



COAL FE RESOURCES LIMITED

QUARTERLY REPORT

For the period ended
30 September 2008

Highlights

Abadi Coal Project

- Next stage of development reached.
- Currently in discussions with potential off-takers

Palapa Coal Project

- Drilling plan finalised with drilling to commence in November 2008

INTRODUCTION

Operations during the September Quarter were focused on capital raising and negotiations with several off-takers in relation to the Abadi Coal project.

Since the end of the quarter the company has announced the withdrawal of the proposed Entitlements issue. The Company is continuing discussions with potential 3rd party investors as to alternatives open to raise the capital required to:

- Develop the JORC resource and initiate mine plans for the Pancaran Abadi Project; and
- Progress surveying and scout drilling at the Company's other projects and for general working capital purposes.

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.

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

BCM	Tonnes	Dry Basis Analysis				CLASS
		DASH1	DVM1	DTS1	DGCV1	
338,000	440,000	10.74	49.36	0.84	5940	Measured
11,214,000	14,578,000	7.50	47.71	0.49	5626	Indicated
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)

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.

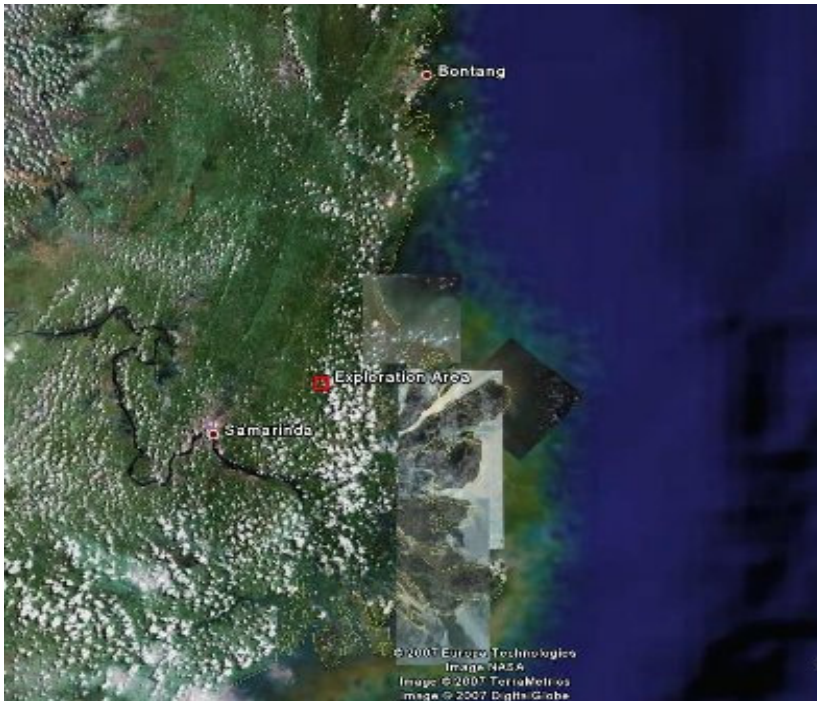


Figure 1: Location of Exploration Area

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.

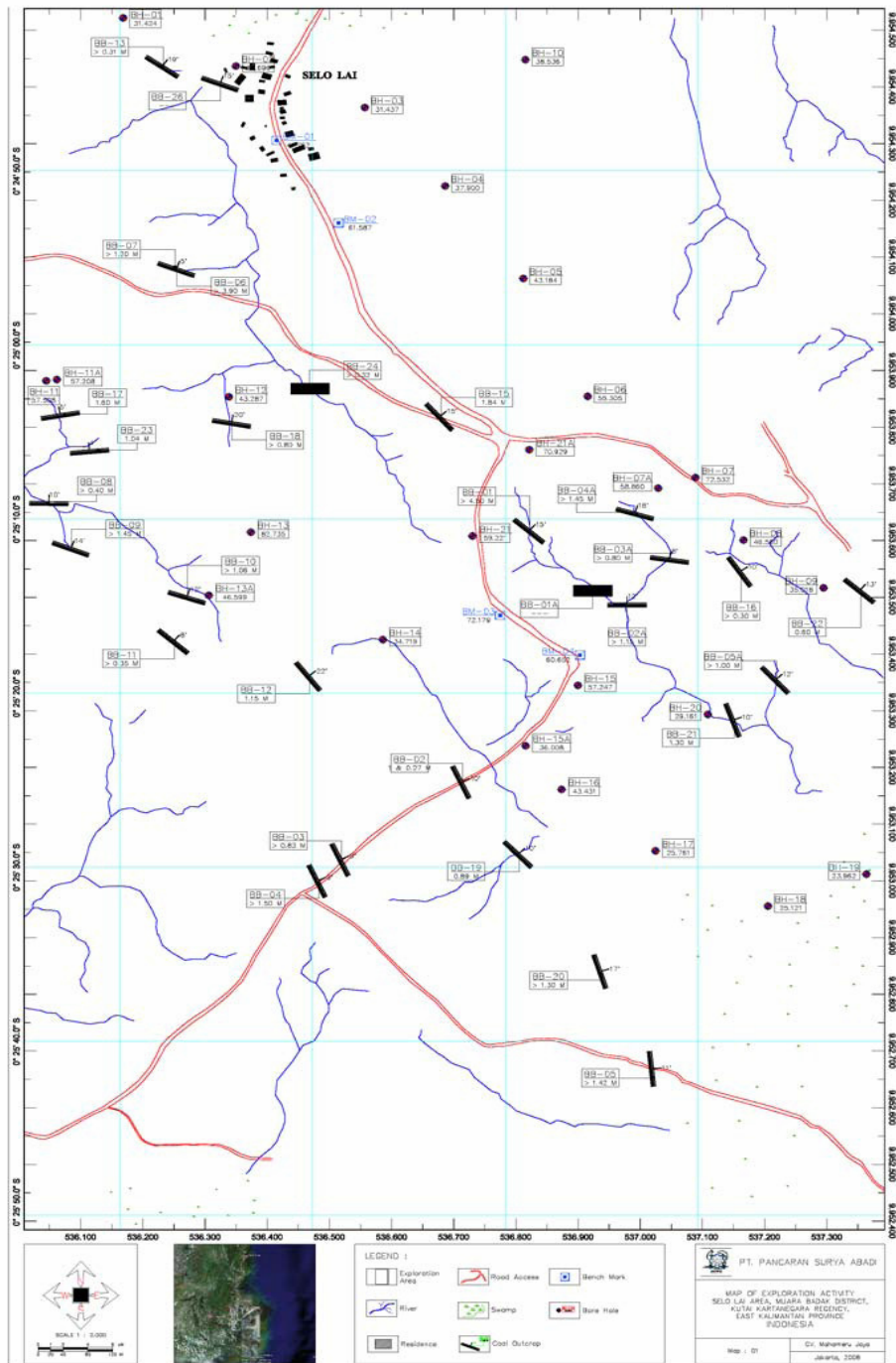


Figure 2: Location of Drill holes

Figure 2: Drill Hole Location – Abadi Project

Twenty samples were submitted to determine coal quality. The 20 samples constitute one composite value per coal seam. Six coal seams have been identified 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.

Activities during the September Quarter

The Company will continue to explore the remaining area of the 1,017 Ha concession for further resources as part of the agreed program in the Co-operation Agreement with PT. Pancaran Surya Abadi.

In preparation of developing the project to an operating coal mine, the following activities have been carried out during the September Quarter:

- As a pre-requisite to the application of Exploitation Licence, the Company in collaboration with the mine owner obtained the approval of the Department of Mining and Energy, Tenggara on the Mine Feasibility Study Report in compliance of Schedule 29, Decree of Kutai Regency (First Amendment No. 180.188/HK-251/2001 dated 26 April 2001). Preparations are being made to submit the Environmental Study Report for approval in the forthcoming quarter as the next pre-requisite to the application of Exploitation Licence;
- The Company in collaboration with the mine owner commenced negotiations with land owners to secure land access rights over the mine production areas; and
- Ongoing discussions with third parties are being held to assess possible joint venture arrangements in developing the project to an operating coal mine.

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 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 (now known as *Palapa 2* 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 was completed in March 2008. 200 Ha of the concession is now being proposed by the local geologist for further drilling. From the proposed 200 Ha, one outcrop sampling analysis indicates the following:

Table 2: Sample Analysis on outcrop at Palapa

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 metre to 1 metre with the inclination 20°-52° with strike in the North – North West direction.

Activities during the September Quarter

The planned scout drilling program was delayed but has commenced on 26 October 2008. The program encompasses 5 drillholes to a depth of 50 metres to determine the number of seams in the concession area. An announcement will be made once the results are available. The Company has also made an application with the local Mining Department to extend the Exploration License for a further 3 years.

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:

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 (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 is buried or covered by local subsidence. Assays from local survey reports indicate 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 September Quarter

Preliminary survey work on the Andalas projects has been kept in abeyance until the raising of further funds to ensure funding is in place to undertake a complete exploration programme.

EVENTS SUBSEQUENT TO THE SEPTEMBER QUARTER

On 2 October 2008, the Board decided to suspend the trading of Coal FE securities on ASX to avoid any speculation as confidential discussions neared completion on the development of the Abadi project.

The voluntary suspension will remain in place until completion of the Company's negotiations and confirmation of the capital raising initiative.

On 23 October 2008, the Company's 10,000,000 shares in Handini Resources Limited (HDI) became tradeable with the successful listing of Handini on ASX. Trading in Handini shares closed on opening day at 46 cents. The Company's shareholding represents 5.24% of HDI and the shares are not escrowed.

The information in this report that relates to Exploration Results or Mineral Resources is based on information compiled by Ms Liesl Kemp, a Non Executive Director of Coal FE Resources Limited, 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 in this report of the matters based on information in the form and context in which it appears.

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 September 2008

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for:		
(a) exploration and evaluation	(28)	(28)
(b) development	-	-
(c) production	-	-
(d) administration	(198)	(198)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
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	(225)	(225)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other –advances to related parties	(96)	(96)
Net investing cash flows	(96)	(96)
1.13 Total operating and investing cash flows (carried forward)	(321)	(321)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(321)	(321)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	1	1
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from share applications under entitlement issue announced on 16 July 2008 (on 1 October 2008, the Company announced the closing of applications and that the minimum subscription had not been met and would refund all monies received)	42	42
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other-advance from shareholder	230	230
Net financing cash flows		273	273
Net increase (decrease) in cash held		(48)	(48)
1.20	Cash at beginning of quarter/year to date	142	142
1.21	Exchange rate adjustments to item 1.20	5	5
1.22	Cash at end of quarter	99	99

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	23
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

+ See chapter 19 for defined terms.

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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	60
4.2 Development	-
Total	60

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	99	142
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	99	142

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		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

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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	71,739,253	26,586,128		
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>	35,862,126 8,500,000	35,862,126 -	<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 October 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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