



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
31 December 2012

Highlights

Abadi Project

- Coal sale of 47,252 Metric Tons recorded for the quarter.
- Transacted prices of Indonesia steam coal are observed to have stabilized towards to end of the quarter.
- Deployment of additional machinery in preparation of stepping up coal production in year 2013.

Proposed Acquisition of PT. Toba Jaya

- Due diligence studies on PT. Toba Jaya in progress. Terms of the Conditional Sale and Purchase Agreement will be finalised upon successful completion of the due diligence studies.

INTRODUCTION

The quarter saw Indonesian coal prices with calorific values in the range of 3,600-3,800 Kcal/kg GAR sliding another 5% from September to December 2012 thus registering a total drop of about 28% since the beginning of the year.

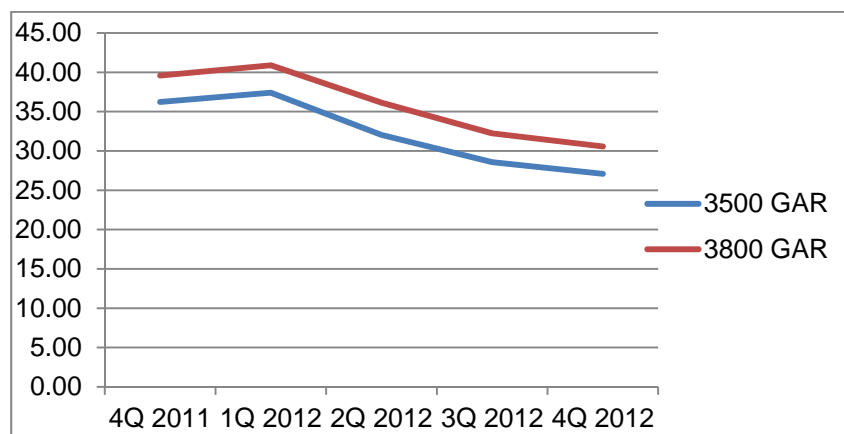


Chart 1: Indonesian Steam Coal Prices (4Q 2011 – 4Q 2012)

Source: Ministry of Energy and Mineral Resources Republic of Indonesia

Nevertheless, an increase in buyers' interests from China and India has been observed during the quarter. It is hoped that this seasonal change in coal purchasing interests will lead to stabilization of coal prices and a reversal of price trend.

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.

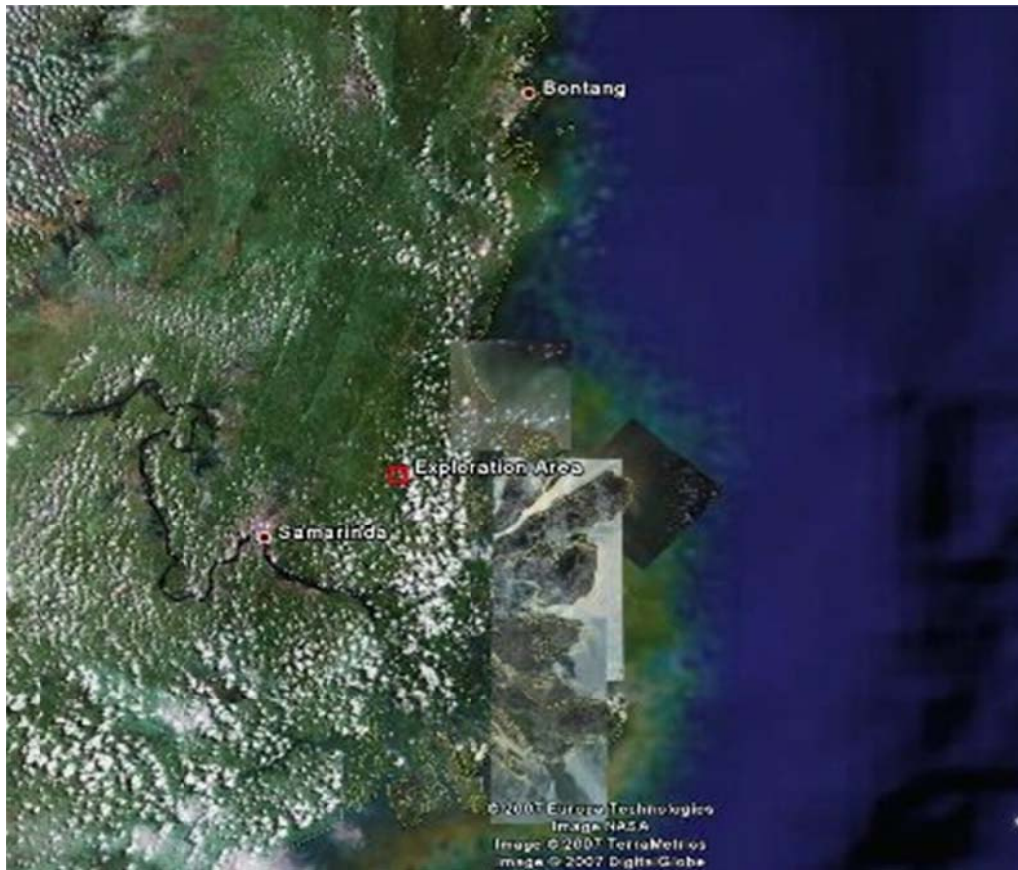


Figure 1: Location of Abadi Project Concession Area

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 October - December Quarter

Coal Sale

A total of 47,252 Metric Tons of coal were produced and sold by PT. Toba Jaya, registering about 49% increase in coal quantity sold compared to that recorded in the last quarter.

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

In addition to the five units of new Nissan 20 Tonne dump trucks deployed in the last quarter, this quarter under review recorded the delivery of another five units of new TRXBUILD D20 overburden dump trucks as part of the plan to step up production in 2013.

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 in order to achieve the planned production for 2013. This will enable the coal production to be increased swiftly in the event of a positive change in coal prices.



Figure 1: Photograph showing coal being extracted from Seam B in the foreground whilst Seam A is shown exposed at a higher elevation (background).



Figure 2: Photograph showing waste being loaded onto one of the new TRXBUILD D20 dump trucks.

PROJECT REVIEW

PALAPA 2 PROJECT

Activities during the October – December 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 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 October – December 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.

Suspension From Official Quotation

The securities of Coal FE Resources Limited (the "Company") was suspended from official quotation on 2 October 2012 pursuant to listing rule 19.11A. In response to the suspension, the Company responded to ASX's queries and the full transcript of the response was announced in the ASX on the 12 October 2012.

The Company is currently reviewing the status of its exploration asset (particularly the Palapa Project) in the half year accounts review.

The Company is also pursuing the strategy to recapitalise the company and to strengthen the Company's position in the Indonesian coal industry with the proposed acquisition of PT. Toba Jaya as announced on the 21 November 2012. The Company is presently pursuing the due diligence studies on the PT. Toba Jaya and aims to finalise the terms of the acquisition in the first quarter of 2013.

The Company plans to seek ASX's approval for official quotation upon resolving the two matters outlined above.

Proposed Acquisition of the Entire Paid-Up and Issued Ordinary Shares Of M/S Premium Enterprise Sdn. Bhd.

The Company announced on the 21 November 2012 that it has entered into a Memorandum of Understanding ("MOU") with the Vendors of M/S Premium Enterprise Sdn Bhd ("M/S Premium"), the 95% shareholder of PT. Toba Jaya, to acquire all paid-up and issued ordinary shares of M/S Premium ("Proposed Acquisition"). M/S Premium is the 95% shareholder of PT Toba Jaya, the mining contractor for Coal FE's Abadi coal project. The salient terms of the Proposed Acquisition are as follows:

The Proposed Acquisition is set for Australian Dollars Fifty Million (AUD 50,000,000.00), subject to further evaluation on the financial feasibility and the acceptability of the proposed acquisition by Coal FE. The final sale and purchase price shall be mutually agreed between the parties pursuant to the said evaluation and negotiations held between the parties ("Proposed Consideration"). The Proposed Consideration shall be fully satisfied by payment in cash/shares/loan stocks by Coal FE upon such terms and conditions as shall be agreed between the parties in the Conditional Sale and Purchase Agreement.

The Vendors and Coal FE agree to enter into this MOU for the interim period to enable both parties to conduct a due diligence exercise and to negotiate and finalise the terms and conditions of a formal Conditional Sale and Purchase Agreement.

The due diligence period was extended for another month by mutual agreement on the 31 December 2012 and is now due to expiry on 31 January 2013.

The Board is of the view that the proposed acquisition will strengthen Coal FE's position in the Indonesian coal industry in view of Toba Jaya's track record and expertise in Indonesia. As a full fledge miner, Toba Jaya possesses valid mining

services and coal trading licences in Indonesia. The proposed acquisition will also further strengthen Coal FE's ability to operate as a going concern and enable the full value of the Abadi coal project to be realized in the Company.

"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."

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