



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
30 June 2008

Highlights

- **Announced JORC Resource of 27.26 million Mt from Abadi project. The JORC results, based on drilling results from approximately 30% of the concession area, indicate good quality of coal with low ash and sulphur content.**
- **Scout Drilling Program finalised for Sulawesi project. The Drilling Program will commence end August 2008.**
- **Capital raising programme by way of a 1 for 5 entitlement issue to shareholders to raise up to \$1.4m in new capital has commenced and is due to close 20 August 2008.**

INTRODUCTION

The June Quarter saw the Company achieving one of the objectives for its Abadi project with the announcement of a JORC compliant resource statement of 27.26 million Mt.

Major activities during the quarter were as follows:

- Announced a JORC compliant resource statement of 27.26 million from Abadi project from approximately 30% of the concession area.
- Finalising scout drilling program for Palapa project which will commence mid August 2008.

Overall, activity for the quarter was dominated by the drilling program for the Abadi project and scout drilling program in Sulawesi.

PROJECT REVIEW

PANCARAN ABADI PROJECT

The Pancaran Abadi (“Abadi”) Project is located in the district of Muara Badak and Anggana, Sub Province Kutai Kartanegara, in the Province of East Kalimantan. The area of the concession is 1,017 Ha. Of this total concession area, the completed drilling program covered 300 Ha. The remaining 713 Ha is presently unexplored.

The geology of the survey area is primarily covered by 2 coal formations, the Balikpapan Formation and Pulau Balang Formation. Thirty percent of the survey area is underlain by the Kampung Baru Formation which is found irregularly above the Balikpapan Formation. The Kampung Baru coal formation is less well developed, central to and west of the investigation area, and has a strike of almost north to south with a steep dip.

Activities during the June Quarter

On 2 June 2008 Coal FE announced results from drilling at the Abadi Project in accordance with the JORC Code, as summarised below:

<u>Resource Category</u>	<u>Million Tonnes</u>
Measured	0.440
Indicated	14.578
Inferred	12.242
Combined	27.260

The exploration area lies in Selo Lai Village, District of Muara Badak, Regency Kutai Kartanegara, Province East Kalimantan, Indonesia (see Figure 1). The exploration area can be reached from Balikpapan by land transportation to Samarinda and thence continued to Selo Lai village for about 2 hours drive. The exploration area is relatively easy to be reached by 4WD vehicles.

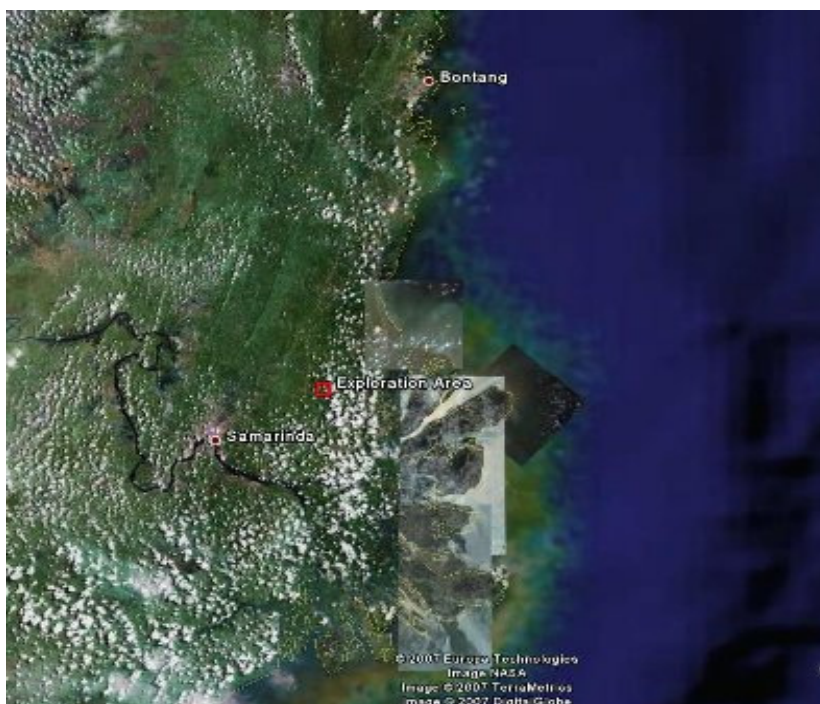


Figure 1: Location of Exploration Area

Morphology of the exploration area is divided into two morphological units, namely Peneplain Morphological Unit and Wavy Hills Morphological Unit. The Peneplain Morphological Unit is elevated approximately 25 – 30 m with slopes around 00-50. Land use is dominated by thicket. The Wavy Hills Morphological Unit is elevated approximately 30 – 80 m with slopes between 60- 470. Land use in forms of fields, bushes, and wilderness are observed.

Lithology of the area is of Balikpapan Formation which is a Coal Bearing Formation. Seam positioned at around N 2850-3560 E, with dip around 60-110.

Twenty six holes have been drilled within a 300 hectare block (see Figure 2). Most of the holes were drilled along two NW running drill lines. These two drill lines are approximately 500 metres apart. Along drill line 1 the boreholes are generally spaced approximately 200 metres apart. Borehole spacing along drill line 2 is variable and boreholes can be as far as 400 metres apart in places.

Six recently drilled infill holes were located between drill lines previously designated as lines 1 and 2. Drill spacing in the southeast of the block is much closer spaced than in the northwest. The thickest coal seams occur towards the northwest where the drilling is more widely spaced.

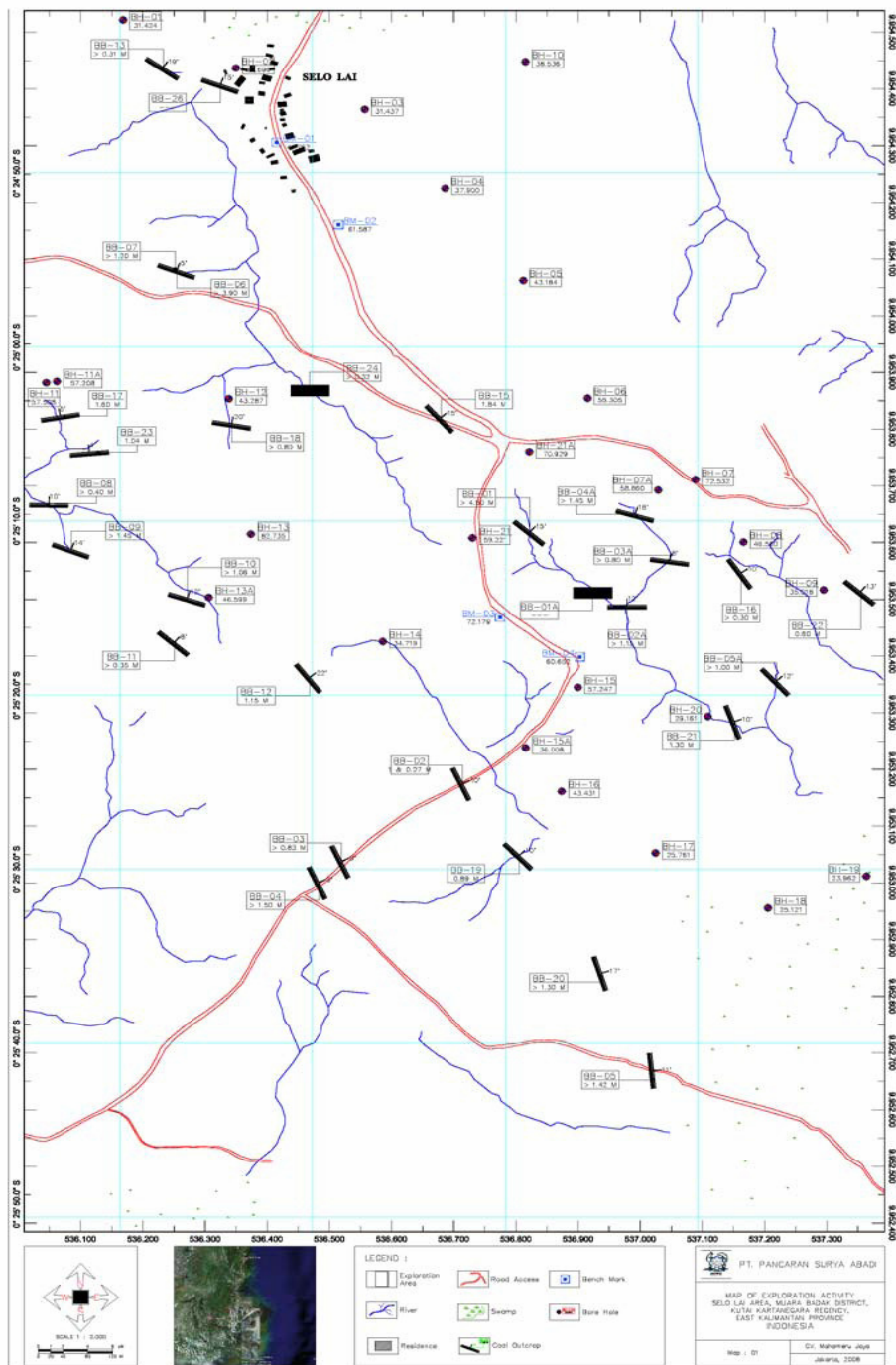


Figure 2: Location of Drill holes

Twenty samples were submitted to determine coal quality. The 20 samples constitute one composite value per coal seam. Six coal seams are developed in the project area. The remaining coal seam intersections might have to be submitted for analysis to bring some of the existing Indicated and Inferred resources into JORC compliant measured resources in the future after additional resource review and up-date.

This identified Coal Mineral Resource Inventory Estimate for the Abadi – Muara Badak Coal Project is based upon Surface mapping and Surface Trench data intersecting the various seams seen typically outcropping in numerous locations across the project area. A summary of the observations and procedures used as well as any underlying assumption related to the resource modeling are outlined below.

Methodology and Parameters of 3-D Resource Block Model:

1. Resource estimates completed by Ravensgate using data prepared and provided by Coal Fe Resources Limited.
2. Drill spacing is generally quite widely spaced however is still adequate for coal seam definition when used in conjunction with surface mapping and trenching. All drill-holes have been oriented closely perpendicular to the coal seams which tend to dip at 7 degrees to the North-East (Azim 45 degrees) throughout the project area. The drilled and logged coal intercept data in conjunction with surface mapping and trenching data provides an adequate measure of “true thickness” which has been applied to the resource block model.
3. All drill-hole collars were surveyed and checked to make sure they match the known surveyed topographic surface.
4. Geological features and the overall coal profiles derived from the drilling data was verified and calibrated by surface trench mapping and channel sampling assay data. Coal seams were modeled to an accurately defined vertical depth of 120 metres from the current topographic surface. A total of 6 Coal seams were modeled – Designated sequentially as Seam 1, 2, 3, 5 & 6 with Seam 1 being closest to surface. Seam 4 is “non-sequential” and is actually an extension of Seam 2.
5. The drill hole coal quality sample data used for block model interpolation were composited to uniform 1m “down-hole” composite lengths for general statistical analysis and for use in the localized assignment of coal quality parameters to the modeled coal seams.
6. Careful 3-D analysis of drilling data and surface mapping data were used to assist the correlation of coal seams.
7. Bulk Densities have been estimated from previous studies and was determined to be 1.3 tonnes / cubic metre for Coal. This density assumption was continued for this resource modeling study. Density variations are expected to be low and will be refined in future studies.
8. Block sizes used for Breznik were relatively small at 8x8x1m (X,Y,Z) in order to accurately define some of the thinner coal seams locally.
9. Block Grades were interpolated into the 3-D block models using rigorous localized coal seam constraining and a 3-D polygonal match interpolation. All coal seam geometries were carefully adjusted to match the understood overall known structural known.

Resource classification was assisted by use of a “Quality of Estimate” algorithm which used a similar “3-D distance” of drill-hole from model block. This regime closely matched previous used resource classification regimes for the project area. This regime is briefly described as follows:

QLTY=1 – Coded Coal Seam Block is <100m from nearest Drill-hole containing coal quality analyses.

QLTY=2 - Coded Coal Seam Block is 100-200m from nearest Drill-hole.

QLTY=3 - Coded Coal Seam Block is 200-400m from nearest Drill-hole.

QLTY=4 - Coded Coal Seam Block is >400m from nearest Drill-hole.

In addition modeled coal seam blocks were beneficially re-classified when less than 20m from surface since coal outcropping by default increase classification confidence. Classification is then continued considering all resource modifying factors as QLTY=1, 2 or 3 for Measured Indicated and Inferred respectively. QLTY=4 defined material is of “low confidence” and not classified or reported.

Rounded				Dry Basis Analysis				CLASS
TOTAL	QLTY	BCM	Tonnes	DASH1	DVM1	DTS1	DGCV1	
	1	338,000	440,000	10.74	49.36	0.84	5940	Measured
	2	11,214,000	14,578,000	7.50	47.71	0.49	5626	Indicated
	3	9,417,000	12,242,000	9.20	48.41	0.61	5723	Inferred
		20,969,000	27,260,000	8.31	48.05	0.55	5674	(Combined)

DASH1 = Ash% Wt (Dry Basis)

DVM1 = Vm% Wt (Dry Basis)

DTS1 = TS% Wt (Dry Basis)

DGCV1 = GCV cal/g (Dry Basis)

Activities during the June Quarter

Abadi project’s evaluation work is continuing with Pre-Feasibility study to further improve the confidence in the known resources and for definition of additional resources. The Pre-Feasibility study encompasses infrastructure, environmental and social studies.

The Company will continue to explore the remaining area of the 1,017 Ha concession for further resources as part of the agreed programme in the Co-operation Agreement with PT. Pancaran Surya Abadi. Ongoing discussions with third parties are held to assess possible joint venture arrangements in developing the project to an operating coal mine.

A mine plan will also be developed for the project once the Entitlement Issue (see below) is completed end of August.

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 strongly reminiscent of 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 reach 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.

A 2,946 Ha concession area located next to the Palapa project has been offered to Coal FE at no cost to the company to carry out exploration activity. An exploration license has been issued for the concession area which expires on 1 November 2008.

The Mapping Exercise covering the entire 2,946 Ha concession has been completed end March 2008. 200 Ha of the concession is now being proposed by the local geologist for further drilling. From the proposed 200 Ha, the outcrop sampling analysis indicates the following:

Total Moisture (ar)	%	14.7
Inherent Moisture (adb)	%	13.8
Ash Content (adb)	%	2.2
Volatile Matter (adb)	%	24.4
Fixed Carbon (adb)	%	60.6
Total Sulphur (adb)		0.48
Gross Calorific Value	Kcal/Kg	6,208

12 coal outcrops have so far been found and the outcrops indicate a strong presence of coal. The coal seam found in the area has thickness ranging from 0.3 meter to 1 meter with the inclination 20°-52° with strike in the North – North West direction.

Activities during the June Quarter

A scout drilling program has been finalized with a local drilling company to commence mid August. The program encompasses 5 drillholes to the depth of 50

metres to determine the number of seam in the concession area. An announcement will be made once the results are available.

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 ore concessions in Central and West Sumatra, Indonesia. Details of the iron ore concessions are as follows:

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 (four 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 another one hour walk to Sariak Laweh Hill with moderate to steep slope.

The general survey done on these concessions shows iron ore presence is indicated by magnetite content of rock boulders along slope hill, foot hill and creeks. Boulders comprise of volcanic, sedimentary metasediment and lateritic soil in some places. The primary iron ore were buried or covered by local subsidence. Assays indicated FE values of economic interest.

The general survey involved the evaluation of the concessions for bedded iron deposit (BID). The Company is planning further geological mapping, rock sampling and trenching as well as an aeromagnetic and radiometric survey over the tenements, purchasing satellite imagery, and rock chip sampling.

Activities during the June Quarter

Preliminary survey work on the Andalas projects has been kept in abeyance until the completion of the Entitlement Issue (see below) end of August.

EVENT SUBSEQUENT TO THE JUNE QUARTER

The Company has announced to the ASX a non-renounceable entitlement issue on the basis of one (1) new Share for every five (5) Shares held by shareholders as at 5.00 pm WST on 24 July 2008 at an issue price of 10 cents each together with one (1) attaching New Option for every two (2) shares issued.

The Entitlement Issue will result in the issue of approximately 14,346,850 New Shares and 7,173,425 New Options in the Company. The options will be exercisable at 10 cents each on or before 30 June 2010.

The purpose of the issue is to raise approximately \$1,434,685 and the funds raised will be used to develop the JORC resource and initiate mine plans for the Pancaran Abadi Project, progress surveying and scout drilling at the Company's other projects and for general working capital purposes.

All information relating to Exploration Results or Mineral Resources is based on information compiled by Ms Liesl Kemp, a Non Executive Director of the Company, who is a Member of the Australasian Institute of Mining and Metallurgy. She has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Persons as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Ms Kemp consents to the inclusion of this statement in the form and context in which it appears.

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

COAL FE RESOURCES LIMITED

ABN

41 121 969 819

Quarter ended ("current quarter")

30 June 2008

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date(12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a)exploration and evaluation (b) development (c) production (d) administration	(207) - - (56)	(604) - - (1,433)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	64
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(261)	(1,973)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects (b)equity investments (c)other fixed assets	- - - -	- - - (3)
1.9 Proceeds from sale of: (a)prospects (b)equity investments (c)other fixed assets	- - - -	- (7) - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other –advances to BRN	-	(1,082)
Net investing cash flows	-	(1,092)
1.13 Total operating and investing cash flows (carried forward)	(261)	(3,065)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(261)	(3,065)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from share option reserve	-	359
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other	-	-
	Net financing cash flows	-	359
	Net increase (decrease) in cash held	(261)	(2,706)
1.20	Cash at beginning of quarter/year to date	404	2,851
1.21	Exchange rate adjustments to item 1.20	(1)	(3)
1.22	Cash at end of quarter	142	142

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	44
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Includes fees for all directors during the quarter

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

NIL

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Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	100
4.2 Development	-
Total	100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	142	404
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	142	404

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		NIL		
6.2		NIL		

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	71,734,253	26,581,128		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	8,500,000 35,867,126	Nil 35,867,126	<i>Exercise price</i> 20 cents 20 cents	<i>Expiry date</i> 31/12/2009 31/12/2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 31 July 2008
(Chairman)

Print name: Allan Ryan

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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