



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended

31 March 2010

Highlights

Abadi Project:

- **Work commenced on first mining pit;**
- **First coal production set for June 2010;**
- **Increase in measured coal resource from 0.4 million Mt to 27.5 million Mt following the result of resource modelling review in accordance with JORC guidelines; and**
- **Combined measured, indicated and inferred coal resources increased from approximately 27.26 million Mt to over 34 million Mt.**

INTRODUCTION

The March Quarter saw the Company continuing the development of the PT Pancaran Abadi project (“Abadi Project”) under the Joint Venture arrangement with PT Toba Jaya to advance the Abadi Project to a production phase.

An updated coal resource estimate was also completed with consideration to JORC (December 2004) and Australian Coal Reporting Guidelines referenced by JORC and announced on 3 March 2010.

Works on the private coal stockpile and jetty and removal of overburden in the first mining pit in accordance to the designed mine plan have commenced and coal extraction is targeted in June 2010.

The Company is presently focusing on realising cashflows from the Abadi Project and will proceed with exploration activities on the remaining part of the Abadi Project as well as other projects once phase 1 of the Abadi 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 was adjusted marginally from 1,017 Ha to 996 Ha in the final Mining, Operation and Production Licence (Izin Usaha Penambangan Operasi Produksi or “IUP” in compliance of the new Law on Mineral and Coal Mining No. 4/2009 in the Republic of Indonesia), owing to the requirement of providing the necessary buffer zone for the existing gas pipeline in the vicinity. Of this total concession area, the completed drilling program covered 300 Ha. The remaining 696 Ha is presently unexplored.

The Mining, Operation and Production Licence (IUP Operasi Produksi) provides the necessary authority to carry out the full scope of coal mining activities encompassing construction, production, processing, transportation and sale. The Mining, Operation and Production Licence expires on 10 September 2025.

The concession area lies in Selo Lai Village, District of Muara Badak, Regency Kutai Kartanegara, Province East Kalimantan, Indonesia (see Figure 1). The concession 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.

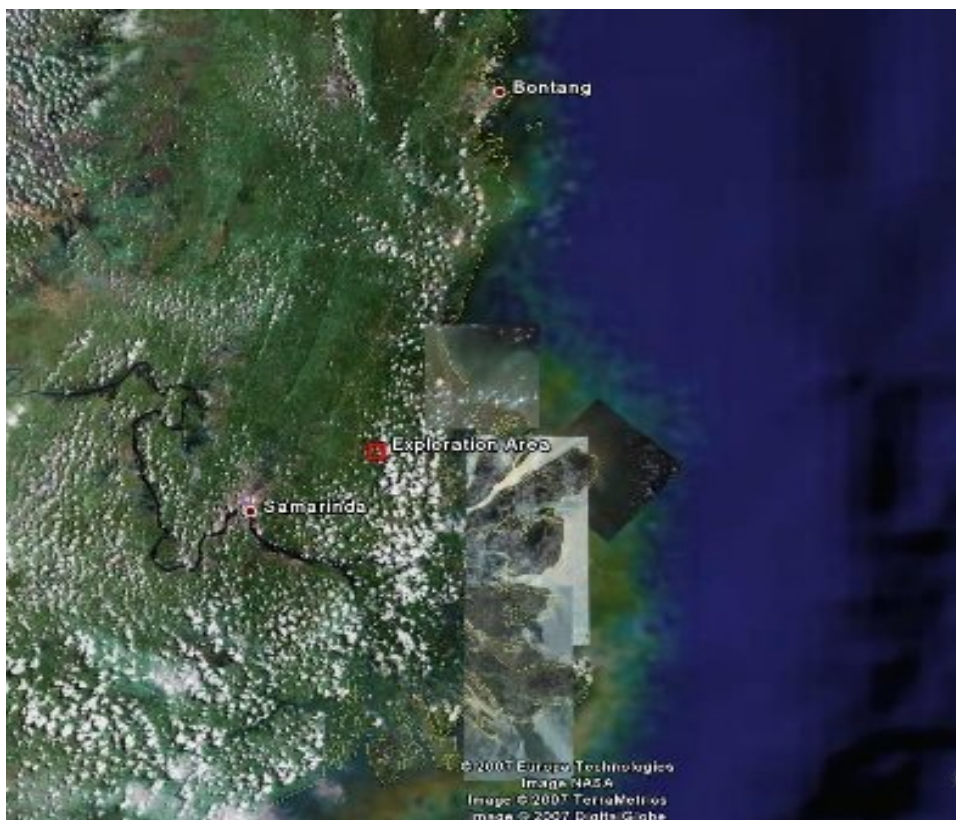


Figure 1: Location of Concession Area

Activities during the March Quarter

On 3 March 2010, the Company announced the completion of resource modelling and estimation and review in accordance with JORC guidelines.

Table 1 below presents the up-dated Coal Resource estimate that has been prepared with consideration to JORC (December 2004) and Australian Coal Reporting Guidelines referenced by JORC.

Resource Category	Initial Coal Resource Announced in 2008 Metric Tonnes (Mt) Million	Revised Coal Resource Metric Tonnes (Mt) million
Measured	0.440	27.5
Indicated	14.578	6.1
Inferred	12.242	0.9
Totals	27.260	34.5

The increase is a result of the completion of the second phase drilling with a total of 50 additional drillholes to a typical depth of 50-100m within the main project area of about 300 Ha located in the south-western portion of the overall concession area. The latest phase of drilling occurred between March and May 2009. All holes were electronically logged for density, resistivity and width.

During the period under review, PT Techventure Indocoal (“PTTI”), a subsidiary of the Company, in collaboration with PT Pancaran Surya Abadi has acquired a piece of land measuring approximately 5 Ha in the vicinity of the mine site and fronts onto Kutai Lama River. The land will be developed as a private jetty for the purpose of coal stockpiling and loading.

Works on the private coal stockpile and jetty and removal of overburden in the first mining pit in accordance to the designed mine plan have commenced. Barring any unforeseen circumstances, coal extraction is targeted in June 2010.

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 can be renewed once payment is made for the extension.

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 / Manager	Area Ha	Target Type / 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 there is another one hour walk to Sariak Laweh Hill with a moderate to steep slope.

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.

"The information in this report that relates to Mineral Resources is based on a resource estimate compiled by Mr. Edward Radley, Member of the AusIMM who is also a full time employee and Senior Resource Consultant of Ravensgate. Mr. Radley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Radley consents to the inclusion in the report of the matters based on his information in the form and context in which it appears."