



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
31 March 2013

Highlights

Abadi Project

- Coal sale of 82,714 Metric Tons recorded for the quarter.
- Reported prices of Indonesia steam coal are observed to have stabilized.

Proposed Acquisition of PT. Toba Jaya

- Due diligence period has been extended to 31 May 2013 to facilitate the completion of the due diligence studies on PT. Toba Jaya. Terms of the Conditional Sale and Purchase Agreement will be finalised upon successful completion of the due diligence studies.

1.0 INTRODUCTION

The quarter under review saw Indonesian steam coal prices recovering from the trough in the fourth quarter of 2012. Since then a reversal of price trend has been registered in the market. Indonesia Coal Reference Price (6300 Kcal/kg GAR) has increased about 8% since December 2012 whilst steam coal with calorific values in the range of 3,600-3,800 Kcal/kg GAR has increased about 7% during the same period (See Chart 1).

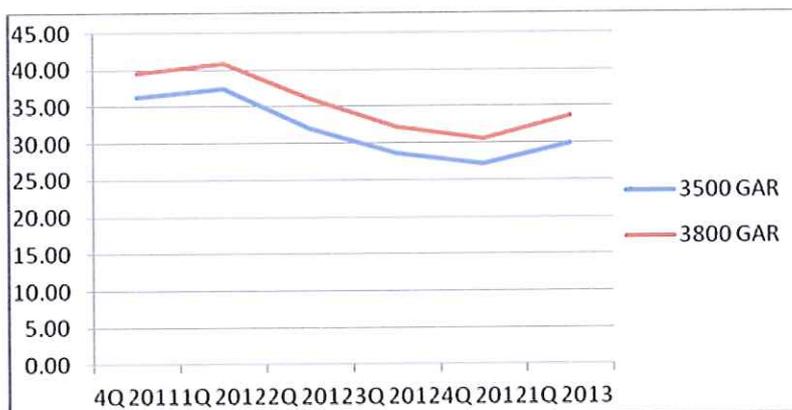


Chart 1: Indonesian Steam Coal Prices (4Q 2011 – 1Q 2013)
Source: Ministry of Energy and Mineral Resources Republic of Indonesia

It is hoped that this reversal of price trend will be maintained with stabilization of steam coal prices in the immediate term leading to gradual price increase in the medium term.

2.0 PROJECT REVIEW

2.1 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.

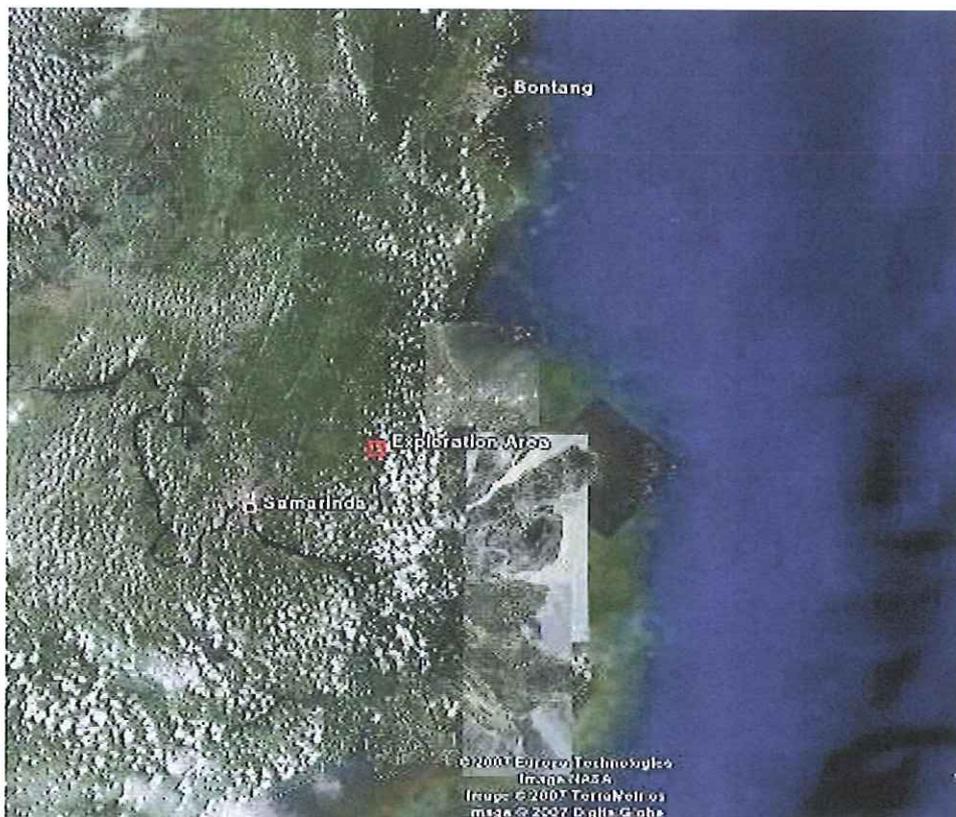


Figure 1: Location of Abadi Project Concession Area

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.

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 January – March Quarter 2013

Coal Sale

High incidence of rainfall was registered throughout the quarter where average monthly rainfalls exceeding 2200mm were recorded. Nevertheless, a total of 82,714 Metric Tons of coal were produced and sold from the Abadi Coal Mine during the period. This represents about 75% increase in coal production compared to that recorded in the last quarter and 100% increase compared to the corresponding period in 2012 (See Chart 2).

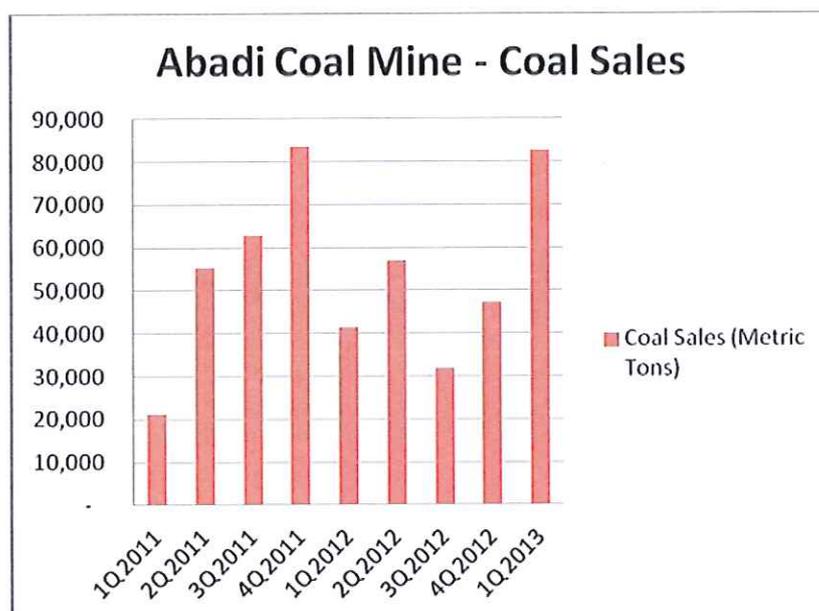


Chart 2: Coal Sales from the Abadi Coal Mine

Coal was sold free on board (FOB) on barge anchored 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.

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.

Recent photographs taken in the present mining area



Figure 1: Photograph showing stripping of overburden in progress.



Figure 2: Photograph showing surface of exposed coal in Seam A.



Figure 3: Photograph showing coal exposed in Seam B being prepared for extraction. At a higher elevation on the right is Seam A.

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.

2.2 PALAPA 2 PROJECT

Activities during the January – March Quarter 2013

No activity has been carried out in the Palapa 2 Project during the quarter under review. During the period, the Board resolved that it was not viable to renew the exploration licence of the Palapa 2 Project in view of the present bearish coal prices and the possible risks and costs involved in pursuing the renewal.

2.3 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 January-March Quarter 2013

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

3.0 SUSPENSION FROM OFFICIAL QUATATION

The suspension of trading in the securities of Coal Fe Resources Limited (the "Company") was lifted and reinstated to official quotation on the 22 March 2013 following the Company's compliance with Chapter 12 of the ASX listing rules.

4.0 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 due diligence period was extended until 31 May 2013 by mutual 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.

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