



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
30 September 2012

Highlights

Abadi Project:

- Coal sale of 31,720 Metric Tonnes recorded for the quarter.
- Temporary reduction of coal production in view of persisting oversupply and weakening coal prices in the market.

INTRODUCTION

The quarter saw Indonesian coal prices with calorific values in the range of 3,600-3,800 Kcal/kg GAR sliding another 10-11% from July to September 2012 and registering a total drop of about 20% since the beginning of the year.

Coal stockpiles in the vicinity of the Abadi Coal Project in Kutai Lama, Province of East Kalimantan, a major coal producing area in Indonesia, were observed to be building up with buyers being reluctant to take positions in a continued bearish market. Temporary stoppage of mine operations in the neighbouring mines of the Abadi Coal Project was reported in the second half of the quarter.

In view of the uncertainties in the global coal industry, coal production from the Abadi Coal Project was kept to a minimum level during the quarter with supply directed mainly to PLN, the national electricity company of Indonesia.

PROJECT REVIEW

ABADI PROJECT

The PT. Pancaran Surya Abadi (“Abadi”) Project is located in the district of Muara Badak and Anggana, Regency of Kutai Kartanegara, in the Province of East Kalimantan (See Figure 1). The area of the concession was adjusted marginally from 1,017 Ha to 991 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 691 Ha is presently unexplored.

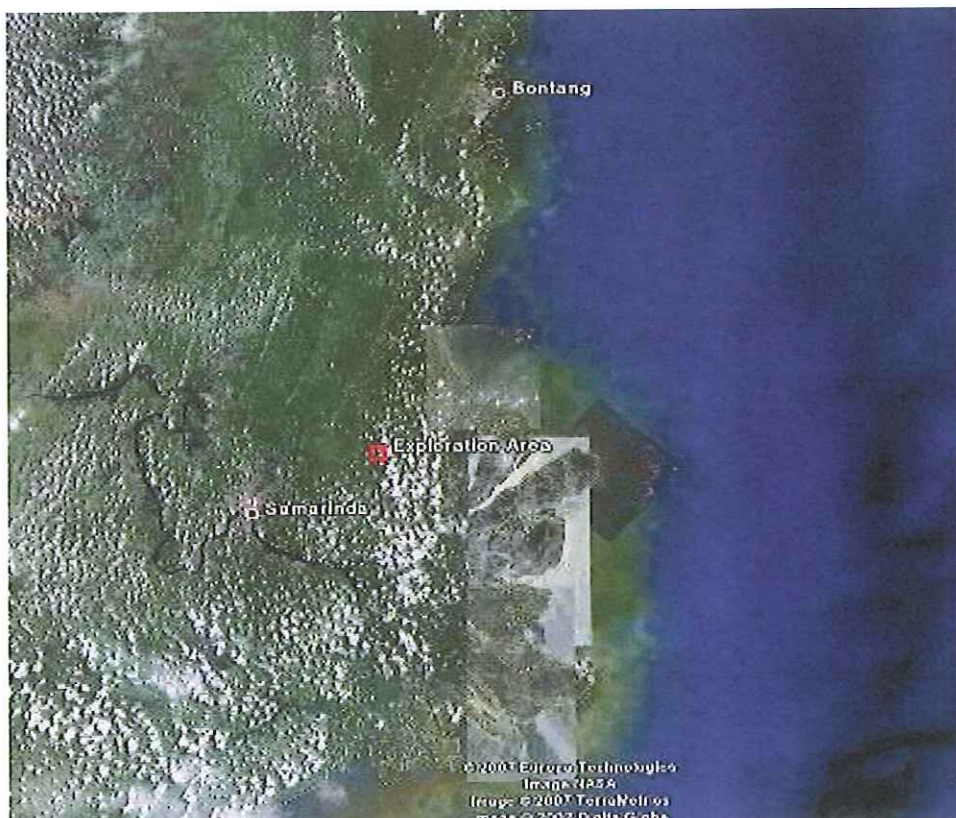


Figure 1: Location of Abadi Project Concession Area

The concession area can be reached from Balikpapan by land transportation to Samarinda and thence continuing to Selo Lai village. The exploration area is relatively easily reached by 4WD vehicles.

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.

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 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	5.9
Inferred	12.242	0.5
Totals	27.260	34.5

This estimate was carried out following completion of the second phase drilling at the project between March and May 2009 with a total of 50 additional drill-holes penetrating to a typical depth of 50-100m from surface. The additional drilling was located within the main project area of about 300 Ha located in the south-western portion of the overall concession area. All holes were electronically logged for density, resistivity and width.

The Company entered into a Joint Venture and Mine Management Agreement with PT Toba Jaya (Toba Jaya), an established mining contractor in the Republic of Indonesia in April 2009. Toba Jaya developed the mine infrastructure and commenced coal production in late 2010.

Activities during the July– September Quarter

Coal Sale

A total of 31,720 Metric Tonnes of coal were produced and sold by PT. Toba Jaya, our Joint Mine Management Partner. The coal sales were delivered to PLN, the national electricity company of Indonesia.

The coal sales were delivered onto barges anchored at the private jetty of PT. Pancaran Surya Abadi (Abadi). The transacted prices were within the range of USD22 – 27 per metric tonne.

As provided in the Joint Mine Management Agreement between the Company and PT. Toba Jaya, these coal sales translate into a royalty of USD1.00 per metric tonne for the Company.

Machinery

The quarter registered the delivery of five units of new Nissan 20 Ton overburden dump trucks as part of the plan to step up production.

The Company and PT Toba Jaya view the present bearish coal market to be a short term cyclical movement in global commodity prices. The Company and PT Toba Jaya are committed to the planned capital expenditure programme to prepare for the stepped up production when the coal prices recover in the market.

Pit Optimisation and Review of Mineable Reserves

The pit-optimisation study of the Abadi Project by MiningOne, a mining consultant in Melbourne Australia is presently on-going.

Moving Forward

The management of the Company and PT. Toba Jaya are monitoring the market situation closely and may adjust the production accordingly where necessary. Coal production will be maintained at a minimum level for the time being catering mainly to the domestic market whilst the export prices remain at this present low level. Works on overburden stripping at the mine site will be on-going albeit at a slower scale. This will enable the coal production to be increased swiftly in the event of a positive change in coal prices.

PROJECT REVIEW

PALAPA 2 PROJECT

Activities during the July – September Quarter

No activity has been carried out in the Palapa 2 Project during the quarter under review. With the present bearish coal prices and rising production costs, the Board of Directors of the Company is presently critically reviewing the viability of this project.

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 concessions in Central and West Sumatra, Indonesia. Details of the iron 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 Lubuk 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 July – September Quarter

No activity has been carried out in the Andalus Project during the quarter under review. Upon availability of funds, the Company will review the exploration of the project.

"The information in this report that relates to previously reported Mineral Resources is based on a resource estimate compiled by Mr. Edward Radley, Member of the AusIMM in the capacity of full time employee and Senior Resource Consultant at 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."