



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
31 December 2013

Highlights

Abadi Project

- Coal sale of 36,294 Metric Tons recorded for the quarter.

1.0 INTRODUCTION

The quarter under review saw the Standard Steam Coal Prices (HPB 3500-3800 Kcal/Kg GAR) as reported by the Ministry of Energy and Mineral Resources in the Republic of Indonesia to have recovered marginally to the levels of the last trough in December 2012 (See Chart 1).

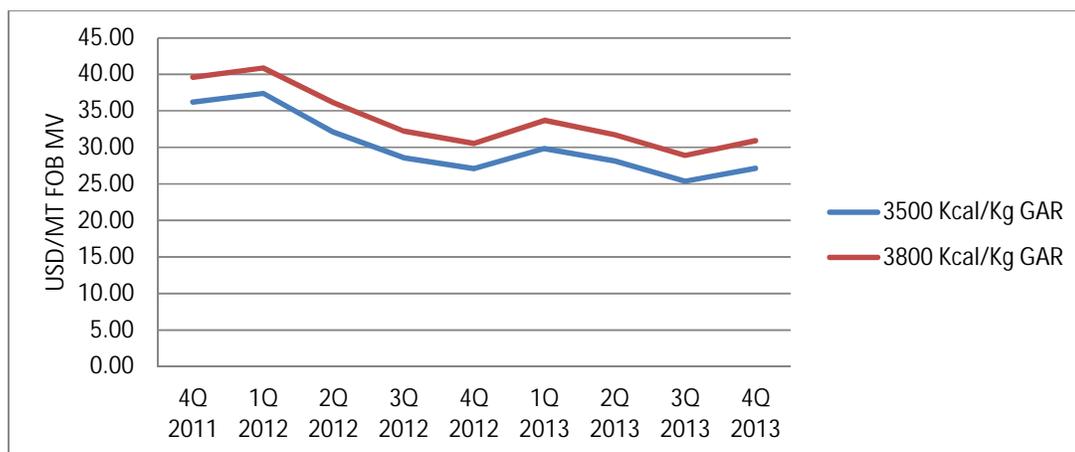


Chart 1: Indonesian Standard Steam Coal Prices

Source: Ministry of Energy and Mineral Resources, Republic of Indonesia

2.0 PROJECT REVIEW – THE ABADI COAL 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.

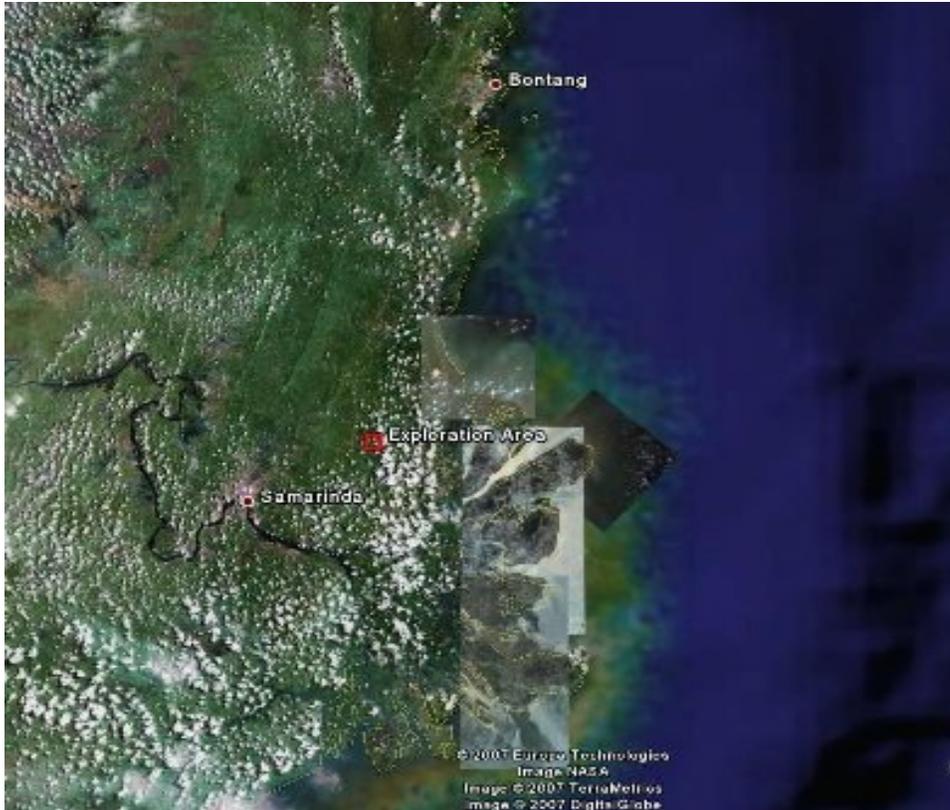


Figure 1: Location of Abadi Project Concession Area

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.

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 2013

Coal Sale

Total coal sales of 36,294 Metric Tons were recorded for the quarter under review hence giving rise to the aggregate coal sales of 248,982 Metric Tons for the whole year in 2013. This represents approximately 40% increase in coal sales for the year as compared to that achieved in 2012 (See Chart 2).

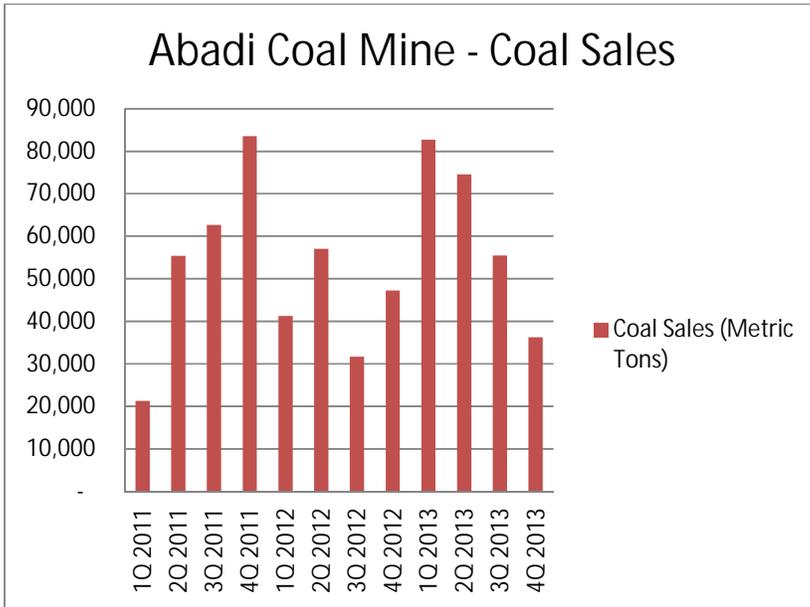


Chart 2: Coal Sales from the Abadi Coal Mine

Coal was sold free on board (FOB) on barge at the Abadi private jetty.

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.

Moving Forward

Coal prices have remained range bound at the trough of the coal price cycle over the last 12 months. The local situation is further compounded by escalations in fuel price and wages. The management of the Company and PT. Toba Jaya are reviewing the operations and monitoring the market situation closely and may adjust the production accordingly when necessary.

3.0 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 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.

Owing to the volatility of coal prices during the period, parties to the MOU could not agree to an amicable consideration for the proposed transaction. The Company announced on 2 July 2013 that the parties unanimously decided to defer the decision and to renegotiate when the market conditions have stabilized.

4.0 Reporting Requirement In Accordance with ASX Listing Rule 5.3.3

4.1 Mining tenements held at the end of this quarter:

Name	Location	Beneficial Interest Held in Farim-In or Farm-Out Agreement
PT Pancaran Surya Abadi	District of Muara Badak/Anggana, Regency of Kutai Kartanegara, Province of East Kalimantan, Republic of Indonesia	<p>Royalty income on coal tonnage produced and sold from the tenement in accordance to the prevailing market price of coal where:</p> <p>If market price FOB Barge is USD35/MT or lower – royalty payable at USD1.00/MT</p> <p>If market price FOB Barge exceeds USD35/MT but does not exceed USD45/MT – royalty payable at USD2.50/MT</p> <p>If market price FOB Barge exceeds USD45/MT – royalty payable at USD3.00/MT</p>

4.2 Mining tenements and beneficial percentage interest held in farm-in or farm-out agreements acquired or disposed during the quarter:

Name	Location	Beneficial Percentage Interest of Farm-In or Farm-Out Agreements
Nil	Nil	Nil

- END -