



12 May 2010

Matthew Foy  
Senior Adviser, Issuers  
Australian Securities Exchange  
2 The Esplanade  
Perth WA 6000

#### RESPONSE TO ASX QUERIES

The Company refers to the letter dated 6 May 2010 from the Exchange and wishes to respond (in italics) to the queries raised as follows:

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities for the next quarter. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?

Taken into account that with the Abadi project being in production latest by July 2010, the remaining cash balance will be sufficient to fund the Company's corporate cost until cashflow is generated from coal sales back to the Company.

2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?

No. In view of the progress made on Abadi project several members of the board and major shareholders has indicated strong financial support in the event the Company requires further funds to meet immediate obligations.

3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?

The Board has received commitment from a board member that he will advance a further \$400,000 for the Company's working capital by end of the month.

4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?

Yes, the Company confirms that it is in compliance with the listing rules, and in particular listing rule 3.1.



5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

The Company expects the cashflow derived from the production of Abadi project and shareholders commitment will merit the continued quotation of its securities and its continued listing.

Yours faithfully,  
COAL FE RESOURCES LIMITED

  
Faris Azmi Abdul Rahman  
Company Secretary

Coal FE Resources Limited  
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6 May 2010

Mr Faris Rahman  
Company Secretary  
Coal Fe Resources Limited  
125 Royal Street  
EAST PERTH WA 6004

By e-mail

Dear Faris,

**Coal Fe Resources Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 5B for the period ended 31 March 2010, released to ASX Limited ("ASX") on 30 April 2010 ("Appendix 5B").

ASX notes that the Company has reported the following:

1. Net negative operating cash flows for the quarter of \$186,000;
2. Cash at end of quarter of \$206,000; and
3. Estimated cash outflows for next quarter for exploration and evaluation of \$0.

In light of the information contained in the Appendix 5B, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 5B, the Company may not have sufficient cash to fund its activities for the next quarter. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 5B for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
4. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
5. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

**Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me by e-mail or fax on **facsimile number 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 4.00pm W.S.T. on Wednesday, 12 May 2010**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please contact me on 9224 0000.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'M. Foy', with a stylized flourish at the end.

Matthew Foy  
Senior Adviser, Issuers (Perth)