 3: Andalas Project Concession Areas Summary

Project	Location	JV Partner / Manager	Area Ha	Target Type / Comments
Andalas Mangani Perkasa	Kecamatan Rao	PT Andalas Mangani Perkasa	5,116	Bedded Deposit Iron
Andalas Platina Orienta	Kecamatan Lubok Sikaping	PT Andalas Platina Orienta	2,491	Bedded Deposit Iron
Andalas Basindo Natura	Kecamatan Rao, Rao Selatan and Padang Gelugur	PT Andalas Basindo Natura	3,317	Bedded Deposit Iron
Andalas Alam Nasindo	Kecamatan Lubok Sikaping	PT Andalas Alam Nasindo	1,634	Bedded Deposit Iron
TOTAL			12,558	

The concession areas can be reached by daily flight from Jakarta to Padang (1 hour and 30 minutes). From Padang the journey continues by car (4 hours drive) through the well-paved Trans-Sumatera highway to a village called Air Manggis (about 10 minutes by car from Lubok Sikaping, capital city of Pasaman regency). From Air Manggis Village another one hour walk to Sariak Laweh Hill with moderate to steep slope.

The general survey done on these concessions shows iron ore presence and is indicated by the magnetite content of rock boulders along slope hill, foot hill and creeks. Boulders comprise of volcanic, sedimentary metasediment and lateritic soil in some places. The primary iron ore is buried or covered by local subsidence. Assays from local survey reports indicate FE values of economic interest.

The general survey involved the evaluation of the concessions for bedded iron deposit (BID). The Company is planning further geological mapping, rock sampling and trenching as well as an aeromagnetic and radiometric survey over the tenements, purchasing satellite imagery, and rock chip sampling.

Preliminary survey work on the Andalas projects has been kept in abeyance until the raising of further funds to undertake a complete exploration activity on the Andalas projects.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 6 for the half-year ended 31 December 2008.

Signed in accordance with a resolution of the Board of Directors.



Julian Cheng
Director

DATED this 17th day of March 2009

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 review of the financial report of Coal FE Resources Limited and Controlled Entities for the half year ended 31 December 2008 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 review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 17th day of March 2009

Consolidated Income Statement

for the half-year ended 31 December 2008

	31.12.2008	31.12.2007
	\$	\$
Revenue	1,333	49,608
Employee benefits expenses	(161,093)	(184,859)
Depreciation and amortisation expenses	(2,291)	(2,385)
Consulting and management expenses	(137,723)	(409,912)
Occupancy expenses	-	(19,077)
Administration expenses	(101,421)	(424,934)
Net loss before income tax expense/benefit	(401,195)	(991,559)
Income tax (expense)/benefit relating to ordinary activities	-	-
Net loss for the half-year	(401,195)	(991,559)
Attributable to:		
Equity holders of the parent	(413,039)	(980,385)
Minority Interest	11,844	(11,174)
	(401,195)	(991,559)
Basic loss per share (cents)	0.58	1.38

Basic loss per share is based on the weighted average number of 71,738,420 ordinary shares on issue during the period. Diluted loss per share has not been included as it results in a more favourable figure than basic loss per share.

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

as at 31 December 2008

	31.12.2008	30.6.2008
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	16,470	141,677
Trade and other receivables	524,036	1,557,085
Financial asset	1,539,556	-
TOTAL CURRENT ASSETS	<u>2,080,062</u>	<u>1,698,762</u>
NON CURRENT ASSETS		
Mining and exploration assets	3,540,138	3,084,208
Goodwill	1,009,017	1,009,017
Property, plant and equipment	149,390	151,681
TOTAL NON-CURRENT ASSETS	<u>4,698,545</u>	<u>4,244,906</u>
TOTAL ASSETS	<u>6,778,607</u>	<u>5,943,668</u>
CURRENT LIABILITIES		
Trade and other payables	301,320	243,405
Amount due to shareholder	251,801	-
TOTAL CURRENT LIABILITIES	<u>553,121</u>	<u>243,405</u>
NON CURRENT LIABILITIES		
Trade and other payables	309,247	184,117
TOTAL NON CURRENT LIABILITIES	<u>309,247</u>	<u>184,117</u>
TOTAL LIABILITIES	<u>862,368</u>	<u>427,522</u>
NET ASSETS	<u>5,916,239</u>	<u>5,516,146</u>
EQUITY		
Issued capital	7,788,123	7,787,073
Reserves	1,019,350	219,112
Minority interest	78,398	66,554
Accumulated losses	(2,969,632)	(2,556,593)
TOTAL EQUITY	<u>5,916,239</u>	<u>5,516,146</u>

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2008

	Issued Capital	Option Reserve	Exchange Reserve	Accumulated Losses	Minority Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2008	7,787,073	568,371	(349,259)	(2,556,593)	66,554	5,516,146
Loss for the period	-	-	-	(413,039)	-	(413,039)
Conversion of share option	1,000	-	-	-	-	1,000
Transfer from option reserve	50	(50)	-	-	-	-
Currency translation differences	-	-	800,288	-	-	800,288
Minority interest	-	-	-	-	11,844	11,844
Balance at 31 December 2008	7,788,123	568,321	451,029	(2,969,632)	78,398	5,916,239
Balance at 1 July 2007	7,782,393	209,700	(175,117)	(796,936)	92,660	7,112,700
Loss for the period	-	-	-	(980,385)	-	(980,385)
Options issued	-	358,671	-	-	-	358,671
Currency translation differences	-	-	(104,634)	-	-	(104,634)
Minority interest	-	-	-	-	(11,174)	(11,174)
Balance at 31 December 2007	7,782,393	568,371	(279,751)	(1,777,321)	81,486	6,375,178

The accompanying notes form part of these financial statements

Consolidated Cash Flow Statement

for the half-year ended 31 December 2008

	31.12.2008	31.12.2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(240,575)	(824,920)
Payments for exploration and evaluation	(39,571)	(192,640)
Interest received	1,333	49,608
Net Cash Used in Operating Activities	(278,813)	(967,952)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(2,271)
Other - advances to related parties	(146,843)	(1,055,852)
Net Cash Used in Investing Activities	(146,843)	(1,058,123)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance from shareholder	292,827	-
Issue of share capital	1,000	-
Proceeds from issue of options	-	358,671
Net Cash Provided by Financing Activities	293,827	358,671
Net Increase/(Decrease) in cash held	(131,829)	(1,667,404)
Effect of exchange rate changes on cash and cash equivalents	6,622	(1,541)
Cash at beginning of period	141,677	2,850,644
Cash at end of period	16,470	1,181,699

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the half-year ended 31 December 2008

1. BASIS OF PREPARATION

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2008 and any public announcements made by Coal FE Resources Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001. The accounting policies have been consistently applied by the entities in the consolidated group and are consistent with those in the annual financial report for the year ended 30 June 2008. The half-year report does not include full disclosures of the type normally included in an annual financial report.

Going Concern

The half-year financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependant upon it maintaining, and where needed, raising sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the consolidated entity and consider the entity able to meet its debts as and when they fall due.

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

2. CONTINGENT ASSETS AND LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

3. SEGMENT INFORMATION

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

4. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the half-year which will significantly affect, or may significantly affect, the state of affairs or operations of the consolidated entity subsequent to the half-year ended 31 December 2008.

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 9, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Board of Directors.



Julian Cheng
Director

DATED this 17th day of March 2009

Independent Auditor's Review Report

To the Members of Coal FE Resources Limited

We have reviewed the accompanying half-year financial report of Coal FE Resources Limited and Controlled Entities (the consolidated entity) which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of consolidated entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Coal FE Resources Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.

RLF Bentleys
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Independent Auditor's Review Report

To the Members of Coal FE Resources Limited and Controlled Entities (Continued)



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Coal FE Resources Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- a. Giving a true and fair view of consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134: Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters described in Note 1 Going Concern to the financial report, uncertainty exists whether Coal FE Resources Limited will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The ability of the Company and the consolidated entity to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing or selling one of its mineral properties.

Should the Company not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Company and the consolidated entity may be unable to continue as a going concern.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Ranko Matić".

RANKO MATIĆ
Director

DATED at PERTH this 17th day of March 2009