



## **COAL FE RESOURCES LIMITED**

### **QUARTERLY REPORT**

For the period ended  
31 December 2011

#### **Highlights**

---

##### **Abadi Project:**

- **Recorded 33% increase in coal production from the Abadi Project compared to the last quarter.**
- **Sale of 83,529.62 Metric Tons of steaming coal in the domestic market in Indonesia.**

## **INTRODUCTION**

The fourth quarter of 2011 saw the continuous efforts in producing from the Abadi Project with a 33% increase in its coal production compared to the last quarter. Sale of coal was mainly in the local market as part of the group's efforts in meeting the Domestic Market obligations imposed by the Indonesian Government.

Additional machinery is being commissioned to step up the production and delivery of coal to meet the production target of 50,000MT per month.

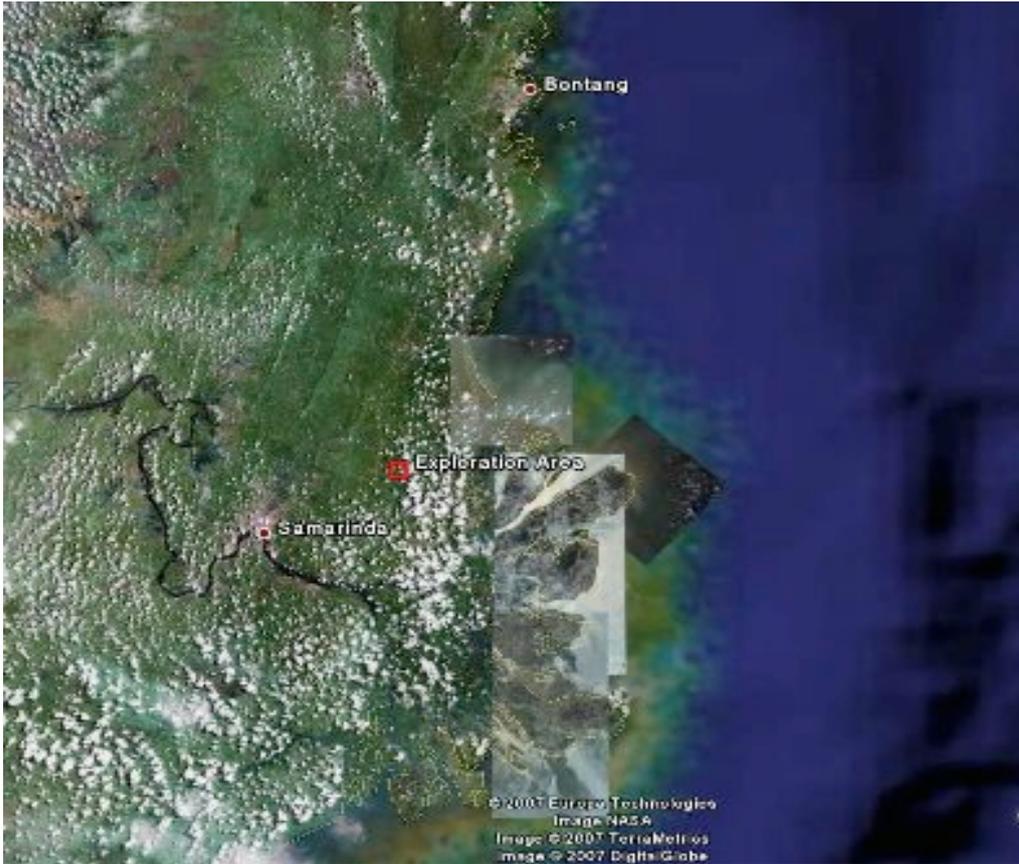
## **PROJECT REVIEW**

### **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.

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.



**Figure 1: Location of Abadi Project Concession Area**

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
<b>Totals</b>	<b>27.260</b>	<b>34.5</b>

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

The quarter under review recorded a total coal sale of 83,529.62 which represents 33% increase in coal production compared to the last quarter. The sale was mainly to domestic coal buyers as part of our efforts to meet the requirements of the Domestic Market Obligation (DMO) in 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 USD32 – 35 per metric ton.

As provided in the Joint Mine Management Agreement between the Company and PT. Toba Jaya, these coal sales translate into a royalty of between USD1.00 – USD2.50 per metric ton for the Company. With the expected improvement in coal prices in the market, the Company will enjoy a royalty of USD2.50 per metric ton and USD3.00 per metric ton when the coal price (on FOB Barge basis) reaches and exceeds USD35 per metric ton and USD45 per metric ton respectively.

#### Machineries

Two new loaders were commissioned during the quarter under review as part of Toba Jaya's efforts to improve the delivering and loading of coal at the stockyard and jetty,

Three additional new excavators were also delivered to the mine pit to meet the planned production target of 50,000MT per month.

#### Moving Forward

It is planned that a stable production of 50,000MT per month is maintained before the next production target of 80,000 MT per month is looked at (See Plate 1 below showing on-going stripping and coal extraction in the open mine pit).



Plate 1: Photograph showing coal being extracted from the present mine pit bearing coal of minimum calorific value of 5100 Kcal/kg whilst stripping of overburden at another exposed coal seam is being carried out at the further end of the mine pit.

The Company plans to carry out the next phase of exploration to explore the coal resources in the remaining 691 ha of the Abadi Concession in year 2012. The Company is finalising its plan to raise the necessary capital for such purpose and the appropriate announcement will be made in the near future.

## **PROJECT REVIEW**

### **PALAPA PROJECT**

The Palapa Coal project is a 100 Ha project located upon the western margin of the island of Sulawesi. The regional geology is similar to that observed in Kalimantan with moderate coal production coming from the south western corner of the island.

The project is located within the administrative boundary of the Banti Village, Kecamatan Baraka, Kabupaten Enrekang, South Sulawesi Province and can be reached by two wheel or four wheel drive. Ujungpandang city is approximately 300 kilometres from the project area.

Coal FE has not been able to proceed with work on the 100 Ha Palapa Project during the period. This is due to outstanding obligations under the license that are to be fulfilled by the owners of CV Palapa. Coal FE has negotiated with the owners to allow Coal FE to explore another concession that has been granted to the owners whilst the owners settle its outstanding obligations stated under the license for the Palapa project. The new concession area is known as the *Palapa 2* project.

The Palapa 2 project is a 2,946 Ha concession area located next to the Palapa project and has been offered to Coal FE at initially no cost to the company to carry out exploration activity. An exploration license has been issued for the concession area which expired on 1 November 2008 and can be renewed once payment is made for the extension.

#### **Activities during the October – December Quarter**

No activity has been carried out in the Palapa 2 Project during the quarter under review. Upon availability of funds, the Company will review the extension of the exploration licence and exploration of the 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**

<b>Project</b>	<b>Location</b>	<b>JV Partner / Manager</b>	<b>Area Ha</b>	<b>Target Type / Comments</b>
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
<b>TOTAL</b>			<b>12,558</b>	

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 Andalas 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."