



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
31 March 2009

Highlights

Abadi Coal Project

- **Commenced mine development phase to target production early October 2009**

INTRODUCTION

The March Quarter saw the Company in suspension following the need to complete a capital raising proposal to continue with the development of the Abadi project.

In view of the present market crisis, the Company is presently focusing on securing an offtaker/joint venture partner on the Abadi project and will only proceed with exploration activities on the other projects once the project is in production.

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.

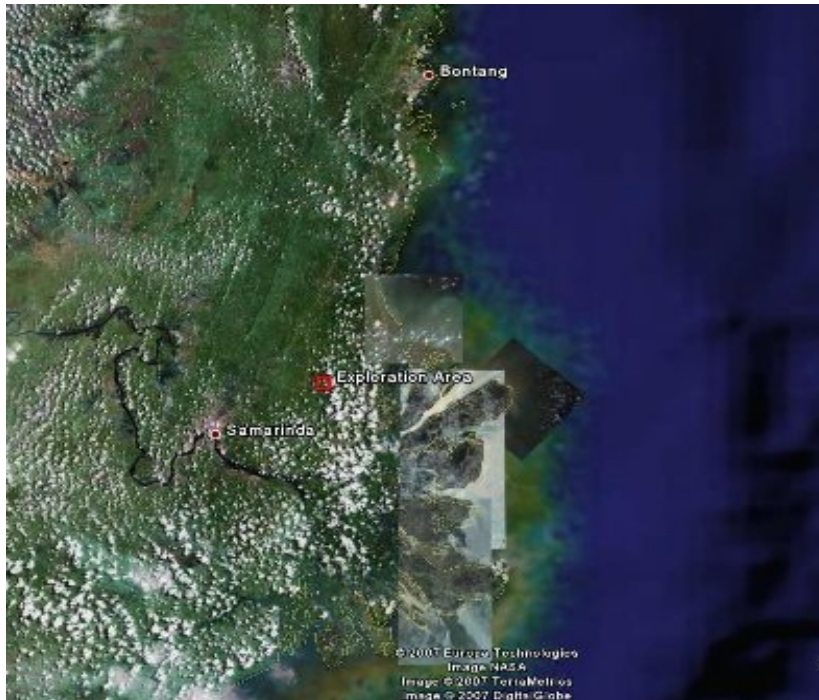


Figure 1: Location of Exploration Area

Morphology of the exploration area is divided into two morphological units, namely Penepain Morphological Unit and Wavy Hills Morphological Unit. The Penepain 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.

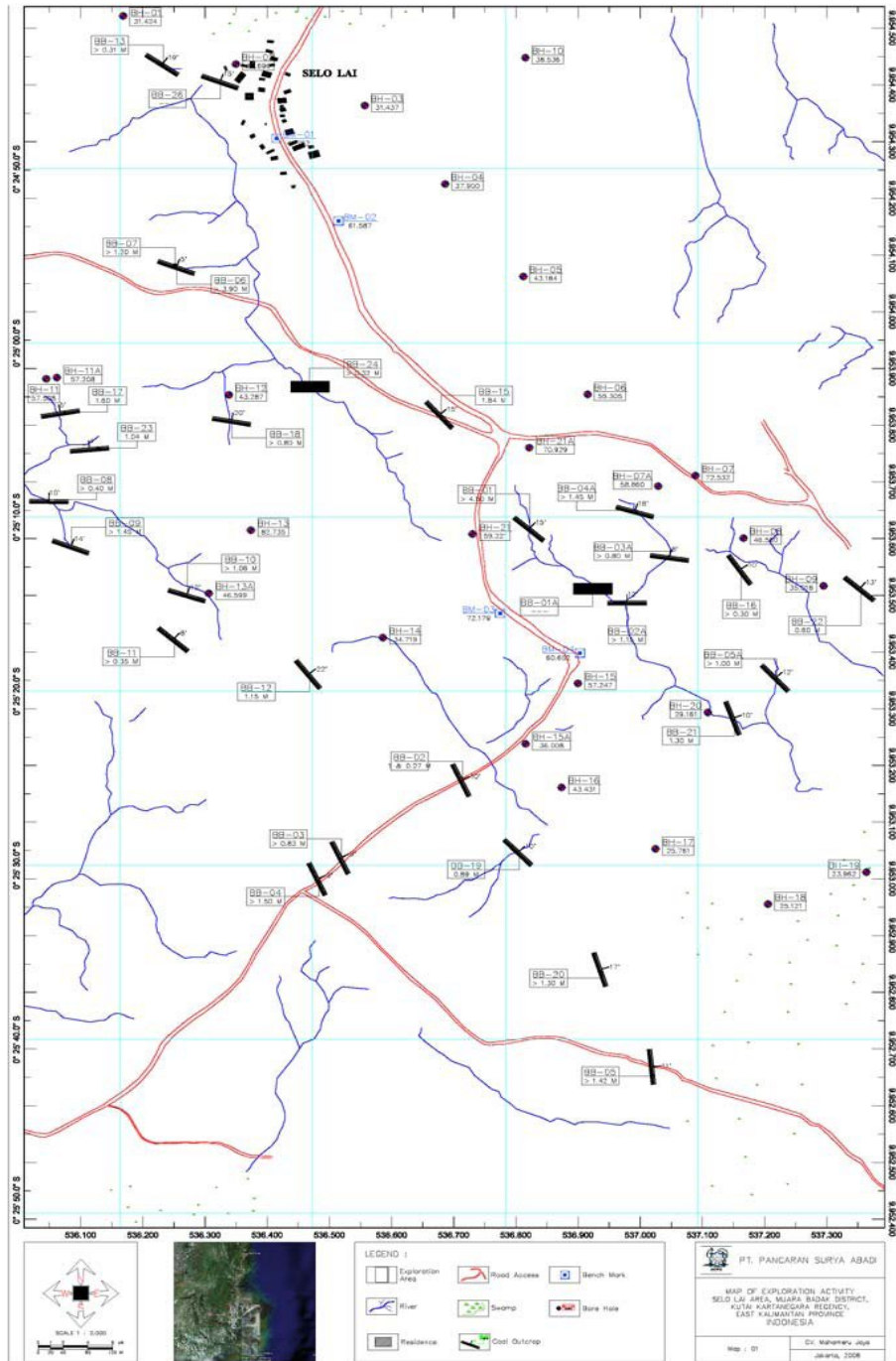


Figure 2: Drill Hole Location – Abadi Project

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.

Ravensgate consultants completed a JORC resource using the results from the drilling program and are shown in Table 1.

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)

Activities during the March Quarter

The Company has continued the discussion with the local community on the future development of the coal project. There was little activity undertaken with the capital raising proposal not yet finalised.

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 and 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 2008 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. An 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.

Activities during the March Quarter

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.

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

Activities during the March Quarter

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.

Activities subsequent to the March Quarter

On the 14th April 2009 the Company announced that a Joint Mining Management Agreement (“JMMA”) has been entered into to commence production on the project.

The Company’s subsidiary, PT Techventure Indocoal (“Indocoal”), will jointly manage and administer the mining activities of the Abadi Project with PT Toba Jaya (“Toba Jaya”), a subsidiary of the Malaysian company, Kok Ann Construction Works (M) Sdn Bhd.

Under the JMMA, Toba Jaya will finance the capital expenditure, machineries and all necessary costs to commence mining operations by August 2009. Toba Jaya will ensure that the mining activities will comply with the rules and regulations of the Republic of Indonesia Mining Department. It is also the responsibility of Toba Jaya to maintain and nurture relations with the local community to ensure all social issues are properly addressed.

In return, Indocoal undertakes to obtain all relevant licenses needed for mining and selling the coal from the Abadi project. Indocoal will also ensure compliance on all reporting and licensing responsibilities to the local Government and Mining Department.

Under the JMMA, Indocoal will receive a maximum of up to USD\$3 per Mt upon production and sale of the coal. The mining schedule is designed to accommodate a coal production of up to 900,000 Mt per annum as per the approved Feasibility Study and Environmental Impact Study by the Mining Department and Regent of Kutai Kartanegara respectively.

Information in this report that relates to exploration results or mineral resources is based on information compiled by Ms Liesl Kemp who is a consultant geologist and Member of the Australian Institute of Mining and Metallurgy (AusIMM). She has sufficient experience relevant to the style of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as a "Competent Person" as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Ms Kemp consents to the inclusion in this report of the matters based on information in the form and context in which it appears.