# ASX Announcement

22 January 2014

Australian Securities Exchange Code: **FEL**

Ordinary Shares:

115,521,575

Unlisted Options:

375,000 ($0.15 exp. 23 Mar 2014)

Board of Directors:

Tony Sage
*Non-Executive Chairman*

Mark Gwynne
*Executive Director*

Paul Kelly
*Non-Executive Director*

Eloise von Puttkammer
*Company Secretary*

Key Projects & Interests:

Mt Ida Iron Ore Project

Mt Elvire Iron Ore Project

Fe Limited Contact:
Mark Gwynne
*Executive Director*
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Fe Limited is an Australian domiciled mineral resources exploration and development company.

Fe Limited
ABN: 31 112 731 638

## NOTICE OF ANNUAL GENERAL MEETING AND ANNUAL REPORT SENT TO SHAREHOLDERS

The Company is pleased to advise the Annual General Meeting of Shareholders of Fe Limited will be held on 21 February 2014 at 9.30am (WST).

Please find attached the Company's Notice of Annual General Meeting and Annual Report.

The Company is in the process of dispatching the Notice of Meeting to all current Shareholders.

A copy of the Annual Report is also available to review or download from the Company's website www.felimited.com.au.

Yours faithfully
FE LIMITED

Eloise von Puttkammer
**Company Secretary**

ACN 112 731 638

# NOTICE OF ANNUAL GENERAL MEETING

| | |
|---|---|
| **TIME**: | 9:30am (WST) |
| **DATE**: | 21 February 2014 |
| **PLACE**: | 32 Harrogate Street<br>West Leederville, Western Australia 6007 |

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 6181 9793.

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# TIME AND PLACE OF MEETING AND HOW TO VOTE

## VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9:30am (WST) on Friday, 21 February 2014 at:

32 Harrogate Street
West Leederville, Western Australia 6007

## YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

## VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

## VOTING BY PROXY

To vote by proxy please sign the enclosed Proxy Form and return:

(a) by mail to Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia;

(b) by facsimile to Link Market Services Limited on facsimile number +61 2 9287 0309;

(c) by hand to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138; or

(d) online by visiting www.linkmarketservices.com.au, Select 'Investor Login' and enter Fe Limited or the ASX code (FEL) in the Issuer name field, your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your proxy form), postcode and security code which is shown on the screen and click 'Login'. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website,

so that it is received not later than 9:30am (WST) on 19 February 2014.

**Proxy Forms received later than this time will be invalid.**

## PROXY VOTING

Shareholders and their proxies should be aware that pursuant to 250BB and 250BC of the Corporations Act:

(a) if the proxy votes, they must cast all directed proxies as directed; and

(b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

***Proxy vote if appointment specifies way to vote***

Section 250BB (1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

(a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

(b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and

(c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

(d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

***Transfer of non chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

(a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and

(b) the appointed proxy is not the chair of the meeting; and

(c) at the meeting, a poll is duly demanded on the resolution; and

(d) either of the following applies:

(i) the proxy is not recorded as attending the meeting; or

(ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 9.30am (WST) on 21 February 2014 at 32 Harrogate Street, West Leederville, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company as at 5:00pm (WST) on 19 February 2014.

Accordingly, Share transfers registered after that time will be disregarded in determining any entitlement to attend and vote at the Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

## AGENDA

**ORDINARY BUSINESS**

**Financial Statements and Reports**

To receive and consider the annual financial report of the Company for the financial year ended 30 September 2013 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

## RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

> *"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 September 2013."*

**Note**: The vote on this Resolution is advisory only and does not bind the Directors or the Company.

**Voting Prohibition Statement**: A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

(c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and

(d) the vote is not cast on behalf of a person described in sub paragraphs (a) or (b) above.

## RESOLUTION 2 - RE-ELECTION OF DIRECTOR - MR PAUL KELLY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Paul Kelly, a Director, retires by rotation, and being eligible, is re-elected as a Director."*

## RESOLUTION 3 – APPROVAL FOR ISSUE OF SHARES ON PARTIAL CONVERSION OF CAPE LAMBERT LOANS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

> *"That, for the purpose of Section 611 (Item 7) of the Corporations Act and for all other purposes, approval is given for:*
>
> *(a) the Company to issue such number of Shares on partial conversion of the Cape Lambert Loans to Cape Lambert (or its nominee) (calculated in accordance with the terms of the Settlement and Converting Loan Agreement); and*
>
> *(b) the increase in the voting power of Cape Lambert (and its associates) as a result of the issue of Shares upon partial conversion of the Cape Lambert Loans under paragraph (a) of this Resolution,*
>
> *on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Cape Lambert and any associate of Cape Lambert and any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Independent Expert's Report:** Shareholders should carefully consider the accompanying Independent Expert's Report prepared by Stantons International Securities for the purposes of Shareholder approval for Resolution 3 under Section 611 (Item 7) of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company. The Independent Expert concludes that the proposed transaction is **FAIR AND REASONABLE** to the non-associated Shareholders.

## RESOLUTION 4 - APPROVAL OF 10% PLACEMENT CAPACITY - SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

> *"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Shares totalling up to 10% of the Shares on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**DATED: 20 JANUARY 2014**
**BY ORDER OF THE BOARD**

**ELOISE VON PUTTKAMMER**
**FE LIMITED**
**COMPANY SECRETARY**

## EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9:30am (WST) on 21 February 2014 at 32 Harrogate Street, West Leederville, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

# 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 September 2013 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on the Company's website at www.felimited.com.au.

# 2. RESOLUTION 1 - ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company including service agreements and details of any share based compensation. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 September 2013.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

Under changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at two consecutive annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene a general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the Directors who were in office when the directors' report (as included in the Company's annual financial report for the year ended immediately before the second annual general meeting) was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

At the Company's previous Annual General Meeting, the votes cast against the remuneration report considered at the Annual General Meeting was less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

**Voting Exclusion and Proxy Restrictions**

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting.

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

# 3. RESOLUTION 2- RE-ELECTION OF DIRECTOR - MR PAUL KELLY

Clause 13.2 of the Constitution and ASX Listing Rule 14.4 requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in the case of doubt), shall retire from office, provided always that no Director (other than a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) as determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election. Mr Paul Kelly retires by rotation and seeks re-election.

A summary of Mr Paul Kelly is contained in the 2013 Annual Report.

# 4. RESOLUTION 3 - APPROVAL OF ISSUE OF SHARES ON PARTIAL CONVERSION OF THE CAPE LAMBERT LOANS

## 4.1 General – Cape Lambert Loans

On 30 June 2011, the Company entered into a loan facility agreement with Cape Lambert (**Loan Agreement A**). Pursuant to Loan Agreement A:

(a) Cape Lambert agreed to provide a loan facility to the Company up to $2,000,000 (**CFE Funds A**);

(b) interest accrues daily on the CFE Funds A at a rate equal to the Cash Rate plus 3% per annum;

(c) the CFE Funds A (including interest) is repayable by the Company on the earlier to occur of:

(i) immediately upon receipt of cleared funds by the Company of no less than $500,000 by way of a transaction or equity fundraising;

(ii) 31 December 2012; and

(iii) default or breach by the Company of the terms of Loan Agreement A.

On 30 April 2013, the Company entered into a further convertible loan agreement with Cape Lambert (**Loan Agreement B**). Pursuant to Loan Agreement B:

(a) the parties agreed to vary Agreement A as follows:

(i) the repayment date was extended from 31 December 2012 to 31 December 2013; and

(ii) subject to receipt of Shareholder approval by the Company, the CFE Funds A (together with interest) can be converted into Shares (at CFE's election) at a conversion price calculated at 80% of the volume weighted average closing price of the Shares as quoted on ASX over the last ten (10) trading days immediately preceding the conversion date; and

in respect of the new converting loan facility:

(a) Cape Lambert agreed to provide a further loan facility to the Company up to $1,000,000 (**CFE Funds B**);

(b) interest accrues daily on CFE Funds B at a rate equal to the Cash Rate plus 3% per annum;

(c) the CFE Funds B (including interest) is repayable by the Company on the earlier to occur of:

(i) 31 December 2013; and

(ii) receipt of proceeds by the Company from completion of its sale of its wholly owned subsidiary Gympie Eldorado Mining Pty Ltd (**Gympie**) and sale of freehold land currently held by Gympie; and

(d) subject to receipt of Shareholder approval by the Company, the CFE Funds B (together with interest) can be converted into Shares (at CFE's election) at a conversion price calculated at 80% of the volume weighted average closing price of the Shares as quoted on ASX over the last ten (10) trading days immediately preceding the day conversion date.

A total amount of $3,000,000 (excluding interest) (**Cape Lambert Loan Funds**) has been utilised by the Company under Loan Agreement A and Loan Agreement B (together, **Cape Lambert Loans**).

On 20 December 2013, the Company and CFE entered into a settlement arrangement (**Settlement and Converting Loan Agreement**) with respect to the Cape Lambert Loans. Pursuant to the Settlement and Converting Loan Agreement:

(a) $1,000,000 is to be repaid to CFE in cash, subject to and within 3 business days following receipt of proceeds by the Company from completion of its sale of Gympie (**Cash Settled Component**); and

(b) subject to receipt of Shareholder approval, $2,000,000 (together with interest accrued on the Cape Lambert Loans) will automatically convert into Shares (**Loan Conversion Shares**).

Subject to Shareholders approving Resolution 3, the number of Loan Conversion Shares to be issued to Cape Lambert (or nominee) in satisfaction of the Settlement and Converting Loan Agreement is to be calculated according to the following formula:

**No. Loan Conversion Shares = Loan Amt ÷ Conversion Price**

Where:

**Loan Amt** means $2,000,000 plus interest accrued up to the date of issue of the Loan Conversion Shares.

**Conversion Price** means 80% of the volume weighted average closing price of the Shares as quoted on ASX over the last ten (10) trading days immediately preceding the day Shareholders approve the conversion.

Following issue of the Loan Conversion Shares and payment of the Cash Settled Component funds to CFE, the Company will be released from all obligations under the Cape Lambert Loans and the Settlement and Converting Loan Agreement. If approval is not granted by Shareholders, the Company will need to repay Cape Lambert $2,000,000 (plus accrued interest) by 24 February 2014 (in addition to the Cash Settled Component funds of $1,000,000).

## 4.2 Capital Structure

Outlined below is the current capital structure of the Company and the capital structure showing the effect of the issue of the Loan Conversion Shares (assuming no other Shares are issued (and based on the assumptions set out in the notes below).

| Fully Paid Ordinary Shares | | | | |
|---|---|---|---|---|
| | Pre Issue | | Post Issue [1-4] | |
| **Shareholder** | **No Shares** | **%** | **No Shares** | **%** |
| Cape Lambert (and associates) | 22,988,793 | 19.90 | 142,499,418 | 60.63 |
| Other Shareholders | 92,532,782 | 80.10 | 92,532,782 | 39.37 |
| **TOTAL** | **115,521,575** | **100.00** | **235,032,200** | **100.00** |

| **Options** | |
|---|---|
| Unlisted Options exercisable at $0.15 before 23 March 2013 | 375,000 |
| **TOTAL** | **375,000** |

**Notes**

The above table assumes:

1 a Conversion Price of $0.0192 applies to the Loan Conversion Shares;

2 the Issue Date of the Loan Conversion Shares is 21 February 2014; and

3 no additional Shares are issued.

4 The number of Shares that will be issued will vary depending on the date of conversion and the application of the formula in Section 4.1.

## 4.3 Item 7 of Section 611 of the Corporations Act

Section 606(1) of the Corporations Act provides that a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point that is above 20% and below 90%.

The voting power of a person in a company is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's associates have a relevant interest.

A person (second person) will be an "associate" of the other person (first person) if:

(a) the first person is a body corporate and the second person is:

- (i) a body corporate the first person controls;
- (ii) a body corporate that controls the first person; or
- (iii) a body corporate that is controlled by an entity that controls the first person;

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the company's board or the conduct of the company's affairs; and

(c) the second person is a person with whom the first person is acting or proposing to act, in concert in relation to the company's affairs.

A person has a relevant interest in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

## 4.4 Reason why Section 611 (Item 7) Approval Required in respect of Resolutions 3

As at the date of this Notice, Cape Lambert and its associates hold 22,988,793 Shares (being 19.90% of the Shares of the Company).

If the Loan Conversion Shares were issued to Cape Lambert (or nominee) (assuming Shareholder approval was obtained pursuant to Resolution 3) Cape Lambert (and its associates) would increase its interest in the Company from a starting point that is below 20% (being 19.90%) to above 20%.

Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition in Section 606(1) of the Corporations Act, whereby a person may acquire a relevant interest in a company's voting shares in excess of the prescribed limit with shareholder approval.

The Company therefore seeks Shareholder approval to enable Cape Lambert (and its associates) to acquire a relevant interest in the Company in excess of its current holding of 19.90% upon the issue of the Loan Conversion Shares to Cape Lambert (or its nominee).

The information set out below is required to be provided to Shareholders under the Corporations Act and ASIC Regulatory Guide 74 in respect of obtaining shareholder approval under Item 7 of Section 611 of the Corporations Act. Shareholders are also referred to the Independent Expert's Report annexed to this Explanatory Statement which sets out additional information in respect of the proposal described in this Explanatory Statement.

## 4.5 Impact on the Company

The proposed issue of the Loan Conversion Shares to Cape Lambert (or its nominee) will result in various advantages and disadvantages to the Company which Shareholders should consider prior to exercising their vote.

The Independent Expert notes that the key advantages of the proposal to the Company and non-associated Shareholders are summarised as follows:

(a) If shareholders do not approve Resolution 3, then there is the strong possibility that the Company cannot continue in its present form and the Company may be forced to divest itself of some or all of its iron ore projects. The Company is liable to repay the Cape Lambert Loan Funds totalling $3,294,604 in full upon the sale of GEM. The Company does not have funds to satisfy the repayment of this amount. Accordingly, Fe is urgently required to obtain funds to allow the Company to continue its exploration activities on its iron ore assets. Additionally the funds are required to fund business development and corporate overheads. If the Loan Conversion Shares are not issued, the Company may not get the necessary funding to continue operating, to meet its commitments and to seek further financial support. It may need to dispose of its assets at distressed levels or fall into Administration.

(b) The costs relating to the potential issue of the Loan Conversion Shares of approximately $50,000 is at a favourable rate when compared to capital raisings where the rates can be approximately 5% to 7% of capital being raised.

(c) Cape Lambert is placing faith in Fe and its iron ore assets and as noted above the issue of Loan Conversion Shares should assist Fe in continuing in business. Having Cape Lambert as a significant shareholder may be an incentive to Cape Lambert to financially support Fe in future capital raisings although there is no assurance that this will occur. After the issue of the Loan Conversion Shares, Cape Lambert's interest would be significant and Cape Lambert would be determined to ensure its investment in Fe is successful.

(d) The proposed repayment of the Cape Lambert Loan Funds, via the issue of the Loan Conversion Shares and the balance to be repaid in cash will remove significant liabilities from the balance sheet of Fe. The elimination of all these debts, totalling approximately $3,294,604 will significantly strengthen the balance sheet of the Company and may facilitate future capital raisings.

The disadvantages noted by the Independent Expert are as follows:

(a) The number of shares on issue may rise to 235,032,200 shares after the issue of the Loan Conversion Shares to Cape Lambert (and before any other share issues). This represents an approximate 103% increase in the shares of the Company as compared to the current shares on issue of 115,521,575 and represents a significant shareholding of an additional 40.73% in the Company is being issued to Cape Lambert (to a total potential percentage holding of 60.63% post consummation of Resolution 3). Potentially this may make the Company a less attractive investment for potential future investors. Effective control is being granted to Cape Lambert over Fe. The potential shareholding in Fe by Cape Lambert could be higher than 60.63% (refer paragraph 1.8 above and Schedule 1 attached to the Notice).

(b) Fe shareholders will be effectively diluting their interest in a company that has the potential to develop its Iron Ore Assets, and in particular the Mount Ida and Mt Elvire tenements, which have been independently valued by AMA at $755,000 (preferred value).

(c) On the issue of the Loan Conversion Shares and the receipt of the approximate $2,452,000 arising from the sale of GEM, a portion of these funds will be used to repay the Cape Lambert Loan Funds ($1,000,000), leaving a cash balance at disposal of Fe arising from the transaction sale of GEM totalling approximately $1,344,000.

Shareholders are encouraged to read the Independent Expert's Report in its entirety.

## 4.6 The identity of the person proposing to make the transaction and their associates

Dempsey Resources Pty Ltd is a wholly owned subsidiary of Cape Lambert. Cape Lambert (and its associates) currently holds 22,988,793 Shares which represents approximately 19.90% of the Shares of the Company.

Additional background information on Cape Lambert and Dempsey Resources is set out in the Independent Expert's Report.

## 4.7 Maximum increase in voting power of Cape Lambert, and its associates, and total voting power, as a result of the transaction

The current voting power in the Company of Cape Lambert (and its associates) is 19.90%.

The maximum extent of the increase in Cape Lambert's voting power that would result from the issue of the Loan Conversion Shares will be determined in accordance with the terms of the Settlement and Converting Loan Agreement.

The number of Loan Conversion Shares to be issued is dependent on the formula set out in section 4.1 and will also be determined by the amount of interest accrued on the outstanding amount of the Cape Lambert Loans up to the date of issue.

Table 1 in Schedule 1 set out various scenarios depending on the Conversion Price of the Loan Conversion Shares.

## 4.8 Statements by Cape Lambert

Cape Lambert and each of its associates have informed the Company that, as at the date of this Notice of Meeting and on the basis of the facts and information available to it, if Shareholders approve Resolutions 3 that it and its associates:

(a) have no current intention to change the business of the Company;

(b) do not have any intention to inject further capital into the Company;

(c) have no intentions regarding the future employment of the present employees of the Company;

(d) do not intend to transfer any property between Cape Lambert or any person associated with either of them;

(e) do not intend to redeploy any fixed assets of the Company;

(f) have no intention to change the financial matters or dividend policies of the Company unless; and

(g) have no intention to change the composition of the Board.

## 4.9 Recommendations of Directors

None of the Directors have a personal interest in the outcome of Resolutions 3.

Based on the information available, including that contained in this Explanatory Statement and the Independent Expert's Report, the Directors consider that the issue of the Loan

Conversion Shares is in the best interests of Company particularly in light of the obligation to repay the Cape Lambert Loans totalling $3,000,000 plus accrued interest if approval is not obtained.

Each of the Directors approved the proposal to put Resolutions 3 to Shareholders and each of the Directors recommend that Shareholders vote in favour of Resolutions 3.

### 4.10 Role of the Independent Expert

The Company has commissioned Stantons International Securities to provide the Independent Expert's Report for the purposes of Shareholder approval pursuant to Item 7 of Section 611 of the Corporations Act. The Independent Expert's Report assesses whether the proposals outlined in Section 4 this Explanatory Statement is FAIR AND REASONABLE to the Shareholders who are not associated with Cape Lambert. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the proposals described in Section 4 of this Explanatory Statement. This assessment is designed to assist all Shareholders in reaching their voting decision in relation to the Resolutions contained within this Notice of Meeting.

Stantons International Securities has prepared the Independent Expert's Report and has provided an opinion that it believes the approval to issue the Loan Conversion Shares to Cape Lambert (or nominee) is FAIR AND REASONABLE and to the Shareholders of the Company not associated with Cape Lambert.

The Directors recommend that all Shareholders read the Independent Expert's Report in full.

## 5. RESOLUTION 4 - APPPROVAL OF 10% PLACEMENT CAPACITY - SHARES

### 5.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital (10% Placement Capacity).

The Company is an Eligible Entity.

If Shareholders approve Resolution 4, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out in section 5.2 below).

The effect of Resolution 4 will be to allow the Company to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 4 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 4 for it to be passed.

## 5.2 ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

(a) is not included in the S&P/ASX 300 Index; and

(b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of $300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately $2.77 million.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of Equity Securities on issue, being the Shares (ASX Code: FEL).

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times D) - E$$

Where:

**A** is the number of Shares on issue 12 months before the date of issue or agreement:

(i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;

(ii) plus the number of partly paid shares that became fully paid in the previous 12 months;

(iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4. This does not include an issue of fully paid ordinary shares under the entity's 15% placement capacity without shareholder approval; and

(iv) less the number of Shares cancelled in the previous 12 months.

**D** is 10%.

**E** is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

## 5.3 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 4:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section 5.3(b), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

(i) 12 months after the date of this Meeting; and

(ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(**10% Placement Capacity Period**).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

| Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2) | Dilution | | | |
|---|---|---|---|---|
| | Issue Price (per Share) | $0.012<br>50% decrease in Issue Price | $0.024<br>Issue Price | $0.048<br>100% increase in Issue Price |
| 115,521,575 | Shares issued - 10% voting dilution | 11,552,158 Shares | 11,552,158 Shares | 11,552,158 Shares |
| (Current Variable A) | Funds raised | $138,626 | $277,252 | $544,504 |
| 173,282,363 | Shares issued - 10% voting dilution | 17,328,236 Shares | 17,328,236 Shares | 17,328,236 Shares |
| (50% increase in Variable A) | Funds raised | $207,939 | $415,878 | $831,755 |
| 231,043,150 | Shares issued - 10% voting dilution | 23,104,315 Shares | 23,104,315 Shares | 23,104,315 Shares |
| (100% increase in Variable A) | Funds raised | $277,252 | $544,504 | $1,109,007 |

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 115,521,575 existing Shares as at the date of this Notice of Meeting.
2. The issue price set out above is the closing price of the Shares on the ASX on 13 January 2014.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that

(i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and

(ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

(i) as cash consideration in which case the Company intends to use funds raised for the acquisition of new resources, assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's interest in existing projects and general working capital; or

(ii) as non-cash consideration for the acquisition of new resources, assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) Allocation policy under the 10% Placement Capacity

The Company's allocation policy for the issue of Equity Securities under the 10% Placement Capacity will be dependent on the prevailing market conditions at the time of the proposed placement(s).

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

(i) the purpose of the issue;

(ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;

(v) prevailing market conditions; and

(vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) Previous approval under ASX Listing Rule 7.1A

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 23 February 2013 (**Previous Approval**).

The Company has not issued any Equity Securities in the 12 months preceding the date of this meeting.

(g) Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

(i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and

(ii) the information required by Listing Rule 3.10.5A for release to the market.

## 5.4 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 4

# 6. ENQUIRIES

Shareholders are required to contact Ms Eloise von Puttkammer on (+ 61 8) 6181 9793 if they have any queries in respect of the matters set out in these documents.

# GLOSSARY

**$** means Australian dollars.

**2013 Annual Report** means the annual report of the Company for the year ended 30 September 2013.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice of Meeting.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Cape Lambert** or **CFE** means Cape Lambert Resources Limited (ABN 71 095 047 920).

**Cape Lambert Loans** or **Cape Lambert Loan Funds** means a total amount of $3,000,000, being the sum of:

(a) $2,000,000 loan facility per Loan Agreement A; and

(b) $1,000,000 loan facility per Loan Agreement B.

**Cash Rate** means the rate of interest earned by the lender on its funds which are held on deposit with the National Australian Bank Limited.

**CFE Funds A** means $2,000,000.

**CFE Funds B** means $1,000,000.

**Closely Related Party** of a member of the Key Management Personnel, a spouse or child of the member; a child of the member's spouse; a dependent of the member or the member's spouse; anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; a company the member controls; or a person prescribed by the *Corporations Regulations 2001 (Cth).*

**Company** means Fe Limited (ACN 112 731 638).

**Constitution** means the Company's current constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** mean the current directors of the Company.

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Loan Agreement A** means the loan agreement entered into between the Company and CFE dated 30 June 2011.

**Loan Agreement B** means the loan agreement entered into between the Company and CFE dated 30 April 2013.

**Notice** or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

**Option** means an option to acquire a Share.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's Report section of the Company's annual financial report for the year ended 30 September 2012.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Settlement and Converting Loan Agreement** means the agreement entered into between the Company and CFE dated 20 December 2013 for the repayment and settlement of the outstanding Cape Lambert Loans.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**WST** means Western Standard Time as observed in Perth, Western Australia.

# SCHEDULE 1 – VOTING POWER OF CAPE LAMBERT (RESOLUTION 3)

Table 1 – Voting Power of Cape Lambert (and associates) upon issue of the Loan Conversion Shares assuming an issue and conversion date of 21 February 2014

| Conversion Price | Number of Loan Conversion Shares Issued | Total Voting Power of Cape Lambert (and its associates) | Maximum Increase in Voting Power of Cape Lambert (and its associates)/ Dilution of Existing Shareholders |
|---|---|---|---|
| $0.080 | 286,825,500 | 77.00% | 57.10% |
| $0.012 | 191,217,000 | 69.83% | 49.93% |
| $0.016 | 143,412,750 | 64.26% | 44.36% |
| $0.01808 | 126,913,938 | 61.83% | 41.93% |
| $0.0192 | 119,510,625 | 60.63% | 40.73% |
| $0.020 | 114,730,200 | 59.81% | 39.91% |
| $0.0208 | 110,317,500 | 59.03% | 39.13% |
| $0.024 | 95,608,500 | 56.17% | 36.27% |
| $0.028 | 81,950,143 | 53.14% | 33.24% |
| $0.032 | 71,706,375 | 50.58% | 30.68% |

**Notes**:

The above table assumes

(a) the Loan Conversion Share are issued on 21 February 2014; and

(b) the value of the Cape Lambert Loans to be converted into Shares (including accrued interest up to 21 February 2014) is $2,294,604.

**AL MAYNARD & ASSOCIATES Pty Ltd**
***Consulting Geologists***
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| | | |
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| SUBIACO, WA, 6008 | Fax: (+618) 9388 1768 | al@geological.com.au |
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*Australian & International Exploration & Evaluation of Mineral Properties*

# INDEPENDENT TECHNICAL VALUATION
## OF
# Mt Ida Iron Project
## AND
# Mt Elvire Project
## IN
# WESTERN AUSTRALIA

PREPARED FOR

FE LTD

Author: Brian J. Varndell BSc(SpecHonsGeol), FAusIMM
Company; Al Maynard & Associates Pty Ltd
Date: 19th December, 2013

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The Directors,
Fe Limited,
32 Harrogate Street
West Leederville,
Western Australia, 6007

19th December, 2013

Email: markg@felimited.com.au

Dear Sirs,

**VALUATION REPORT FOR Fe LTD**

# 1.0 INTRODUCTION

This report has been prepared by Al Maynard & Associates ('AM&A') at the request of Fe Limited ("FEL") to provide an independent appraisal of the current value of the two West Australian Projects. For this report both Projects are considered to be 100% owned.

## 1.1 Scope and Limitations

This independent valuation and its accompanying geological report have been prepared at the request of Mr Mark Gwynne, of FEL to provide the writer's opinion of the current value of the properties described in this accompanying geological report.

This valuation has been prepared in accordance with the requirements of the Valmin code (1997) and updated version (2005) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

This valuation is valid as of 19th December, 2013, which is the date of the final review of the valuation report. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writer's technical training and experience in the mining industry. The opinions expressed represent the writer's fair professional opinion at the time of this report. These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation will be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code (2005).

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should therefore form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

The information presented in this report is based on technical reports provided by FEL supplemented by our own inquiries. At the request of AM&A copies of relevant technical reports and agreements were made available.

FEL will be invoiced and expected to pay a fee for the preparation of this report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent of the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writer nor his family nor associates have any interest neither in the property reported upon nor in FEL. FEL has confirmed in writing that all technical data known to the public domain is available to the writers. FEL also confirmed in writing that no other independent professional valuation affecting the mineral properties, the subject of this report, have been commissioned within the last two years.

The valuation presented in this document is restricted to a statement of the fair value of the tenement package. The Valmin Code (2005) defines fair value as “The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms length transaction, wherein each party had acted knowledgeably, prudently and without compulsion”.

It should be noted that in all cases, the fair valuation of the mineral properties presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code (2005), we have prepared the “Range of Values” as shown in Table 2, Section 5.2. Field visits were not made to the projects as the author is familiar with the West Australian terranes discussed and the principal source of data relates to exploration conducted a long time ago and does not depend on visible surface geology. It is considered that sufficient geotechnical data has been provided from the reports covering the previous exploration of the areas to enable an understanding of the geology.

### 1.2 Statement of Competence

This report has been prepared by Brian J. Varndell BSc(SpecHonsGeol), FAusIMM, a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writer holds the appropriate qualifications, experience and independence to qualify as an independent “Experts under the definitions of the Valmin Code (2005).

## 2.0 VALUATION OF THE MINERAL ASSETS – METHODS AND GUIDES

Without proven ore reserves it is difficult to place a singular dollar value on any mining tenement. However, with due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17 February 1995 – the Valmin Code (updated 1997 & 2005) – we have derived the estimates listed below using the appropriate method for the current technical value of the mineral exploration properties as described.

The following ASIC publications have also been duly referred to and considered in relation to the valuation procedure: 'Regulatory Guidelines' 111 & 112.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms length purchaser will pay for a mining (or other) property in a transaction devoid of "forced sale" circumstances.

### 2.1 General Valuation Methods

The original Valmin Code and updated versions identified various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Rule of thumb or yardstick approach.

### 2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. The discount is very subjective and varying factors are applied to the resources. Alternatively a value can be assigned on a royalty basis commensurate with the in situ contained metal value.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

### 2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

### 2.4 Similar Transactions

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

## 2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method (‘MEE’) is used whereby a subjective factor (also called the prospectivity enhancement multiplier or ‘PEM’) is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEEs can typically range from 0.0 to 3.0 applied to previous exploration expenditure to derive a dollar value.

## 2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost (‘BAC’) of the tenement that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

## 2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert’s knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a “Yardstick” or a “Real Estate” approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

## 2.8 General Comments

The aims of the various methods are to provide an independent opinion of a “fair value” for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for this report have been concluded after taking into account:-

- The cost and accuracy of the existing technical data and its relevance to the prospect;
- Using the exploration data and potential as a measure of worth;
- The general geological environment of the property under consideration is taken into account to determine the exploration potential;
- Current market values for properties in similar or analogous locations;
- Commodity prices: iron ore currently A$133.40 per tonne.

## 2.9 Environmental implications

Information to date indicates that the project area contains some unique faunal habitats or fauna or flora species regarded as being rare, threatened or endangered. AM&A is aware of specific environmental constraints on part of the project area. The Gregory River declaration of 2007 does not apply to this tenement. The terms of the declaration are likely to be a consideration when dealing with environmental issues.

## 2.10 Native Title Claims

The tenements may be subject of Native Title Claims and will be dealt with through the normal administrative process. AM&A is not aware of any sacred sites or areas of significance within the tenements.

## 2.11 Commodities-Metal prices

Where appropriate current metal prices are used sourced from the usual metal market publications. In this valuation no prices were considered during the valuation.

## 2.12 Resource/Reserve Summary

There have been no JORC compliant iron resources identified at the projects.

## 2.13 Previous Valuations

No previous valuation reports have been commissioned for the projects within the last two years.

## 2.14 Encumbrances/Royalty

According to information provided there are no encumbrances attached to any of the licences however there are statutory State royalties due on all production.

# 3.0 BACKGROUND INFORMATION

## 3.1 Purpose

This independent valuation has been provided by way of a detailed study of information provided by FEL for the purpose of estimating a current cash value of their exploration portfolio.

## 3.2 Specific Valuation Methods

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Reserves/Resources to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources exist. These are discussed in Section 2.0.

# 4.0 Introduction

The Mt Ida and Mt Elvire Projects are located in the Yilgarn Craton in Western Australia SSW of Leonara in the WA Goldfields. Most previous exploration in the area has been focused on possible gold mineralisation for which the region abounds. The recent enhanced interest in iron mineralisation has identified structurally controlled alteration sites over primary Banded Iron Formation (“BIF”) units that occasionally attain grades that rank as Direct Shipping Ore (“DSO”). The current FEL focus is to identify such resources within their project areas that could then also augment any possible iron mineralisation as magnetite deposits suitable for upgrade via milling and concentration and subsequent sale as magnetite concentrate.

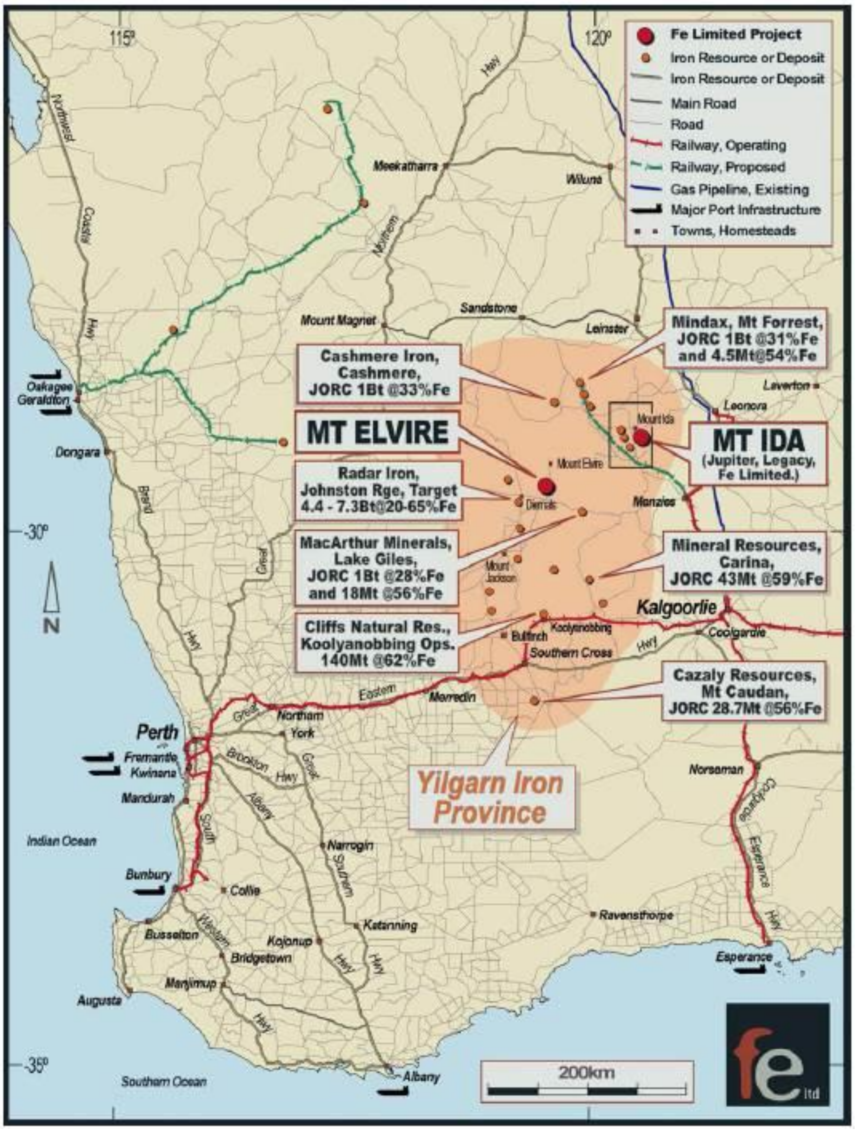



**Figure 1: FEL Leonora Project Location Map.**

### 4.1 Mt Ida Project

### 4.1.1 Introduction

The Mt Ida Iron Project comprises the rights to explore and mine for iron on a group of 48 licenses covering approximately 377km$^2$ located 200km north of Kalgoorlie in the emerging Yilgarn Iron Province. The project is located 80km from the existing operational railway, gas and road at Menzies.

Geological mapping and sampling of Mt Ida by independent consultant SRK Consulting has confirmed one large and two smaller BIF units with total strike lengths of 9.5km and 4km respectively dipping shallowly to the east with surface rock chip samples returning grades from 35-64% Fe (average 48.1% Fe from 64 samples). The Exploration target is 1.1- 1.4Bt of BIF at 30 - 37% Fe based on geophysical modelling, constrained by historic and recent exploration data.

There is more than 1Bt of magnetite BIF mineral resources defined by Legacy Iron Limited to the north and Jupiter Mines Limited to the south with further drilling development studies in progress. Statutory drilling approvals are in place to drill on 800m spaced profiles.

### 4.1.2 Location and Access

The Mt Ida Project is located approximately 200km NNW of Kalgoorlie-Boulder in the Yilgarn Region of Western Australia. Access is via the Goldfields Highway to Menzies and then on the unsealed Sandstone-Menzies and Mt Ida Roads.

Mt Ida is approximately 80km northwest of the operational railway at Menzies, which offers access to existing port facilities at Esperance. Esperance port is expanding facilities in the near future to increase capacity from the current 11.5Mtpa to approximately 32Mtpa.

### 4.1.3 Tenure

Details of the 48 tenements are listed in the appendix and shown on Figure 2. All tenements are granted and are managed by Swan Gold Mining Limited. FEL has interest in the iron rights for the tenements of either 85% or 100%.

The tenements have been searched for Aboriginal Heritage Sites and no registered sites were located. There are currently no Native Title Claims registered against the tenements. The majority of the tenements are affected by the Wongatha Condition. This condition was added to tenements in the area of the former Wongatha Native Title claim. In essence upon grant the Goldfields Land and sea Council were given 90 days to request that the company sign a standard Aboriginal Heritage agreement.

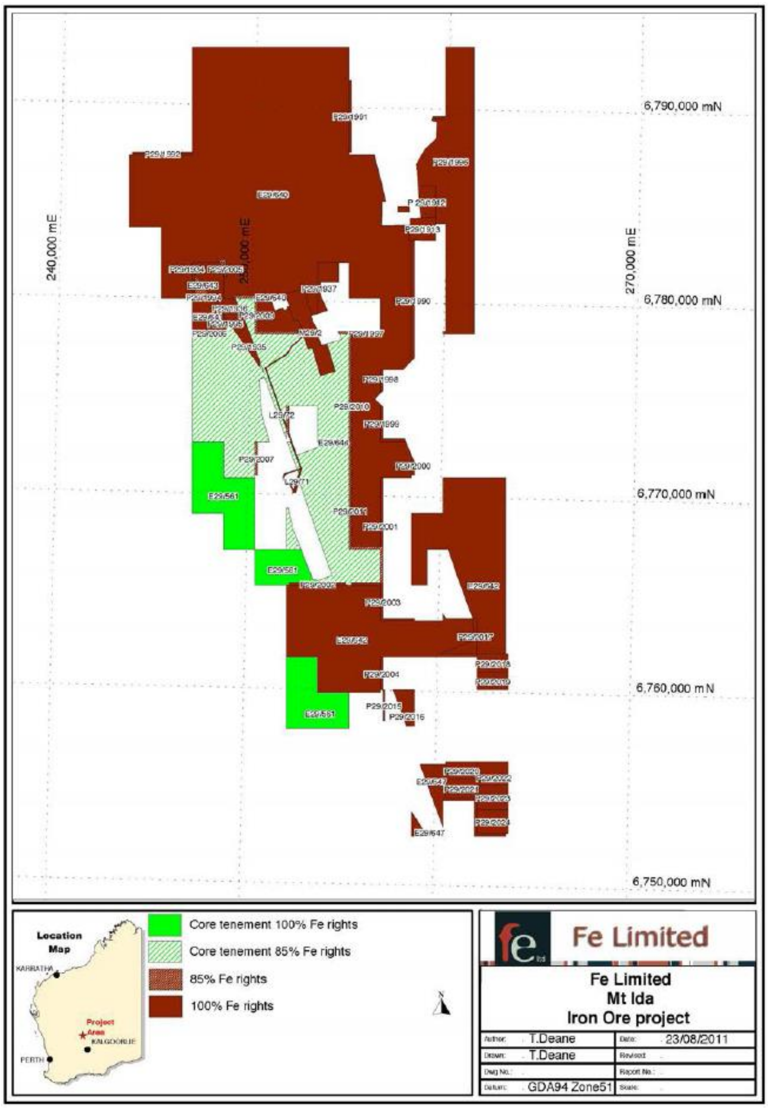



**Figure 2: Mt. Ida Project Area Tenement Map.**

### 4.1.4 Geology

The iron rights are located in the NW of the Archaean Mt Ida Greenstone Belt. The Core Tenements cover approximately 10km of strike of the eastern unit of the 30km long Mt Ida-Mt Bevan BIF system, which forms part of the Mt Ida Greenstone Belt.

The Mt Ida Greenstone Belt lies along the eastern boundary of the Southern Cross Granite-Greenstone Terrain. A large-scale regional structure, the Ida Fault, marks the boundary between the Southern Cross Granite-Greenstone and Eastern Goldfields.

The Ida Fault is a complex structure of sinusoidal faulting and shearing with varying stages of deformation throughout the Mt Ida Greenstone Belt. The western part of the belt, which is partially covered by project tenements, comprises a typical Southern Cross rock association of abundant metabasalt, BIF and subordinated ultramafic rocks. The greenstone exposure around the project indicates shallow to steep, east dipping units of BIF with intercalated mafic rocks. Late stage granitoids and pegmatites intrude the sequence. East-west trending dolerite dykes cut across the regional trend.

The Mt Ida–Mt Bevan BIF sequence strikes over 30km NW from Mt Ida in the south to Mt Bevan in the north and generally dips 40–50$^0$ to the east.

### 4.1.5 Previous Exploration

A review of historical open-file exploration information shows a series of 18 inclined RAB holes that averaged 48m depth were drilled on four traverses on E29/561 in 1996. These holes were drilled and assayed for a gold exploration program but they also intersected BIF zones and confirmed the footwall of the Eastern BIF dipping moderately to the east.

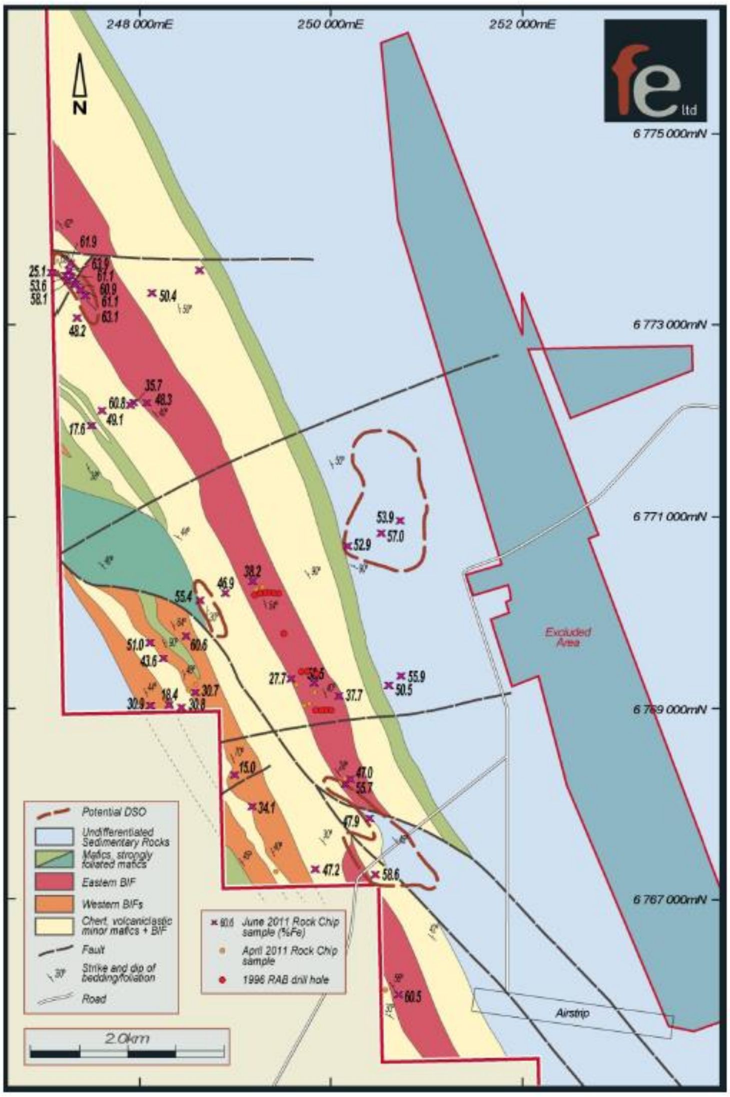



**Figure 3: Mt Ida- Interpreted geology with rock chip results (from SRK, 2011).**

### 4.1.6 Recent Exploration

The Company acquired modern high resolution airborne geophysical survey data covering the Core Tenements and adjoining tenements in 2011. Data processing, interpretation and modelling of magnetic anomalies representing BIF were completed by Perth-based independent geophysical consultants, Core Geophysics, in consultation with Company geologists.

The airborne geophysical survey data shows a prominent linear magnetic anomaly corresponding to the Eastern BIF at Mt Ida and two smaller linear anomalies in the footwall of the Eastern BIF.

The Company completed a program of reconnaissance geochemical sampling and mapping as part of due diligence in April 2011. Results of 17 rock chip samples collected on E29/561 returned grades from 35-64% Fe that average 51% Fe. Phosphorus and sulphur are low with averages of 0.09 and 0.06% respectively.

In June 2011 geologists from SRK Consulting (Australasia) Pty Ltd ("SRK") were engaged to carry out prospect scale geological mapping and surface sampling of the Core Tenements covering the Mt Ida BIF units. SRK defined an Eastern BIF unit and two Western BIF units (Fig 3). Both the Eastern BIF and the Western BIF units dip 40- $60^0$ to the east. The Eastern BIF is the largest unit with interpretation by SRK indicating a true thickness up to 280m. The Eastern BIF strikes over approximately 9.5km and is offset by two faults in the north and south.

Both Western BIF units are located 1km to the west and in the footwall of the Eastern BIF and have an aggregate strike length of approximately 4km with interpreted aggregate thicknesses <50m including some chert inter-beds. The Western BIFs are juxtaposed against a schistose mafic unit near the west boundary of the Core Tenements.

Mapping also located zones of hematite-goethite iron enrichment at surface associated with the two fault offsets in the Eastern BIF, plus a zone of enriched cemented pisolitic iron mineralisation 1km to the east. These zones represent potential DSO targets.

SRK collected 43 rock chip samples on eight traverses across the BIF units. These samples range from 15.0–63.9% Fe with an average of 48.1% Fe. This mapping and sampling data confirms the occurrence of in-situ enriched and weathered BIF at surface. Some outcrops of cemented pisolitic ironstone were also observed in the hanging-wall of the Eastern BIF.

### 4.1.7 Exploration Potential

The Project area covers part of the 30km long Mt Ida- Mt Bevan BIF, which is also currently being explored and evaluated by Jupiter Mines Limited ("Jupiter") and Legacy Iron Ore Limited ("Legacy").

Jupiter has announced a total Inferred Mineral Resource for the Central Zone of their Mt Ida Magnetite Project of 530Mt at 32% Fe. This resource represents 2.2km of 7.5km of strike of the western BIF unit and is part of the exploration target size of 1.1-1.3Bt of magnetite BIF previously estimated by Jupiter. Jupiter has also reported a total Inferred Mineral Resource of 5.75Mt at 59.9% Fe of hematite at Mt Mason.

On 5 October 2010 Legacy entered into a joint venture with Hawthorn Resources Ltd (("Hawthorn") to explore the their Mt Bevan Iron Ore Project on the northern section of the Mt Ida–Mt Bevan BIF. Legacy announced an Inferred Mineral Resource of 617Mt at 32.1% Fe with an additional exploration target of 1.75-35Bt at 30-40% Fe to the north.

Jupiter recently released positive results from scoping studies based on mining operations to produce 1.5Mtpa of DSO hematite-goethite and 10Mtpa of magnetite concentrate for its Mt Mason Hematite and Mt Ida Magnetite Projects respectively.

Four types of iron mineralisation have been identified at Mt Ida that include:

- in-situ enriched hematite-goethite
- transported enriched hematite-goethite
- in situ weathered and enriched oxide BIF to depths of 30-60m below surface and
- magnetite BIF, which underlays the oxide BIF.

A range of target size models for the magnetic anomalies at Mt Ida, constrained by the existing geological information, were developed by Core Geophysics to assess the best fit with the surveyed airborne magnetic data. The principal input variables were dip, width, strike length, magnetic susceptibility and depth below surface.

#### 4.1.8 Proposed Work Program

A staged drill program has been proposed to test the Mt Ida BIF and DSO targets.

Stage 1 comprises RC or Diamond holes on wide-spaced sections to determine the width and dip of the eastern BIF unit. Stage 2 comprises testing the Eastern BIF on 800m sections, with scout holes where possible on the DSO targets on the structural breaks in the Eastern BIF. Stage 3 involves infill drilling.

The Stage 1 and 2 Programs of Work were approved by the Department of Mines and Petroleum in August 2011.

### 4.2 Mt Elvire Project

#### 4.2.1 Introduction

The Mt Elvire Project, 210km north of Southern Cross, comprises four licences. The project covers part of a narrow Greenstone Belt adjacent to the Evanston Shear Zone. The country around the project area is typified by undulating granite plains with stands of mulga scrub and eucalypts. BIF ridges create local topographic highs, with the Lake Barlee salt lake and associated alluvial deposits to the east.

#### 4.2.2 Location and Access

The project lies to the north of the Mount Manning Nature Reserve and within the proposed Mt Elvire Conservation Park, on a former Pastoral Lease now managed by the Department of Conservation and Land Management (“CALM”).

Access to the project area is possible either from Southern Cross or Menzies. From Southern Cross access is via the sealed Bullfinch Road and the unsealed Bullfinch-Evanston Road. A graded access track heads north through the Project to the Mt Elvire homestead from a turnoff near the intersection of the Menzies-Diemals Road and the Bullfinch-Evanston Road.

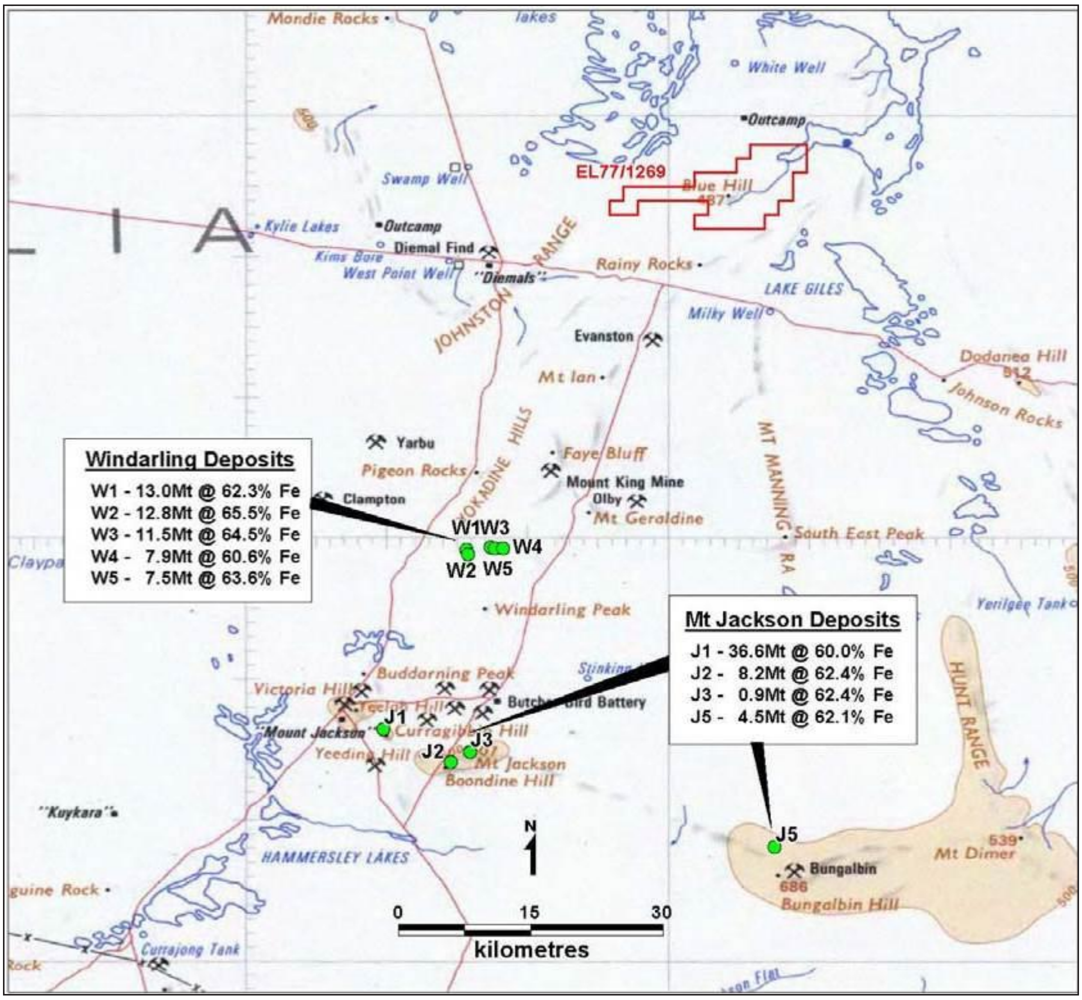



**Figure 4: Mt Elvire Location with Regional Deposits.**
*(Full Tenement outline presented in Fig 5).*

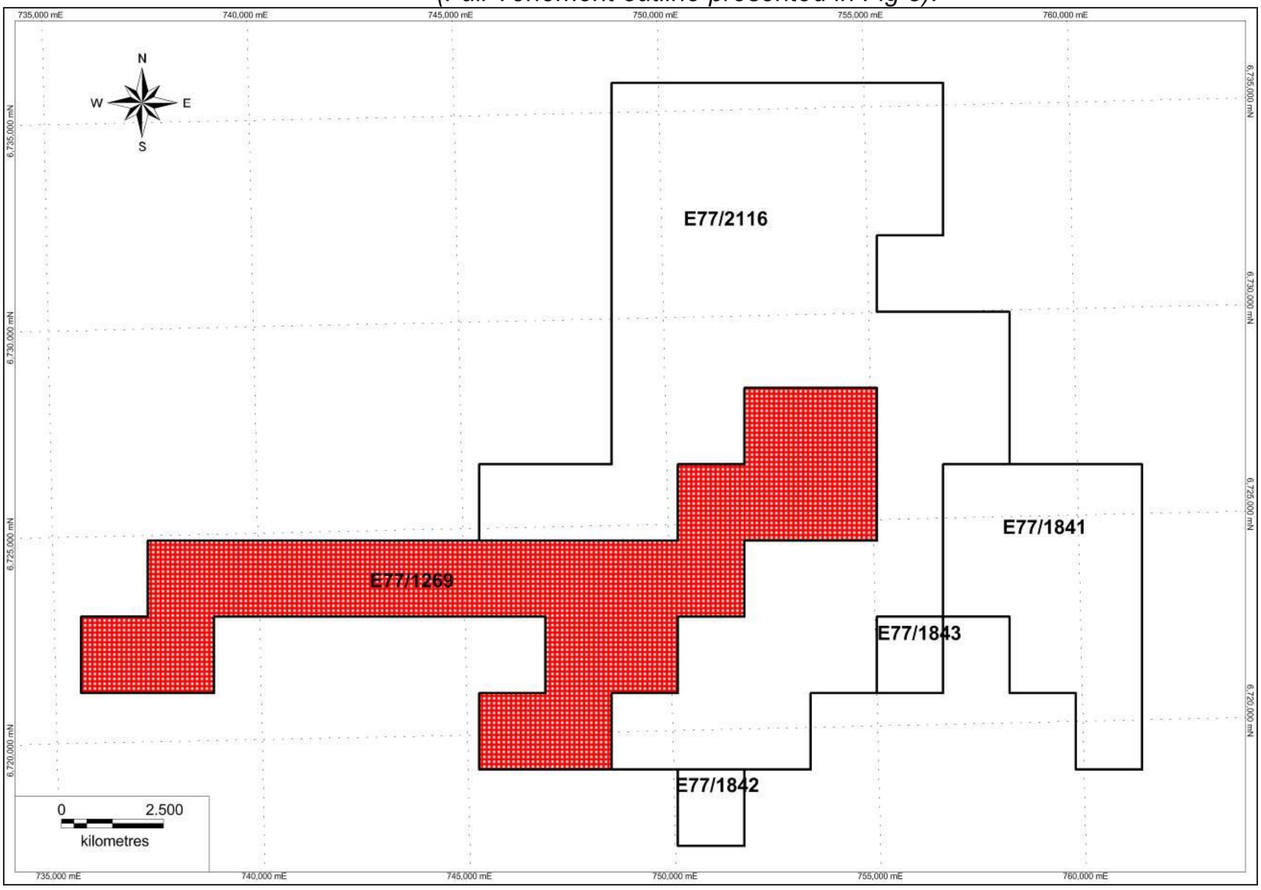



**Figure 5: Mt Elvire Tenement Map.**

### 4.2.3 Regional Geology

The Mt Elvire Project is located in the northern part of the Mt Elvire Greenstone Belt, to the north of the Evanston Shear Zone. This thin, north trending belt, part of the Archean Yilgarn Craton, is composed of a package of steeply dipping BIF's interbedded with mafic basalts, sediments and ultramafic lithologies, which are intruded by gabbro sills and dykes.

The northern part of the belt, north of Mt Elvire, is typified by major north striking BIF units, separated by anorthosite gabbro sills in the east and by amphibolites and strongly foliated schists to the west. Talc-actinolite-chlorite schist and quartz-sericite schists are conformable with the BIF units.

The dominant NE trending BIF ridges extend along the length of the Greenstone Belt and provide markers for the bulk deformation of the sequence. Widespread folding and the presence of tight synforms and antiforms between the BIF ridges indicate that the multiple ridges represent structural repetition and thickening of the belt. Iron mineralisation is considered to be a surface enrichment of magnetite-carbonate facies within silica rich BIFs, with structurally controlled secondary enrichment also occurring. In areas of deformation these BIF units comprise mainly fissile, finely laminated haematite-magnetite rich layers alternating with quartz rich layers. Haematite and magnetite have been replaced with goethite and limonite in places.

At the southern end of the belt the NE trending Evanston Shear Zone cuts the greenstone lithologies. To the south of the shear metamorphosed calc-silicate rocks are overlain by ultramafics, tholeiitic basalt and minor pelitic schist within a large syncline which plunges 30-50º north. Steeply dipping BIF overlain by ultramafics and tholeiitic basalt occurs to the NW of the shear.

### 4.2.4 Regional Exploration

Historic exploration centred around the Project area has predominantly targeted gold mineralisation hosted in quartz-carbonate veins in ultramafic schists and from quartz- haematite veins along BIF-ultramafic contacts. Little or no gold production has been recorded for the immediate area around the Project, with the closest gold production occurring in the Evanston area (~43,000 oz historic production) 20km to the SW.

At present iron exploration dominates the region with significant mining and exploration of deposits occurring. Iron deposits of the region are of the Archaean aged Algoma-type that comprise finely layered intercalations of silica and an iron mineral, generally hematite or magnetite, but where individual layers lack the lateral continuity of Lake Superior-type BIFs. Algoma- type BIFs are found within rock sequences containing a significant proportion of submarine volcanic rocks.

The large deposits presently being mined by Portman Mining Ltd at Mt Jackson with 50.2Mt at 60.6% Fe and Windarling with 52.7Mt at 63.5% Fe areas are ~50km to the SW of the Mt Elvire Project area. These areas comprise nine individual deposits with reserves varying from 0.9-36.6Mt with deposits 400–2,000m in strike length (Fig 6).

### 4.2.5 Previous Exploration

Exploration undertaken since grant of the licence includes a comprehensive review of open file data for the project area, geophysical data interpretation and geological field work. Desktop studies and magnetic/radiometric data interpretation were undertaken to identify prospective highly magnetic BIF horizons prior to ground reconnaissance work.

Two field trips for rock-chip sampling and geological mapping were undertaken with 88 rock chip samples collected returning a maximum Fe content of 63.25%. Geological mapping of BIF horizons identified outcrops to 400m strike length of contiguous folded BIF observed at several locations.

Exploration results indicate that a number of strongly deformed and folded BIF ridges occur within the project area. The strongly deformed structural nature of these units enhances their prospectivity for iron mineralisation due to the fold hinges creating space and locus for secondary enrichment.

| Sample | Date | Easting | Northing | Survey Method | Survey Projection | Survey Accuracy | Fe Content |
|---|---|---|---|---|---|---|---|
| EVG010 | 10/10/07 | 749,432 | 6,723,858 | GPS Garmin 76S | UTM50S WGS84 | 5m | 54.46 |
| EVG013 | 10/10/07 | 755,147 | 6,727,830 | GPS Garmin 76S | UTM50S WGS84 | 5m | 52.48 |
| EVG024 | 11/10/07 | 752,734 | 6,726,724 | GPS Garmin 76S | UTM50S WGS84 | 5m | 60.83 |
| EVG054 | 17/04/08 | 741,440 | 6,723,794 | GPS Garmin 76S | UTM50S WGS84 | 5m | 63.25 |
| EVG078 | 17/04/08 | 742,170 | 6,723,196 | GPS Garmin 76S | UTM50S WGS84 | 5m | 61.95 |
| EVG080 | 18/04/08 | 753,460 | 6,725,094 | GPS Garmin 76S | UTM50S WGS84 | 5m | 51.94 |

**Table 1: Mt Elvire Significant Rock-Chip Results.**

### 4.2.5 Exploration Potential

Investigations by the company indicate that the Mt Elvire Project has the potential to host iron ore mineralisation associated with strongly deformed BIF. Field investigations indicate that strongly deformed and folded BIF ridges occur within the tenements near the Blue Hill area, east of the Lake Barlee Road to the NE of Blue Hill and to the west of Blue Hill in the Broadbent 2 Bore area.

Rock-chip samples assays in these areas up to +60% Fe indicate potential for high-grade iron DSO deposits within the project.

The strongly deformed structural nature of the BIF units enhances the prospectivity due to fold hinges creating space for secondary enrichment. Outcrops in the order of 400m strike length of contiguous folded BIF occur at several locations.

Further field mapping and ground reconnaissance work to extend known strike-lengths of mapped BIF outcrops is required to be followed-up by RC drilling to test mineralisation.

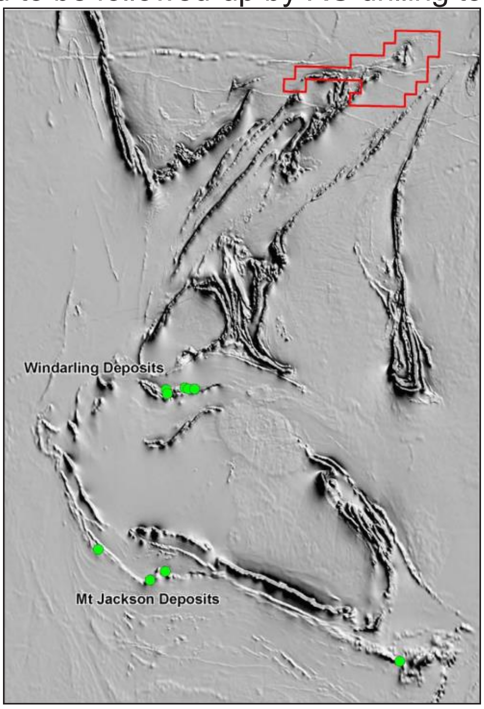



**Figure 6: Mt Elvire Regional Magnetic Image showing BIF units and known Iron Deposits.**

## 5.0 VALUATION OF FEL PROJECTS

To arrive at a fair market value several aspects need to be considered. As no Ore Reserves are available, the Discounted Cash Flow method is not applicable. The Kilburn method is considered to provide a range of values that is so wide that it is not realistic.

The writer considers that the MEE method is most applicable.

There are no directly comparable transactions that the writer is aware of relating to the geological setting and tenement holding.

### 5.1 MEE Method

Using the MEE method (Multiple of Exploration Expenditure) it is considered quite appropriate to apply a small deflating factor 0.45 at Mt Ida since the area remains prospective but no definitive deposits have yet been identified. For Mt Elvira a deflating factor 0.45 was applied since although the area has positive rock chip results no definitive deposits have yet been identified.

For both projects total Form 5 expenditure work costs were supplied. Once the MEE factor had been applied a range in value was achieved by applying ±10% to arrive at High and Low range values.

Thus, it is determined that $755,300 ±10% is ascribed to the project value using the MEE method. The rounded results for the projects range from $680,000 to $831,000 with the most likely or preferred value being the mid-point of $755,000.

### 5.2 Valuation Conclusions

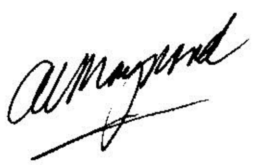
A summary of the appraised values for the tenement is shown in the Table 2.

| Project | Low Range A$000s | High Range A 000sM | Preferred A$000s |
|---|---|---|---|
| Mt Ida | 42.3 | 51.7 | **47.0** |
| Mt Elvire | 637.5 | 779.1 | **708.3** |
| **TOTAL** | **679.8** | **830.8** | **755.3** |
| **Rounded** | **680** | **831** | **755** |

**Table 2: Range of Values for the Mt Ida and Mt Elvire Projects.**

Thus, it is the writer's opinion that the current value of 100% of the Mt Ida and Mt Elvire Projects is ascribed at A$755,000 from within the range of A$680,000 to A$831,000.

Yours faithfully,



Allen J. Maynard BAppSc(Geol), MAIG, MAusIMM.

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Deane, T. 23/08/2011 *Drill Program Memo June 2011.* Internal Memo, Fe Limited

# APPENDIX 1

| Lease | Lease name | Holders | Status | Grant Date | Expiry Date | Total Area | Current Expenditure Commitment | Current Rent | Rates |
|---|---|---|---|---|---|---|---|---|---|
| E29/0561-I | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 9/09/2008 | 8/09/2013 | 5 blocks | $30,000.00 | $1,255.50 | |
| E29/0640 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 24/06/2008 | 23/06/2018 | 69 blocks | $138,000.00 | $17,325.90 | |
| E29/0641 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 24/06/2008 | 23/06/2018 | 1 block | $15,000.00 | $286.25 | |
| E29/0642 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 23/09/2008 | 22/09/2013 | 22 blocks | $50,000.00 | $5,524.20 | |
| E29/0643 | MT IDA | INTERNATIONAL PETROLEUM LTD (85%), SILVERTREE NOMINEES PTY LTD (15%), | Granted | 23/09/2008 | 22/09/2013 | 1 block | $15,000.00 | $286.25 | |
| E29/0644 | MT IDA | INTERNATIONAL PETROLEUM LTD (85%), SILVERTREE NOMINEES PTY LTD (15%), | Granted | 23/09/2008 | 22/09/2013 | 24 blocks | $50,000.00 | $6,026.40 | |
| E29/0647 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 17/11/2009 | 16/11/2014 | 5 blocks | $20,000.00 | $1,255.50 | |
| E29/0659 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2013 | 1 block | $15,000.00 | $286.25 | |
| E29/0660 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 10/07/2008 | 9/07/2013 | 3 blocks | $30,000.00 | $753.30 | |
| E29/0806 | MT IDA | FE LTD | Granted | 18/08/2011 | 17/08/2016 | 3 blocks | $15,000.00 | $350.10 | $436.04 |
| E29/0807 | MT IDA | FE LTD | Granted | 18/08/2011 | 17/08/2016 | 1 block | $1,000.00 | $280.65 | $436.04 |
| E29/0818-I | MT IDA | FE LTD | Granted | 26/10/2011 | 25/10/2016 | 10 blocks | $20,000.00 | $1,167.00 | $374.56 |
| E29/0847-I | MT IDA | FE LTD | Granted | 31/07/2012 | 30/07/2017 | 1 block | $10,000.00 | $280.65 | $223.76 |
| E52/1668 | PEAK HILL | ALCHEMY RESOURCES (THREE RIVERS) PTY LTD (80%), JACKSONS MINERALS PTY LTD (20%), | Granted | 23/02/2004 | 22/02/2014 | 41 blocks | $149,250.00 | $19,495.50 | |
| E52/1670-I | PEAK HILL | GROSVENOR GOLD MINES PTY LTD (40%), PEPINNINI ROBINSON RANGE PTY LTD (40%), JACKSONS MINERALS PTY LTD (20%), | Granted | 23/11/2004 | 22/11/2013 | 9 blocks | $70,000.00 | $4,279.50 | |
| E52/1678 | PEAK HILL | ALCHEMY RESOURCES (THREE RIVERS) PTY LTD (80%), JACKSONS MINERALS PTY LTD (20%), | Granted | 23/02/2004 | 22/02/2014 | 12 blocks | $70,000.00 | $5,706.00 | |

| Lease | Lease name | Holders | Status | Grant Date | Expiry Date | Total Area | Current Expenditure Commitment | Current Rent | Rates |
|---|---|---|---|---|---|---|---|---|---|
| E52/1722 | PEAK HILL | GROSVENOR GOLD MINES PTY LTD (80%), JACKSONS MINERALS PTY LTD (20%), | Granted | 28/02/2005 | 27/02/2014 | 8 blocks | $70,000.00 | $3,804.00 | |
| E52/1730 | PEAK HILL | ALCHEMY RESOURCES (THREE RIVERS) PTY LTD (80%), JACKSONS MINERALS PTY LTD (20%), | Granted | 1/12/2004 | 30/11/2013 | 13 blocks | $70,000.00 | $6,181.50 | |
| E77/1269-I | MT ELVIRE | FE LTD | Granted | 19/10/2007 | 18/10/2014 | 20 blocks | $50,000.00 | $4,924.00 | $774.97 |
| E77/1841-I | MT ELVIRE | FE LTD | Granted | 3/10/2011 | 2/10/2016 | 9 blocks | $9,000.00 | $1,050.30 | $337.06 |
| E77/1842-I | MT ELVIRE | FE LTD | Granted | 6/03/2012 | 5/03/2017 | 1 block | $1,000.00 | $280.65 | $222.78 |
| E77/1843-I | MT ELVIRE | FE LTD | Granted | 6/03/2012 | 5/03/2017 | 1 block | $1,000.00 | $280.65 | $222.78 |
| E77/2116-I | MT ELVIRE | FE LTD | Granted | 16/10/2013 | 15/10/2018 | 37 blocks | $37,000.00 | $4,403.00 | |
| L29/0071 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 14/10/2004 | 13/10/2025 | 16ha | $0.00 | $222.40 | |
| L29/0072 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 14/10/2004 | 13/10/2025 | 53ha | $0.00 | $736.70 | |
| M29/0002 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 22/12/1982 | 21/12/2024 | 383ha | $38,300.00 | $6,013.10 | |
| M29/0165 | MT IDA | CAPE LAMBERT RESOURCES (95%), HOOP (5%), | Granted | 21/12/1994 | 20/12/2015 | 160ha | $16,000.00 | $2,512.00 | |
| M29/0422 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 22/11/2013 | 21/11/2034 | 288ha | $28,900.00 | $4,537.30 | |
| P29/1938 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 17/09/2008 | 16/09/2016 | 199ha | $7,960.00 | $457.70 | |
| P29/1939 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 17/09/2008 | 16/09/2016 | 159ha | $6,360.00 | $365.70 | |
| P29/1940 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 17/09/2008 | 16/09/2016 | 167ha | $6,680.00 | $384.10 | |
| P29/1941 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 186ha | $7,440.00 | $427.80 | |
| P29/1942 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 177ha | $7,080.00 | $407.10 | |
| P29/1943 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 196ha | $7,840.00 | $450.80 | |
| P29/1944 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 199ha | $7,960.00 | $457.70 | |
| P29/1945 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 188ha | $7,520.00 | $432.40 | |
| P29/1946 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 198ha | $7,920.00 | $455.40 | |
| P29/1947 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 195ha | $7,800.00 | $448.50 | |
| P29/1948 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 196ha | $7,840.00 | $450.80 | |
| P29/1949 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 187ha | $7,480.00 | $430.10 | |

| Lease | Lease name | Holders | Status | Grant Date | Expiry Date | Total Area | Current Expenditure Commitment | Current Rent | Rates |
|---|---|---|---|---|---|---|---|---|---|
| P29/1950 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 165ha | $6,600.00 | $379.50 | |
| P30/1012 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 198ha | $7,920.00 | $455.40 | |
| P30/1013 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 199ha | $7,960.00 | $457.70 | |
| P30/1014 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 199ha | $7,960.00 | $457.70 | |
| P30/1015 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 199ha | $7,960.00 | $457.70 | |
| P30/1016 | MT IDA | INTERNATIONAL PETROLEUM LTD | Granted | 11/09/2008 | 10/09/2016 | 199ha | $7,960.00 | $457.70 | |

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15 January 2014

The Directors
Fe Limited
32 Harrogate Street
WEST LEEDERVILLE WA 6007

Dear Sirs,

**RE: FE LIMITED (ACN 112 731 638) MEETING OF SHAREHOLDERS TO CONSIDER A RESOLUTION UNDER SECTION 611 OF THE CORPORATIONS ACT 2001 ("TCA") RELATING TO THE PROPOSAL TO ISSUE 119,510,625 (OR MORE) SHARES TO CAPE LAMBERT RESOURCES LIMITED OR NOMINEE**

**1. INTRODUCTION**

1.1 We have been requested by the Directors of Fe Limited ("Fe" or "the Company") to prepare an Independent Expert's Report to determine the fairness and reasonableness of the transaction referred to in Resolution 3 as detailed in the Notice of Meeting to Fe shareholders ("the Notice") and the Explanatory Statement to Shareholders ("ESS") to be issued to shareholders in January 2014.

1.2 In terms of a Loan Facility Agreement dated 30 June 2011 ("Loan Facility Agreement"), entered into between Fe and Dempsey Resources Pty Ltd ("Dempsey"), a subsidiary of Cape Lambert Resources Limited ("Cape Lambert") and Cape Lambert, as well as a further Convertible Loan Agreement entered into between Fe, Dempsey and Cape Lambert on 30 April 2013 (and varying the 30 June 2011 Loan Facility Agreement) ("Convertible Loan Agreement"), Cape Lambert has agreed to convert convertible note debts of $2,000,000 plus accrued interest to 21 February 2014 estimated at $294,604 (total $2,294,604) into ordinary shares in Fe at 80% of the Volume Weighted Average Closing Share Price ("VWAP") of the Company's shares as quoted on the ASX over the last 10 trading days prior to receiving a conversion notice from Cape Lambert ("Conversion Date").

1.3 In terms of the Convertible Loan Agreement, the agreement stipulates that:

- The existing loan facility of $2,000,000 as part of the Loan Facility Agreement ("Existing Loan Facility"), as well as accrued interest which was previously repayable by 31 December 2012 be extended to 31 December 2013 or earlier if Fe receives proceeds from the sale of its wholly owned subsidiary Gympie Eldorado Mining Pty Ltd ("GEM"). Interest accrues at an amount of the cash interest rate plus a 3% margin on a daily basis and is capitalised on a monthly basis;
- A further loan amount of $1,000,000 ("Further Loan Amount") as part of the Convertible Loan Agreement was advanced to Fe by Dempsey with a repayment date of 31 December 2013 or earlier if Fe receives proceeds from the sale of its wholly owned subsidiary GEM. Interest accrues at an amount of the cash interest rate plus a 3% margin on a daily basis and is capitalised on a monthly basis; and
- Fe must obtain shareholder approval to the transaction.

1.4 The Existing Loan Facility together with accrued interest at the Conversion Date of the Convertible Loan amounts to a principal repayment amount of $2,000,000 plus accrued interest, whilst the Further Loan Amount together with accrued interest at the Conversion Date consisted of principal repayable of $1,000,000 and accrued interest. The interest amount assumes interest accrued to 21 February 2014 (estimated at $294,604), the date proposed to hold a shareholders' meeting to approve the conversion of debt to equity. Together, the principal amount and accrued interest up to the Conversion Date of the Existing Loan Facility and the Further Loan Amount is known as the "Cape Lambert Loan Funds", together amounting to $3,294,604. Cape Lambert and Dempsey are collectively known hereafter as Cape Lambert.

1.5 It is anticipated, that as part of the conclusion of the sale of GEM, to be completed in January or February 2014, Fe will receive approximately $2,452,000. Under the terms of the Convertible Loan Agreement, the Further Loan Amount and the Existing Loan Facility are due to be repaid to Cape Lambert upon the sale of GEM. Accordingly, the funds to be received from the sale of GEM are not sufficient to cover the Cape Lambert Loan Funds repayable to Cape Lambert. Therefore, Fe has requested Cape Lambert to agree to the following repayment:

i) An upfront cash payment of $1,000,000 is to be repaid to Cape Lambert upon completion of the sale of GEM to extinguish part of the Cape Lambert Loan Funds (hereinafter referred to as "Cape Lambert Cash Settled Component");
ii) Principal of $2,000,000 repayable to Cape Lambert to be converted into shares in Fe at 80% of VWAP to cancel the remaining principal amount of the Cape Lambert Loan Funds; and
iii) Accrued Interest of $294,604 payable to Cape Lambert to extinguish the Cape Lambert Loan Funds liability owing to Cape Lambert.

The shares to be issued to Cape Lambert to cancel the remaining Cape Lambert Loan Funds Liability of $2,294,604 (after the proposed cash repayment of the Cape Lambert Cash Settled Component of $1,000,000), consisting of total loan amount payable principal of $2,000,000 ('Total Loan Amount Payable Principal") and accrued interest up to 21 February 2014 ($294,604), are referred to as the "Loan Conversion Shares".

The Cape Lambert Loan Funds (including the principal amount of $3,000,000 being for the Existing Loan Facility and Further Loan Funds and $294,604 total accrued interest) will be fully repaid following these transactions.

1.6 The Fe shares to 19 December 2013 (no trades in Fe shares on ASX since that date and to 10 January 2014) traded on relatively low volumes, with many trading days where no shares were traded. The share price between 25 September 2013 and 19 December 2013 has been between 1.5 cents (17 December 2013) and 2.6 cents, with a 10 day VWAP of approximately 2.26 cents. The Notice assumes an 80% of 10 day VWAP at 1.92 cents, based on a last a sale price of an FE share of 2.4 cents on 19 December 2013 and thus the number of Loan Conversion Shares to be issued to convert $2,294,604 of the Cape Lambert Loan Funds (estimated as at 21 February 2014) is 119,510,625. The actual VWAP price may differ. Refer paragraph 1.8 below.

1.7 Cape Lambert, through its 19.9% holding in Fe is considered a related party of the Company. It is noted that Mr Antony (Tony) Sage is a director of both Cape Lambert and Fe and that he holds an indirect beneficial interest in Cape Lambert.

1.8 Cape Lambert currently owns, through its wholly owned subsidiary, Dempsey, 22,988,793 shares in Fe. The issued capital of the Company as at 13 January 2014 is 115,521,575 shares. In the event that the proposal noted in Resolution 3 of the Notice is passed and consummated the potential issued capital could be as outlined below.

| | Cape Lambert No. of shares | Other No. of shares | Total No. of shares | Cape Lambert % share holding |
|---|---|---|---|---|
| Shares on issue at 13 January 2014 | 22,988,793 | 92,532,782 | 115,521,575 | 19.9% |
| Issue of Loan Conversion Shares to Cape Lambert (Resolution 3) | 119,510,625 | - | 119,510,625 | 100.0% |
| **Total shares on issue after issue of Loan Conversion Shares (Potential Shares on Issue)** | **142,499,418** | **92,532,782** | **235,032,200** | **60.63%** |
| Potential conversion of existing 15 cent Options expiring on 23 March 2014 | - | 375,000 | **375,000** | **-** |
| **Total Potential Shares on issue after issue of Loan Conversion Shares and Conversion of existing Options** | **142,499,418** | **92,907,782** | **235,407,200** | **60.53%** |

The number of Loan Conversion Shares to be issued to Cape Lambert may vary from the 119,510,625 referred to above. The 10 day VWAP to 19 December 2013 approximated 2.26 cents and thus 80% equals approximately 1.808 cents. The final VWAP may be different as it will depend on sales of Fe shares (and volumes) as traded on ASX for a 10 day period prior to the date of the meeting of shareholders. It may well be below the 1.92 cents referred to in this report and the ESS. The number of Loan Conversion Shares that may be issued (and the ultimate percentage interest of Cape Lambert) could be in the range of:

| **10 Day VWAP Share Price (Cents)** | **80% of 10 day VWAP Share Price (Cents)** | **Number of Loan Conversion Shares to be issued** | **Percentage interest of Cape Lambert (approximately)** |
|---|---|---|---|
| 3.0 | 2.40 | 95,608,500 | 56.17 |
| 2.6 | 2.08 | 110,317,500 | 59.03 |
| 2.26 | 1.808 | 126,913,938 | 61.83 |
| 2.0 | 1.60 | 143,412,750 | 64.26 |
| 1.5 | 1.20 | 191,217,000 | 69.83 |

1.9 Under Section 606 of TCA, a person must not acquire a relevant interest in issued voting shares in a company if because of the transaction, that persons' or someone else's voting power in the company increases:

(a) from 20% or below to more than 20%; or
(b) from a starting point that is above 20% and below 90%.

Under Section 611 (Item 7) of TCA, Section 606 does not apply in relation to any acquisition of shares in a company by resolution passed at a general meeting at which no votes were cast in favour of the resolution by the acquirer or the disposer or their respective associates. Section 611 (Item 9) refers to creeping provisions and a shareholder may not increase its shareholding by more than 3% in a six month period.

1.10 On the issue of the Loan Conversion Shares, Cape Lambert will increase its shareholding from approximately 19.9% to approximately 60.63% after the issue of the Loan Conversion Shares to Cape Lambert (refer paragraph 1.8 above). As Cape Lambert may increase its shareholding interest from below 20% to approximately 60.63% (or more), the directors have sought approval from the non Cape Lambert associated shareholders for the issue of shares to Cape Lambert. Under ASIC Regulatory Guide 111 "Contents of Expert Reports" an Independent Expert's Report is required to report on the fairness and reasonableness of the transaction pursuant to Resolution 3. The Fe directors have requested Stantons International Securities to prepare an Independent Expert's Report to assist the shareholders in determining how to vote on Resolution 3 pursuant to Section 611 (Item 7) meeting as outlined in the Notice and the ESS.

1.11 In the event that the Loan Conversion Shares are issued and before the exercise of any options, Cape Lambert's interest may increase from approximately 19.9% to approximately 60.63% of the shares on issue. Accordingly, Cape Lambert may receive 119,510,625 Loan Conversion Shares and it will increase its voting shareholding from 22,988,793 shares held as at 13 January 2014 to potentially a share holding of 142,499,418 post consummation of Resolution 3 (could vary as noted in paragraph 1.8 above).

1.12 Further details of shareholdings and voting percentage interests of Cape Lambert are disclosed in paragraph 1.8 of our report and in Schedule 1 to the ESS attached to the Notice.

1.13 Mr Antony (Tony) Sage is a shareholder and director in Cape Lambert. He is also a Director of Fe and also holds approximately 1.79% of the issued capital of the Company. Shareholders may regard his influence over Cape Lambert and thus over Fe to be of significance.

1.14 Apart from this introduction, the report considers the following:

- Summary of opinion
- Implications of the proposals with Cape Lambert and Fe
- Future directions of Fe
- Basis of valuation of shares in Fe
- Premium for control
- Fairness and Reasonableness of the proposal with Cape Lambert
- Conclusion as to Fairness and Reasonableness
- Sources of information
- Appendix A and our Financial Services Guide

## 2. SUMMARY OF OPINION

2.1 In determining the fairness and reasonableness of the transaction (potential issue of the Loan Conversion Shares) pursuant to Resolution 3 we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111.

Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash.

An offer is "reasonable" if it is fair. An offer may also be reasonable, despite not being "fair", where there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Regulatory Guide 111 also states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of TCA, a report by an independent expert stating whether or not the proposal pursuant to Resolution 3 is fair and reasonable, having regard to the interests of shareholders other than the proposed allottees (in this case, Cape Lambert), and whether a premium for potential control is being paid by the allottees, will be required.

Regulatory Guide 111 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transaction proceeds compared with if it does not. Although the proposal with Cape Lambert is not in relation to a takeover offer, we have noted the above matters and definitions for shareholders to have an understanding of fairness and reasonableness referred to in this report.

Accordingly, our report relating to Resolution 3 is concerned firstly with the fairness and reasonableness of the proposal under Resolution 3 from the point of view of the existing non associated shareholders of Fe, and secondly whether the price payable for the potential to obtain a significant shareholding interest (by Cape Lambert) (may be approximately 60.63% or more after the issue of the Loan Conversion Shares), includes a premium for control.

2.2 **In our opinion:**
**The proposal as outlined in Resolution 3 to allow the issue of the Loan Conversion Shares to Cape Lambert is, based on valuing a share in Fe on the asset backing methodology considered to be fair and reasonable to the non-associated shareholders of Fe at the date of this report.**

It is noted that the volumes of trades in Fe shares on ASX is extremely low (with some trading days having nil sales) but the last sale price was 2.4 cents on 19 December 2013 (80% would be 1.92 cents). Using the limited trading share prices and taking into account that the Loan Conversion Shares would be issued at 80% of the 10 day VWAP prior to the Conversion Date, the Proposed Transaction with Cape Lambert to issue Loan Conversion Shares to eliminate $2,294,604 of the Cape Lambert Loan Funds would be not fair (but could still be considered reasonable). However, our preferred methodology to value the shares in Fe is to use the adjusted net asset backing methodology as noted elsewhere in this report.

The opinion expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

## 3. IMPLICATIONS OF THE PROPOSALS PURSUANT TO RESOLUTION 3

3.1 As at 13 January 2014, there were 115,521,575 fully paid ordinary shares on issue in Fe. The significant fully paid shareholders as at 8 January 2014 are disclosed as:

| Name of Shareholder (and associates) | No. of Shares | % Interest |
|---|---|---|
| Dempsey Resources Pty Ltd* | 22,988,793 | 19.90 |
| Cauldron Energy Ltd | 15,695,835 | 13.59 |
| Citicorp Nominees Pty Ltd | 6,074,798 | 5.26 |
| Russell Neil Craigh | 3,710,050 | 3.21 |
| Concettina Schiavello | 2,596,176 | 2.25 |
| Matthew Parrish Pty Ltd | 2,595,449 | 2.25 |
| Liliana Teofilova | 2,327,890 | 2.02 |
| | 55,988,991 | 48.48 |

**Dempsey Resources Pty Ltd is a wholly owned entity of Cape Lambert*

3.2 The top twenty fully paid shareholders as at 8 January 2014 owned approximately 68.22% of the current issued capital.

3.3 There are 375,000 share options outstanding as at 13 January 2014, expiring on the 23 March 2014 exercisable at 15 cents per option. These options have fully vested and are significantly out of the money at the date of this report.

3.4 In the event that the proposal noted in Resolution 3 is passed and consummated and the Loan Conversion Shares are issued, the potential issued capital and shareholdings of Cape Lambert could be as outlined in paragraph 1.8 above.

3.5 In determining whether the issue of the Loan Conversion Shares pursuant to Resolution 3 is fair and reasonable to the non associated shareholders we have compared the fair value of the consideration given by the Company, being the deemed fair value of the Loan Conversion Shares, to the consideration given by Cape Lambert of $2,294,604.

3.6 In relation to the Board of Directors, the current directors are Antony (Tony) Sage, Mark Gwynne and Paul Kelly. It is not expected that the composition of the Board of Fe will change in the near future.

**4. FUTURE DIRECTION OF FE AND ITS SUBSIDIARIES**

4.1 Fe is a listed public company in Australia. Fe has a 100% interest in four subsidiaries, namely GEM (in the process of being sold), Jackson Minerals Ltd, Mooloogool Ltd and Bulk Ventures Ltd (together "the Group"). The Group has focused particularly on commercialising discovered but as yet undeveloped assets. Its principal asset is its 85% to 100% owned Mount Ida iron ore suite of tenements in Western Australia. It has one other major group of tenements being the Mt Elvire iron ore exploration licences also in Western Australia. We have been advised that all of the Group's assets are in good standing.

4.2 We have been advised by a director of Fe that:

- The plans are to expend further funds on exploration and evaluation of the Group's remaining iron ore assets and seek new mineral assets;
- Composition of the Board of Directors of Fe is unlikely to change in the near future as noted above;
- The Company will put to the shareholders the proposal noted in Resolution 3 in the Notice and ESS and will on Completion issue the Loan Conversion Shares and repay the Cape Lambert Cash Settled Component ($1,000,000) in cash;
- No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow;
- The Company may also farm out or sell assets in some of its remaining iron ore projects; and
- The Company in 2014 may seek to raise further capital.

**5. BASIS OF TECHNICAL VALUATION OF FE SHARES**

5.1 Shares

5.1.1 In considering the proposal to allow the issue of the Loan Conversion Shares to Cape Lambert, as outlined in Resolution 3, we have sought to determine if the consideration payable by Cape Lambert is fair and reasonable to the existing non-associated shareholders of Fe.

5.1.2 The proposal to issue the Loan Conversion Shares to Cape Lambert would be fair to the existing non associated shareholders if the value of the consideration being offered by Cape Lambert is greater than or equal to the value of the potential shares being issued as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on a Fe share for the purposes of this report.

5.1.3 The valuation methodologies we have considered in determining the current technical value of a Fe share are:

- Capitalised maintainable earnings/discounted cash flow;
- Takeover bid - the price which an alternative acquirer might be willing to offer;
- Adjusted net asset backing and windup value; and
- The market value price of Fe shares.

5.2 Capitalised Maintainable Earnings / Discounted Cash Flows

5.2.1 Fe currently does not have a reliable cash flow or profit history from a business undertaking and therefore this methodology is not appropriate. The Fe iron ore projects cannot proceed without further expenditure on evaluation and bankable feasibility studies and ultimately further funds for capital and working capital expenditure. Currently, Fe does not have sufficient funds and thus any perceived technical value of the iron ore projects on a discounted cash flow methodology is theoretical as without funds they will not be developed. Further details of the iron ore projects are included in the Al Maynard & Associates Pty Ltd Independent Technical Valuation of the Mount Ida and Mt Elvire iron ore projects in Western Australia in which Fe has an interest in dated 19 December 2013 (“AMA Valuation Report”) prepared by Al Maynard & Associates Pty Ltd (“AMA”) which is attached as an Appendix to the Notice.

5.3 Takeover Bid

We have been advised by the directors of Fe that are no previous bids for the Company. The directors do not believe that there would be any person with an interest in taking over the Company by way of a formal takeover bid at the current time. To our knowledge, there are no current bids in the market place and the directors of Fe and ourselves have formed the view that there is unlikely to be any takeover bids made for Fe in the immediate future. We have no reason to consider that the Fe directors’ views are not currently accurate. It is noted that potentially Cape Lambert may end up having a voting interest in Fe of around 60.63% or higher (refer paragraph 1.8 above).

5.4 Net Asset Backing and Wind-Up Value

5.4.1 As there is no intention to wind up the Company, we have not considered wind up values for the purposes of this report. We set out below the unaudited Statements of Financial Position of Fe as at 31 December 2013:

a) Balance Sheet “A”- Summary of the unaudited consolidated statement of financial position as at 31 December 2013;
b) Pro-forma Balance Sheet “B”- Summary of the unaudited consolidated statement of financial position as at 31 December 2013 adjusted for:

   - estimated administration and exploration costs for the 2 month period to 28 February 2014 for a total amount of $200,000;
   - Accrued interest to 21 February 2014 on the loans from Cape Lambert of approximately $34,356 to make the loans owing to Cape Lambert of $3,294,604;

- in relation to the sale of GEM, the receipts of $200,000 in cash at settlement upon the sale of GEM, as well as a further $2,252,000 in refund of environmental bond guarantees, and the cancellation of current assets held for sale as well as the cancellation of the environmental bond liability; and
- the substitution of the book values of the capitalised exploration expenditure of approximately $1,316,000 with the preferred values of the iron ore assets of Fe as ascribed by AMA of $755,000 and as detailed below in paragraph 5.4.4.

| | Unaudited 31 December 2013 "A" $000's | Pro-forma 31 December 2013 "B" $000's |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 142 | 2,394 |
| Receivables and deposit | 8 | 8 |
| Other Current Assets | 20 | 20 |
| Assets held for sale (Sale of GEM) | 461 | - |
| | 631 | 2,422 |
| **Non-current assets** | | |
| Plant and equipment | 28 | 28 |
| Capitalised exploration expenditure- (Iron ore assets) | 1,316 | 755 |
| Available for sale assets | 2 | 2 |
| Other receivables – environmental bonds | 2,252 | - |
| | 3,598 | 785 |
| Total assets | 4,229 | 3,207 |
| **Current liabilities** | | |
| Trade and other payables | 472 | 472 |
| Borrowings – Cape Lambert | 3,260 | 3,294 |
| Liabilities associated with current assets held for sale (Sale of GEM) | 2,265 | - |
| | 5,997 | 3,766 |
| Total liabilities | 5,997 | 3,766 |
| **Net Assets (Liabilities)** | **(1,768)** | **(559)** |
| Number of shares on issue | 115,521,575 | 115,521,575 |
| Net asset value/ (liability) per share (cents) | (1.53) | (0.48) |

The adjusted unaudited financial statements at 31 December 2013 disclose a total of $3,294,000 in total owing to Cape Lambert as current borrowings.

5.4.2 Based on the unaudited book values at 31 December 2013, this equates to a net liability per share (115,521,575 shares on issue) of approximately (1.53) cents (ignoring the value, if any, of non-booked tax benefits). On this basis the shares are deemed to have a nil value.

5.4.3 In determining the net tangible asset value on a going concern basis it is necessary to adjust the book values of the Iron Ore Assets to reflect the technical (market) fair value of those Assets. Fe had instructed AMA to undertake a valuation of the remaining iron ore assets of Fe. On 19 December 2013 AMA prepared the AMA Valuation Report in which they have valued Fe's Iron Ore Assets on a preferred, low and high value. We have used and relied on the AMA Valuation Report and have satisfied ourselves that:

- AMA is a suitably qualified consulting firm and has relevant experience in assessing the merits of iron ore projects and preparing iron ore asset valuations (also the principal author of the report is suitably qualified and experienced);
- AMA is independent from Fe and Cape Lambert;
- AMA has to the best of our knowledge employed sound and recognised methodologies in the preparation of the valuation report on the Fe Iron Ore Assets.

5.4.4. AMA has ascribed a range of market values for the Iron Ore Assets as follows:

| | **Low $000's** | **Preferred $000's** | **High $000's** |
|---|---|---|---|
| Iron Ore Assets | 680 | 755 | 831 |

5.4.5 Using the fair values in Australian Dollars of the Iron Ore Assets as ascribed in the AMA Valuation Report and based on the assumptions provided to us of the other assets and liabilities of Fe as at 31 December 2013 as per Balance Sheet B above, the net fair value of Fe is expected to lie in the range as follows:

| | **Paragraph** | **Low $000's** | **Preferred $000's** | **High $000's** |
|---|---|---|---|---|
| Iron ore Assets | 5.4.4 | 680 | 755 | 831 |
| Property, Plant and Equipment | | 28 | 28 | 28 |
| Remaining non-current assets | | 2 | 2 | 2 |
| Current assets | | 2,422 | 2,422 | 2,422 |
| Total liabilities | | (3,766) | (3,766) | (3,766) |
| Total Net Assets (Liabilities) | | (634) | (559) | (483) |
| Number of shares on issue | | 115,521,575 | 115,521,575 | 115,521,575 |
| **Net asset (liability) per share (cents)** | | **(0.55)** | **(0.48)** | **(0.42)** |

5.4.6 Based on the preferred values, the adjusted net book values at 31 December 2013 ("Balance Sheet B") equates to a liability per share (115,521,575 shares) of approximately (0.48) cents (ignoring the value, if any, of non-booked tax benefits).

Even if we assumed the Company had a "shell" value of between $250,000 and $750,000 (mid $500,000), the net asset (liability) per share would adjust to between (0.33) cents to 0.23 cents with a preferred negative value of (0.05 cents). However, there is no intention to place Fe into Administration and thus shell value may have limited importance.

5.5 Market Price of Fe Shares

5.5.1 We set out below a summary of the fully paid share prices of Fe since 1 July 2013 to 13 January 2014.

| | High Cents | Low Cents | Last Sale Cents | Volume Trade (000's) |
|---|---|---|---|---|
| July 2013 | 2.0 | 2.0 | 2.0 | 13 |
| August 2013 | 2.0 | 1.4 | 1.5 | 453 |
| September 2013 | 2.4 | 1.5 | 2.4 | 577 |

| | High Cents | Low Cents | Last Sale Cents | Volume Trade (000's) |
|---|---|---|---|---|
| October 2013 | 2.7 | 1.6 | 2.6 | 170 |
| November 2013 | 2.6 | 1.5 | 2.5 | 212 |
| December 2013 | 2.5 | 1.5 | 2.4 | 933 |
| January (to 14th) 2014 | - | - | - | Nil |

In August 2013, an announcement was released by the Company about the signing of a conditional term sheet for the sale of its Gympie Eldorado mine, with the announcement of the binding full form share sale agreement of GEM on 29 November 2013. There were no great movements in the share price upon the announcement of the sale of GEM. As can be seen above, the price at which shares traded varied considerably and it is difficult to arrive at a fair value for a Fe share, particularly in light of the very low trading volumes. Due to the extremely low volumes and varying share price, we have considered that the listed share price methodology is not the most appropriate methodology to use in this instance.

5.5.2 The capital markets over recent years have been in turmoil and the ability to raise capital has been restricted. Even arranging share placements has been difficult and where they have occurred they have been undertaken in the main at significant discounts to market values and technical values. As at 31 December 2013 the cash position of the Company was approximately $142,000. Through the loans provided to Fe, Cape Lambert has been financially supporting the Company. The Company's financial position is arguably insufficient to continue exploration and evaluation of its existing iron ore projects and pay new administration and corporate costs without a significant inflow of funds via a capital raising or loan funds. Further funds are required for 2014 and thereafter.

## 6. PREFERRED VALUATION METHOD FOR VALUING A FE SHARE.

6.1 In assessing the fair value of Fe and a Fe share pre the Proposed Transaction we have selected the net assets on a going concern methodology as the preferred methodology as:

- Fe does not generate revenues or profits and per the audited accounts has incurred significant losses in the financial years ended 30 September 2013 and 2012. Therefore the capitalisation of future maintainable earnings is not appropriate;
- Fe has no foreseeable future net cash inflows and therefore the Discounted Cash Flow methodology is not considered appropriate; and
- Although the shares of Fe are listed, there is not enough of a trading volume to use the ASX share prices to value the Company and the shares in the Company for the purposes of this report.

6.2 As stated at paragraph 5.4.5 we have assessed the value of Fe prior to the Proposed Transaction on a net asset basis on a going concern basis as follows:

| | **Low** | **Preferred** | **High** |
|---|---|---|---|
| **Net asset (liability) per share (cents)** | **(0.55)** | **(0.48)** | **(0.42)** |

In accordance with Regulatory Guide 111, we have relied upon AMA to assess the value of the remaining Iron Ore Assets and incorporated them in the table above in determining the net asset technical value. We note that, the net asset value may not necessarily reflect fair values in the current economic circumstances of the Company.

If funds can be raised and development of some of the iron ore projects proceed to development then arguably the fair value of a Fe share may be in excess of the current technical fair value.

Notwithstanding the prospectivity of the majority of the iron ore projects in which Fe has an interest in, without cash the Company cannot complete exploration and evaluation and in a worst case scenario may be forced into Administration. The net book asset (deficiency) backing per share is (1.56 cents) at 31 December 2013 based on the amended book values compared with the proposed Loan Conversion Share issue price that may approximate 1.92 cents per share (but could be lower or higher as noted in paragraph 1.8 above).

6.3 As noted above the estimated net asset price per share after adjusting for the valuation of the Iron Ore Assets varies from (0.55) cents to (0.42) cents with a preferred negative value of approximately (0.48) cents per share which is less than the last ASX share price of 2.4 cents on 19 December 2013.

We note that the future ultimate value of a Fe share will depend upon, inter alia:

- the ability to raise further cash to continue in business;
- the future prospects of its iron ore assets;
- the state of the iron ore market (and prices) in Australia and overseas;
- the state of Australian stock exchange and overseas stock markets;
- the strength of the Board and management and/or who makes up the Board and management;
- general economic conditions;
- the liquidity of shares in Fe; and
- possible joint ventures, acquisitions and divestments entered into by Fe.

## 7. PREMIUM FOR CONTROL

7.1 Premium for control for the purposes of this report, has been defined as the difference between the price per share, which a buyer would be prepared to pay to obtain or improve a controlling interest in the Company and the price per share which the same person would be required to pay per share, which does not carry with it control or the ability to improve control of the Company.

7.2 Under TCA, control may be deemed to occur when a shareholder or group of associated shareholders control more than 20% of the issued capital. In this case, Cape Lambert's voting shareholding in Fe could increase from approximately 19.9% as at 13 January 2014 to approximately 60.63% (or more) after the issue of the Loan Conversion Shares and before the issue of any other shares. Accordingly, we have addressed whether a premium for control will be paid by Cape Lambert.

7.3 It is generally accepted that premium for control may vary from nil to 40% or more depending on many different factors including the nature of the business, the financial position of the Company, and shareholding percentages. Prior to the issue of the Loan Conversion Shares, Cape Lambert has an approximate 19.9% interest in the Company and could increase to approximately 60.63% (or more) as noted above. Therefore we would expect the premium for control could be approximately 20%.

7.4 Our preferred methodology is to value Fe and a Fe share on a technical net asset basis which assumes a 100% interest in the Company. Therefore no adjustment is considered necessary to the technical asset value determined under paragraph 5.4.1 as this already represents the fair value of the Company or a share in the Company on a pre Proposed Transaction control basis.

7.5 We set out below the comparison of the low, preferred and high values of a Fe share compared to the issue price for the Loan Conversion Shares.

| | Para. | Low (cents) | Preferred (cents) | High (cents) |
|---|---|---|---|---|
| Estimated fair value of a Fe Share | 5.4.5 | (0.55) | (0.48) | (0.42) |
| Issue price of the Loan Conversion Shares (assumed) | | 1.92 | 1.92 | 1.92 |
| Excess/(shortfall) between Loan Conversion Price and fair value | | 2.47 | 2.40 | 2.34 |

7.6 On a pre Proposed Transaction control basis, the value of a Fe share ranges from (0.55) cents to (0.42) cents with a preferred value of (0.48) cents per share. The Loan Conversion Shares may be issued at 1.92 cents per share to Cape Lambert. Based on the preferred value of (0.48) cents per share, a premium for control is being paid by Cape Lambert.

7.7 We note that Cape Lambert have Board control of Fe, even before the proposal pursuant to Resolution 3, as the Cape Lambert already has an approximate 19.9% interest in Fe, common directors and thus control of Fe.

## 8. FAIRNESS OF THE PROPOSAL WITH CAPE LAMBERT

8.1 In arriving at our conclusion on fairness, we considered whether the transaction is "fair" by comparing:

(a) the fair market value of a Fe share pre-transaction on a control basis; versus
(b) the fair market value of a Fe share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

8.2 The low, preferred and high values of a Fe share **pre the Proposed Transaction on a control basis** as noted in paragraph 5.4.5 is:

| | Para. | Low (cents) | Preferred (cents) | High (cents) |
|---|---|---|---|---|
| Estimated fair value of a Fe Share | 5.4.5 | (0.55) | (0.48) | (0.42) |

8.3 The preferred fair value of a Fe share has been estimated at (0.48) cents on a pre Proposed Transaction control basis. The Loan Conversion Shares may be issued at 1.92 cents per share (or a lower or higher price) to Cape Lambert, the difference being 2.40 cents per share. As the preferred fair market value of a Fe share is less than the potential issue price of a Loan Conversion Share of approximately 1.92 cents, on this basis, the proposed issue of the Loan Conversion Shares is considered to be fair to the non associated shareholders.

The Loan Conversion Share Price that may be approximately 1.92 cents is below the last traded price of a Fe share of 2.4 cents and on this basis the proposed issue of the Loan Conversion Shares would be considered to be not fair to the non associated shareholders. However, it is our view that using the asset backing methodology is the most appropriate methodology to use in valuing a Fe share due to the extremely low volumes of trades in Fe shares as traded on ASX over the past six months and therefore as noted above, the proposed issue of the Loan Conversion Shares is considered fair to the non associated Fe shareholders.

8.4 We set out below the range of estimated technical net asset values of Fe based on Pro-forma Balance Sheet B as detailed in paragraph 5.4.1 and after adjusting for the following transactions:

- repayment of $1,000,000 in cash to Cape Lambert (the Cape Lambert Cash Settled Component);
- the conversion of $2,294,604 of the Cape Lambert Loan Funds into 119,510,625 shares at 1.92 cents each; and
- expensing of the costs associated with the Notice amounting to approximately $50,000.

| | **Low A$000's** | **Preferred A$000's** | **High A$000's** |
|---|---|---|---|
| Iron ore Assets | 680 | 755 | 831 |
| Property, plant and equipment | 28 | 28 | 28 |
| Remaining assets | 1,352 | 1,352 | 1,352 |
| Remaining liabilities | (472) | (472) | (472) |
| Total net assets | 1,588 | 1,663 | 1,739 |
| | | | |
| Number of shares on issue | 235,032,200 | 235,032,200 | 235,032,200 |
| Net asset value per share | 0.68 | 0.71 | 0.74 |
| Minority interest discount | 16.67% | 16.67% | 16.67% |
| Minority value per share (cents) | 0.56 | 0.59 | 0.62 |
| Loan Conversion Price (cents) (assumed) | 1.92 | 1.92 | 1.92 |

8.5 In order to reflect the minority interest value we have applied a minority interest discount to the technical net asset value. The minority interest discount has been calculated as the inverse of the premium for control of 20% as discussed in paragraph 7.3.

8.6 As noted above the fair market value of a Fe share **Post-Transaction on a minority basis**, taking into account the debt conversion and cash repayment and the associated dilution resulting from the issue of Loan Conversion Shares under the transaction ranges from approximately 0.56 cents to 0.62 cents with a preferred fair value of approximately 0.59 cents.

8.7 We set out below a comparison of:

(a) the fair assessed value of a Fe share pre-transaction on a control basis; versus

(b) the fair assessed value of a Fe share post-transaction on a minority basis, taking into account the additional cash raised and the associated dilution resulting from the issue of new shares under the transaction.

| | **Para.** | **Low (cents)** | **Preferred (cents)** | **High (cents)** |
|---|---|---|---|---|
| Estimated fair value of a Fe Share **Pre Transaction on a control basis** | 5.4.5 | (0.55) | (0.48) | (0.42) |
| Estimated fair value of a Fe Share **Post Transaction on a minority basis** | 8.4 | 0.56 | 0.59 | 0.62 |
| Excess/(shortfall) between Pre Transaction Price and Post Transaction Price | | 1.11 | 1.07 | 1.04 |

Using the preferred net asset fair values, the estimated fair value of a Fe share Pre Transaction on a control basis is less than the estimated fair value of a Fe share Post Transaction on a minority basis and on the preferred methodology basis, the issue of the Loan Conversion Shares would be fair.

As noted above, the ASX market value (to 19 December 2013) of a Fe share lies in the range of approximately 1.50 to 2.60 cents, with a last sale value of 2.40 cents per Fe share (on a non controlling interest basis) using the last sale price as a basis for valuing the Company and taking into account a premium for control of say 20%, the value of a Fe share to the non controlling interest (Cape Lambert) would be as follows:

| | |
|---|---|
| ASX market value on a non controlling interest basis | 2.40 cents |
| Premium for control (20%) | 0.48 cents |
| Value on a controlling interest basis | 2.88 cents |

| | |
|---|---|
| Number of shares on issue | 115,521,575 |
| Total Control Value pre-issue of shares to Cape Lambert | $3,326,021 |
| Debts converted by Cape Lambert and repaid in cash | $2,294,604 |
| Total Value | $5,620,625 |
| Minority Discount applied (16.67%) | $(936,958) |
| Minority valuation post issue of shares to Cape Lambert | $4,683,667 |
| Number of shares post issue of shares to Cape Lambert (assumes Loan Conversion Shares issued at 1.92 cents each) | 235,032,200 |
| Minority valuation post issue of Loan Conversion Shares (approximate in cents) | 1.99 cents |
| (Shortfall) in value to the minorities post the issue of Loan Conversion Shares to Cape Lambert | (0.89) cents |

Using the share price as the methodology for valuing Fe would suggest that the issue of the Loan Conversion Shares would not be fair as on a Post Transaction Minority Basis the shares are worth less than the value of the shares on a Pre Transaction Control Basis. However the use of share prices as listed on the ASX due to the extremely low volumes in trades is not the preferred methodology in valuing a share in Fe for the purposes of this report.

8.8 There are currently 375,000 options on issue with an exercise price of 15 cents (current share price is 2.4 cents per share, and the expiry date of the options is 23 March 2014). As these options are considered to be considerably out of the money, we have therefore excluded the 375,000 options from the calculation of the fully diluted net asset value per share.

**8.9 In our opinion:**

**The proposal as outlined in Resolution 3 to allow the issue of the Loan Conversion Shares to Cape Lambert is, based on our preferred asset backing methodology considered to be fair to the non-associated shareholders of Fe at the date of this report.**

Refer comments above using the market price methodology (not our preferred methodology).

## 9. REASONABLENESS OF THE PROPOSAL WITH CAPE LAMBERT

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposed share issue to Cape Lambert pursuant to Resolution 3.

**Advantages**

9.1 If shareholders do not approve Resolution 3, then there is the strong possibility that the Company cannot continue in its present form and the Company may be forced to divest itself of some or all of its iron ore projects. The Company is liable to repay the Cape Lambert Loan

Funds totalling $3,294,604 in full upon the sale of GEM. The Company does not have funds to satisfy the repayment of this amount. Accordingly, Fe is urgently required to obtain funds to allow the Company to continue its exploration activities on its iron ore assets. Additionally the funds are required to fund business development and corporate overheads. If the Loan Conversion Shares are not issued, the Company may not get the necessary funding to continue operating, to meet its commitments and to seek further financial support. It may need to dispose of its assets at distressed levels or fall into Administration.

9.2 The costs relating to the potential issue of the Loan Conversion Shares of approximately $50,000 is at a favourable rate when compared to capital raisings where the rates can be approximately 5% to 7% of capital being raised.

9.3 Cape Lambert is placing faith in Fe and its iron ore assets and as noted above the issue of Loan Conversion Shares should assist Fe in continuing in business. Having Cape Lambert as a significant shareholder may be an incentive to Cape Lambert to financially support Fe in future capital raisings although there is no assurance that this will occur. After the issue of the Loan Conversion Shares, Cape Lambert's interest would be significant and Cape Lambert would be determined to ensure its investment in Fe is successful.

9.4 The proposed repayment of the Cape Lambert Loan Funds, via the issue of the Loan Conversion Shares and the balance to be repaid in cash will remove significant liabilities from the balance sheet of Fe. The elimination of all these debts, totalling approximately $3,294,604 will significantly strengthen the balance sheet of the Company and may facilitate future capital raisings.

**Disadvantages**

9.5 The number of shares on issue may rise to 235,032,200 shares after the issue of the Loan Conversion Shares to Cape Lambert (and before any other share issues). This represents an approximate 103% increase in the shares of the Company as compared to the current shares on issue of 115,521,575 and represents a significant shareholding of an additional 40.73% in the Company is being issued to Cape Lambert (to a total potential percentage holding of 60.63% post consummation of Resolution 3). Potentially this may make the Company a less attractive investment for potential future investors. Effective control is being granted to Cape Lambert over Fe. The potential shareholding in Fe by Cape Lambert could be higher than 60.63% (refer paragraph 1.8 above and Schedule 1 attached to the Notice).

9.6 Fe shareholders will be effectively diluting their interest in a company that has the potential to develop its Iron Ore Assets, and in particular the Mount Ida and Mt Elvire tenements, which have been independently valued by AMA at $755,000 (preferred value).

9.7 On the issue of the Loan Conversion Shares and the receipt of the approximate $2,452,000 arising from the sale of GEM, a portion of these funds will be used to repay the Cape Lambert Loan Funds ($1,000,000), leaving a cash balance at disposal of Fe arising from the transaction sale of GEM totalling approximately $1,344,000.

**Other Factors**

9.8 There is always the possibility that the value of the Loan Conversion Shares may be significantly higher than the preferred fair value on a majority basis calculated above of (0.48) cents if the Company is able to successfully exploit its Iron Ore Assets. However, all shareholders would also benefit from an increased share price. As noted above, the Group currently has a deficiency in working capital (and a net book liability) and without immediate cash the Company may not continue in its present form and may be forced to sell iron ore assets or fall into Administration.

9.9 Cape Lambert is taking a risk in obtaining a substantial increased shareholding in Fe by the issue of Loan Conversion Shares. Fe's future share price may be determined by the exploitation and/or commercial success (or otherwise) of the iron ore projects owned by Fe. There is a huge incentive for Cape Lambert and the Cape Lambert to make Fe a successful company and have the share price rise considerably. All shareholders would benefit from a rise in the share price.

9.10 Having a cornerstone investor such as Cape Lambert has advantages but it may also limit the opportunity for other parties to bid for all or part of the shares in Fe in the future.

9.11 **In our opinion:**

**After taking into account the advantages, disadvantages and other factors, the proposal as outlined in Resolution 3 to allow the issue of Loan Conversion Shares to Cape Lambert is, on balance, considered to be reasonable to the non-associated shareholders of Fe at the date of this report.**

## 10. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

**In our opinion:**

**The proposal as outlined in Resolution 3 to allow the issue of Loan Conversion Shares to Cape Lambert is, based on our preferred methodology of an Fe share on an net asset backing basis, considered to be fair and reasonable to the non-associated shareholders of Fe at the date of this report.**

It is noted that we have not considered the share price as traded on ASX as the most appropriate methodology to use to ascribe a technical value to a Fe share due to the limited number and volumes of trades as recorded via the ASX. However, if we used the share prices between 25 September 2013 and 19 December 2013 and taking into account that the Loan Conversion Issue price is 80% of VWAP to Conversion Date, then the proposed issue of Loan Conversion Shares would not be fair but would still be considered reasonable.

## 11. SOURCES OF INFORMATION

11.1 In making our assessment as to whether the proposal pursuant to Resolution 3 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of Fe about the present and future operations of Fe. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the directors and management of Fe.

11.2 Information we have received, includes but is not limited to:

- Drafts of the Notice of General Meeting of Shareholders and ESS of Fe to 14 January 2014;
- Discussions with management of Fe;
- Shareholding details of Fe as at 8 January 2014;
- Share issue prices relating to Fe shares in 2013 (no sales between 20 December 2013 and 14 January 2014);
- Annual report of Fe for the year ended 30 September 2013;
- Announcements by Fe to its shareholders from 1 January 2013 to 14 January 2014;
- The budget and cash flow forecasts for 2013/14;
- Calculation sheets on the potential movement in share capital as a result of the debt conversions;

- The signed Loan Facility Agreement between Fe and Cape Lambert of 30 June 2011;
- The signed Convertible Loan Agreement between Fe and Cape Lambert date 30 April 2013;
- The Independent Valuation of the West Australian iron ore projects in which Fe has an interest by AMA dated 19 December 2013; and
- Unaudited consolidated statement of financial position of Fe as at 31 December 2013.

11.2 Our report includes Appendix and our Financial Services Guide. The Independent Valuation of the West Australian iron ore projects in which Fe has an Interest by AMA is also attached as an appendix to the Notice.

Yours faithfully
**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**
**(Trading as Stantons International Securities)**

**Martin Michalik**
**Director**

**APPENDIX A**

## AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Audit and Consulting Pty Ltd trading as Stantons International Securities dated 15 January 2014, relating to the proposed issue of Loan Conversion Shares to Cape Lambert as referred to in Resolution 3 in the Notice.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Fe other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transactions detailed in this report which would affect our ability to provide an independent opinion. The fee (excluding disbursements) to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated not to exceed $15,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stantons International Securities nor Martin Michalik or John Van Dieren have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report. Stantons International Securities has prepared independent expert's report for Fe in February 2010 but this has not affected our independence to prepare this report.

Stantons International Securities does not hold any securities in Fe. There are no pecuniary or other assets of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities, Mr John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

## QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (No 418019) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions involving securities. A number of the directors of Stantons International Audit and Consulting Pty Ltd are the directors and authorised representatives of Stantons International Securities. Stantons International Securities and Stantons International Audit and Consulting Pty Ltd (also trading as Stantons International) have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Martin Michalik CA and John Van Dieren FCA, the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

## DECLARATION

This report has been prepared at the request of the independent Directors of Fe in order to assist the shareholders of Fe to assess the merits of the proposal to which this report relates. This report has been prepared for the benefit of Fe and those persons only who are entitled to receive a copy for the purposes of Section 611 of the Corporations Act 2001 and does not provide a general expression of Stantons International Securities opinion as to the longer term values of Fe and its subsidiaries and assets. Stantons International Securities does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of Fe or its subsidiaries, businesses, other assets and liabilities. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

## DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 3 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 3.

## DECLARATION AND INDEMNITY

Recognising that Stantons International Securities may rely on information provided by Fe and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Fe has agreed:

(a) to make no claim by it or its officers against Stantons International Securities (and Stantons International Audit and Consulting) to recover any loss or damage which Fe may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Fe; and

(b) to indemnify Stantons International against any claim arising (wholly or in part) from Fe or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Fe or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Fe directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

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**FINANCIAL SERVICES GUIDE**
**DATED 15 JANUARY 2014**

**1. STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD (TRADING AS STANTONS INTERNATIONAL SECURITIES)**

Stantons International Securities (ABN 84 144 581 519 and AFSL Licence No 418019) (**"SIS"** or **"we"** or **"us"** or **"ours"** as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

**2. Financial Services Guide**

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (**"FSG"**). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 418019;**
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

**3. Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and debt instruments)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

**4. General Financial Product Advice**

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product. Where you do not understand the matters contained in the Independent Expert's Report you should seek advice from a registered financial adviser.

**5. Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**6. Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

**7. Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**8. Associations and relationships**

SIS is a trading name owned by Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. From time to time, SIS and Stantons International Audit and Consulting Pty Ltd (also trades as Stantons International) may provide professional services, including audit, accounting, probity management, corporate and financial advisory services, to financial product issuers in the ordinary course of its business.

**9. Complaints resolution**

**9.1 Internal complaints resolution process**

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

**9.2 Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 3001

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

**10. Contact details**

You may contact us using the details set out at section 9.1of this FSG or by phoning (08) 9481 3188 or faxing (08) 9321 1204.

ABN 31 112 731 638

## LODGE YOUR VOTE

**ONLINE** www.linkmarketservices.com.au

**By mail:**
FE Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

**By fax:** +61 2 9287 0309

**All enquiries to: Telephone:** 1300 554 474 **Overseas:** +61 1300 554 474



## SECURITYHOLDER PROXY FORM

I/We being a member(s) of FE Limited and entitled to attend and vote hereby appoint:

### STEP 1 APPOINT A PROXY

☐ **the Chairman of the Meeting *(mark box)***

**OR** if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy. I/we appoint the Chairman of the Meeting as an alternate proxy to the person named.

If no person/body corporate is named, the Chairman of the Meeting, is appointed as my/our proxy and to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at **9:30am on Friday, 21 February 2014, at 32 Harrogate Street, West Leederville WA 6007** and at any adjournment or postponement of the meeting. I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel. **The Chairman of the Meeting intends to vote undirected proxies in favour of relevant items of business.**

[1] If you appoint a proxy, we encourage you to direct your proxy how to vote on each item of business.
The Chairman of the Meeting, Directors and other Key Management Personnel of the Company and their closely related parties (see the Notice of Meeting and overleaf) will not cast any votes in respect of Resolution 1 (Remuneration Report) that arise from any undirected proxy that they hold.

**Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting.**

**Please read the voting instructions overleaf before marking any boxes with an** X

### STEP 2 VOTING DIRECTIONS

| | For | Against | Abstain* |
|---|---|---|---|
| **Resolution 1** Adoption of Remuneration Report | ☐ | ☐ | ☐ |
| **Resolution 2** Re-election of Director – Mr Paul Kelly | ☐ | ☐ | ☐ |
| **Resolution 3** Approval for Issue of Shares on Partial Conversion of Cape Lambert Loans | ☐ | ☐ | ☐ |
| **Resolution 4** Approval of 10% Placement Capacity – Shares | ☐ | ☐ | ☐ |

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### STEP 3 IMPORTANT – VOTING EXCLUSIONS

☐ If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do **not** wish to direct your proxy how to vote as your proxy in respect of Item 3 above, please place a mark in this box. By marking this box, you acknowledge that the Chairman of the Meeting may exercise your proxy even though he/she has an interest in the outcome of that Item and that votes cast by him/her for that Item, other than as proxyholder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 3 and your votes will not be counted in calculating the required majority if a poll is called on this Item.
The Chairman of the Meeting intends to vote undirected proxies in favour of Item 3.

### STEP 4 SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

| Securityholder 1 (Individual) | Joint Securityholder 2 (Individual) | Joint Securityholder 3 (Individual) |
|---|---|---|
| | | |
| Sole Director and Sole Company Secretary | Director/Company Secretary (Delete one) | Director |

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

# HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the meeting.

### Votes on Items of Business – Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together. The appointment of the Chairman of the Meeting as your alternate proxy also applies to the appointment of the second proxy.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either securityholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry.



## Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **9:30am on Wednesday, 19 February 2014,** being not later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy Forms may be lodged using the reply paid envelope or:

**ONLINE** www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

**by mail:**

FE Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

**by fax:**

+61 2 9287 0309

**by hand:**

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.**

# Fe Limited

Annual Report

2013

# CORPORATE DIRECTORY

| | | |
|---|---|---|
| **Australian Business Number** | 31 112 731 638 | |
| **Country of Incorporation** | Australia | |
| **Board of Directors** | Antony Sage | Non-Executive Chairman |
| | Mark Gwynne | Executive Director |
| | Paul Kelly | Non-Executive Director |
| **Company Secretary** | Eloise von Puttkammer | |
| **Principal Administrative Office and Registered Office** | 32 Harrogate Street<br>West Leederville, WA 6007 | |
| | Telephone: | +61 (0)8 6181 9793 |
| | Facsimile: | +61 (0)8 9380 9666 |
| **Share Registry** | Link Market Services<br>Level 12, 680 St Georges Tce<br>Sydney, NSW 2000 | |
| | Telephone: | 1300 554 474 (in Australia)<br>+61 (2) 9280 7111 (outside Australia) |
| | Website: | www.linkmarketservices.com.au |
| **Auditors** | Ernst & Young<br>11 Mounts Bay Road<br>Perth, WA 6000 | |
| **ASX** | Fe Limited's fully paid ordinary shares are quoted on the Official List of ASX.<br>The ASX code is FEL. | |

**CONTENTS**

## DIRECTORS' REPORT

The directors of Fe Limited ("FEL" or the "Company") present their report and the financial statements comprising FEL and its controlled entities (together the "Consolidated Entity") for the year ended 30 September 2013.

### Directors

The names and details of the Company's directors in office during the year and until the date of this report are as follows. All directors were in office for the entire year unless stated otherwise.

***Antony Sage**, (B com, FCPA, CA, FTIA) Non-Executive Chairman*

Mr Sage has in excess of 25 years' experience in the fields of corporate advisory services, funds management and capital raising. For the last 15 years Mr Sage has been involved in the management and financing of listed exploration mining companies all over the world. Mr Sage currently is, or has been a director of the following listed entities in the three years immediately before the end of the current financial year:

- Cape Lambert Resources Limited (December 2000 to Present);
- International Petroleum Limited* (January 2006 to Present);
- Cauldron Energy Limited (June 2009 to Present);
- Kupang Resources Limited (formerly Chameleon Mining NL) (September 2010 to Present);
- Matrix Metals Limited (December 2010 to Present);
- Global Strategic Metals NL (June 2012 to Present);
- African Petroleum Corporation Limited* (October 2007 to June 2013);
- International Goldfields Limited (February 2009 to May 2013); and
- African Iron Limited (January 2011 to March 2012).
  * Listed on National Stock Exchange of Australia

***Mark Gwynne**, Executive Director*

Mr Gwynne has been involved in gold exploration and mining for over 18 years, predominantly in Western Australia. Mr Gwynne has held management positions on mine sites and in the private sector of the mining industry, including general manager of an exploration consultancy company. Mr Gwynne is currently a director or has been a director of the following listed companies in the three years immediately before the end of the current financial year:

- Kupang Resources Limited (previously Chameleon Mining NL) (January 2013 to August 2013)
- International Petroleum Limited* (April 2009 to March 2012); and
- Orca Energy Limited (previously Monitor Energy Limited) (April 2006 to August 2011);
- International Goldfields Limited (January 2013 to May 2013)
  * Listed on National Stock Exchange of Australia

***Paul Kelly**, Non-Executive Director*

Mr Kelly has more than 20 years of experience in the fields of finance, investment and banking. Mr Kelly was previously National Manager of Advertising and Sponsorship for Members Equity Bank and has held a number of senior roles with the bank over a 15 year period. Mr Kelly is a director of the following listed entities.

- Kupang Resources Limited (formerly Chameleon Mining NL) (May 2010 to January 2013);
- International Goldfields Limited (November 2009 to January 2013)
- Eclipse Metals Limited (formerly Eclipse Uranium Limited) (March 2011 to November 2011); and
- Orca Energy Limited (previously Monitor Energy Limited) (February 2011 to August 2011).

### Company Secretary

***Eloise von Puttkammer***

Ms von Puttkammer has many years of experience in the finance and investment industry. Over the past ten years she has held administration, compliance, and company secretarial roles within both private and public companies. She has also had experience in the provision of governance and secretarial advice to ASX and AIM listed companies.

**Interests in the Shares and Options of the Company**

As at the date of this Report, the interests of the directors in the Company's Shares and Options are as follows:

| Directors | Interest | Ordinary Shares | Options |
|---|---|---|---|
| Antony Sage | Indirect | 2,071,699 | - |
| Mark Gwynne | - | - | - |
| Paul Kelly | - | - | - |

**Dividends and Distributions**

No dividends or distributions were paid to members during the year and none were recommended or declared for payment.

**Principal Activities**

The principal activity of the Consolidated Entity during the year was the management of iron ore, precious and base metal tenements in Western Australia.

**Operating Results**

The consolidated loss after providing for income tax amounted to $2,367,976 (2012: $1,838,118).

**Review of Corporate Activities**

*Divestment of Gympie Eldorado Gold Operations*

As previously announced, FEL advised that it had signed a conditional binding term sheet for the sale of its wholly owned subsidiary, Gympie Eldorado Mining Pty Ltd ("GEM")to a private Singapore registered Mining and Metals trading group company ("Purchaser"). In accordance with the conditions of the term sheet, the parties have now entered into a full form, share shale agreement to the sale of GEM. The Purchaser has also advised FEL that it has lodged the required Foreign Investment Review Board application for approval. The terms of the GEM Sale include:

- Payment of $50,000 deposit under execution of term sheet (received by FEL)
- Payment of a further $200,000 upon completion of the GEM Sale
- Refund of $2,264,984 in respect of environmental performance bonds
- 3% Net Smelter Return from gold derived from the Gympie Eldorado Mine
- 10% of any profits from any future sale of freehold land which comprises the Gympie Eldorado Gold Mine Tailings Site.

*Funding*

In June 2011, FEL secured a $2,000,000 standby loan facility ("Facility") entered into with cornerstone shareholder Cape Lambert Resources Limited (ASX: CFE) ("Cape Lambert"), which currently holds a 19.9% interest in FEL. At 30 September 2013, $2,000,000 had been drawn down under the facility. During the current period, the Company renegotiated a deferral of its repayment obligation to 31 December 2013. In addition, the Company secured an additional short-term facility with Cape Lambert capped at $1,000,000, to enable it to meet its obligations as and when they fall due. At 30 September 2013, $1,000,000 had been drawn down under the facility, which is also repayable by 31 December 2013. Interest is payable on the amounts drawn down at the cash rate plus 3% per annum. Furthermore, it has been negotiated with Cape Lambert that subject to receipt of necessary shareholder approvals by the Company that Cape Lambert may convert the outstanding monies into fully paid ordinary shares in the Company. FEL has entered into discussions with CFE for an extension to the loan agreement and securing bridging finance until the GEM Sale is completed. In addition, FEL is currently in negotiations with Cape Lambert to obtain a deferral of its repayment obligation, and to finalise an arrangement for settlement of the existing loans.

*Sale of Non-Core Assets*

On 15 November 2013, FEL completed the sale of 100% of its interests in:

(a) Grafters and Bardoc Tenements consisting of 13 prospecting licences for $149,500 cash; and
(b) Vettersburg Tenements consisting of 2 mining leases for $13,000 cash.

**Review of Operations**

The Company holds, or has rights or interests in tenements prospective for iron ore, nickel, copper and gold located mostly in Western Australia. This total includes 77 interests and rights in the 3 iron ore-focused projects at Mt Ida, Mt Elvire and Robinson Range, which are the Company's core projects.

**Mt Ida Iron Ore Project ("Mt Ida") (85-100% Fe rights)**

Mt Ida is approximately 80km northwest of the operational railway at Menzies, which offers access to existing port facilities at Esperance. Esperance port is proposing an upgrade of facilities to increase capacity by approximately 10MTPA by mid-2015.

The Project comprises the rights to explore and mine for iron ore on a group of 71 licences covering approximately 370km$^2$ in the emerging Yilgarn Iron Province. The principal targets are located on licences E29/561 and E29/644 where the Company holds 100% and 85% respectively of the rights to explore for and mine iron ore. These tenements are prospective for detrital and in-situ DSO iron mineralisation, especially in the hanging-wall and at cross fault / BIF unit intersections, and for large magnetite BIF deposits.

The Project area covers part of the Mt Ida - Mt Bevan BIF, which is currently being explored and evaluated by Jupiter Mines Limited ("Jupiter") and Legacy Iron Ore ("Legacy").

The Company has completed planning for field studies including reverse circulation drilling programs to test hematite targets.

**Mt Elvire Iron Ore Project ("Mt Elvire") (100%)**

Mt Elvire comprises a granted exploration license (60km$^2$) and 1 application located 230km northwest of Kalgoorlie in the Yilgarn Iron Province of Western Australia. The project is located 150km west of the railway at Menzies and 140km north of the railway at Koolyanobbing.

The Mt Elvire license is prospective for magnetite BIF and small overlying Direct Shipping Iron Ore ("DSO") deposits.

**Robinson Range Iron Ore Project (20%)**

PepinNini Minerals Ltd ("PepinNini") (50% iron ore rights) is the operator of the Robinson Range Iron Ore Project.

FEL, via its subsidiary Jackson Minerals Pty Ltd, holds 20% free carried interest to Decision to Mine in four exploration licenses (E51/1033, E52/1613, E52/1670, E52/1672) in the Robinson Range Project (refer Map 1).

PepinNini has previously announced mineral resource estimates for iron ore mineralisation at the Robinson Range Project, please refer to their web site for further information.

**Peak Hill Projects ("Peak Hill") (20% rights, free carried to decision to mine)**

Via its wholly owned subsidiary, Jackson Minerals Pty Ltd, FEL has a 20% free carried interest in 21 tenements in the Peak Hill Gold Field, including tenements proximal to Sandfire Resources NL Doolgunna Project and DeGrussa copper gold mine (14.33Mt @ 4.6%Cu and 1.6g/t Au) and several gold and copper prospects. The region remains underexplored for copper and gold potential. The Peak Hill Project tenements have been the subject to sales to Alchemy Resources Ltd (ASX: ALY), Resource and Investment NL (ASX: RNI) and PepinNini Minerals Ltd (ASX: PNN).

**Grosvenor Gold Project (RNI 80%, FEL20% free carried to Decision to Mine)**

FEL, via its subsidiary, Jackson Minerals Pty Ltd, holds a 20% free carried interest to Decision to Mine in eight exploration licenses (E51/1033, E51/1060, E52/1613, E52/1655, E52/1659, E52/1670, E52/1671, E52/1672) and five prospecting licenses (P52/1169, P52/1170, P52/1171, P52/1172, P52/1194) (refer Figure 2: Grosvenor Gold / Bryah Basin Map).

The tenements hold favourable geological settings hosting the DeGrussa VMS discovery.

**Bryah Basin Copper Project (ALY 80%, FEL 20% free carried to Decision to Mine)**

FEL, via its wholly owned subsidiary Jackson Minerals Pty Ltd holds a 20% free carried interest to Decision to Mine in four exploration licenses (E52/1668, E52/1678, E52/1722, E52/1730) and four prospecting licenses (P52/1167, P52/1168, P52/1196) (refer Figure 2: Grosvenor Gold / Bryah Basin Map).

**Grafters / Bardoc / Vettersburg Project**

On 15 November 2013, the Company sold its interest in 15 tenements within this project, totalling an area of 18km$^2$ for total consideration of $162,500 cash.

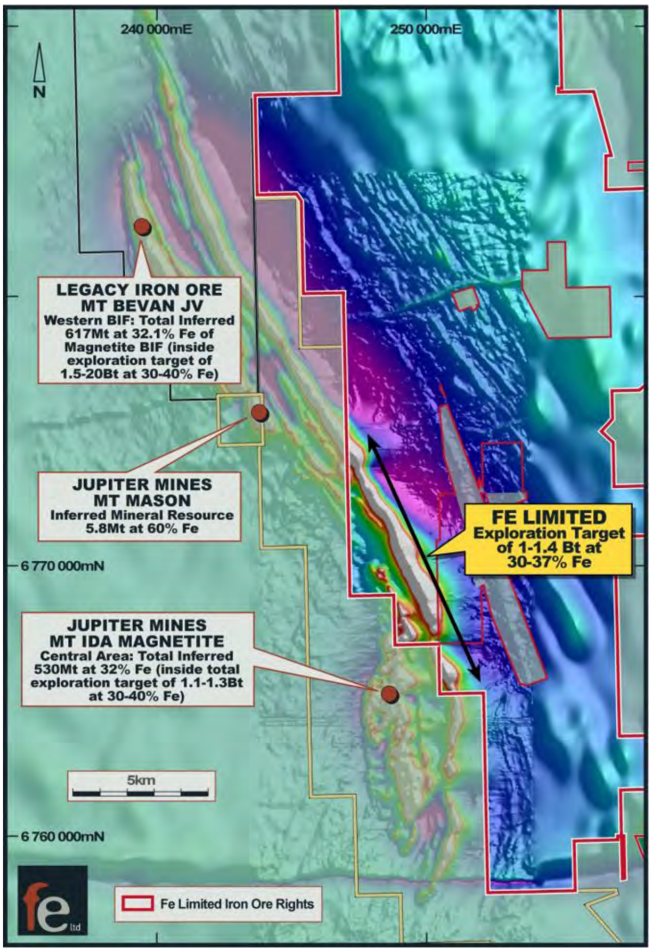


**Figure 1: Mt Ida District (on TMI geophysics)**

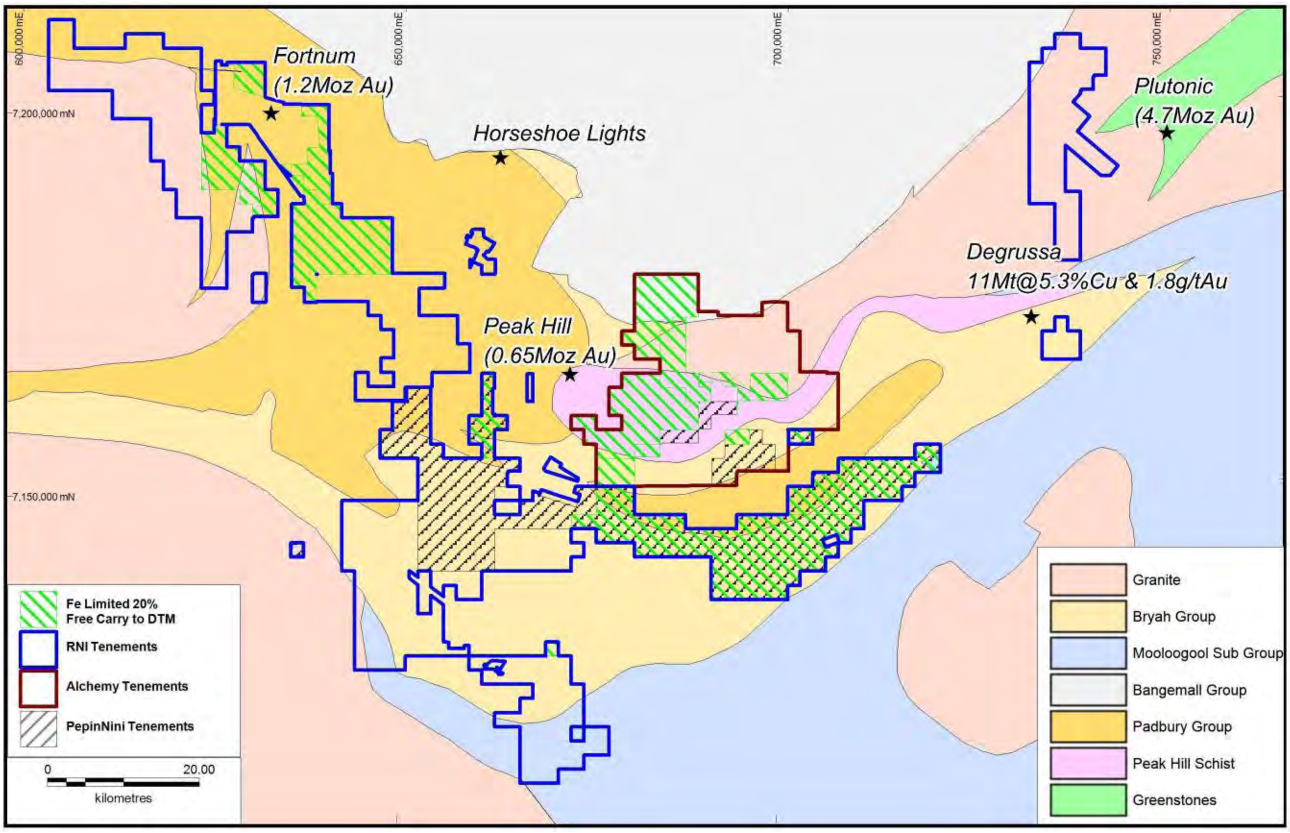


**Figure 2: Grosvenor Gold / Bryah Basin Map**

**Competent Person Statement**

The contents of this Report relating to Exploration Results are based on information compiled by Dennis Kruger, a Member of the Australasian Institute of Mining and Metallurgy. Mr Kruger is a consultant to Fe and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity 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 Kruger consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

**Competent Person Statement**

The contents of this Report relating to Mineral Resources and Ore Reserves are based on information compiled by Olaf Frederickson, a Member of the Australasian Institute of Mining and Metallurgy. Mr Frederickson is a consultant to Fe and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity 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 Frederickson consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

**Significant Changes in the State Of Affairs**

There have been no changes in the state of affairs of the Consolidated Entity other than those disclosed in the review of operations.

**Significant Events Subsequent to Reporting Date**

On 15 November 2013, FEL completed the sale of 100% of its interests in:

(a) Grafters and Bardoc Tenements consisting of 13 prospecting licences for $149,500 cash; and

(b) Vettersburg Tenements consisting of 2 mining leases for $13,000 cash.

On 29 November 2013, FEL announced that it had signed a full form share sale agreement for the sale of Gympie Eldorado Mining Pty Ltd ("GEM") to a private Singapore registered Mining and Metals trading group company ("Purchaser"). In accordance with the conditions of the term sheet, the parties have now entered into a full form, share shale agreement to the sale of GEM. The Purchaser has also advised FEL that it has lodged the required Foreign Investment Review Board application for approval. The terms of the GEM Sale include:

- Payment of $50,000 deposit under execution of term sheet (received by FEL)

- Payment of a further $200,000 upon completion of the GEM Sale
- Refund of $2,264,984 in respect of environmental performance bonds
- 3% Net Smelter Return from gold derived from the Gympie Eldorado Mine
- 10% of any profits from any future sale of freehold land which comprises the Gympie Eldorado Gold Mine Tailings Site.

Other than detailed above there are no events subsequent to 30 September 2013 and up to the date of this report that would materially affect the operations of the consolidated entity or its state of affairs which have not otherwise been disclosed in this financial report.

**Environment Regulation and Performance**

The Consolidated Entity continues to meet all environmental obligations across its tenements. No reportable incidents occurred during the year. Environmental regulations applicable to the Consolidated Entity include the Environmental Protection Act 1994.

**Options**

During the year and to the date of this Directors' Report, the Company has not issued any options.

As at the date of this Report, the Company has on issue:

- 375,000 unlisted options exercisable at $0.15 each and expiring on 23 March 2014.

There were no ordinary shares issued during the year on conversion of options.

Option holders do not have any right, by virtue of the option, to participate in new issues of Shares offered to Shareholders.

**Indemnification and Insurance of Directors and Officers**

The Company has entered into a Deed of Access, Insurance and Indemnity with each of the directors. Under the terms of these Deeds, the Company has undertaken, subject to restrictions in the Corporations Act, to:

- indemnify each director in certain circumstances;
- advance money to a director for the payment of any legal costs incurred by a director in defending legal proceedings before the outcome of those proceedings is known (subject to an obligation by the director to repay any money advanced if a court determines that the director was not entitled to it);
- maintain directors' and officers' insurance cover in favour of each director whilst they remain a director of Fe Limited and for a run out year after ceasing to be such a director; and
- provide each director with access to Board papers and other documents provided or available to the director as an officer of Fe Limited.

During the year, the Company had in place and paid premiums for insurance policies indemnifying directors and officers of the Company against certain liabilities incurred in the conduct of business or in the discharge of their duties as directors or officers. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premium paid, the nature of the liability covered by the policies, the limit of liability and the name of the insurer.

**Likely Developments and Future results**

The Consolidated Entity intends to continue its focus on the exploration for iron ore and precious and base metals at its core projects. Following a strategic review of the Company's non-core projects, the directors will continue to compile the necessary commercial and technical information and seek expressions of interest in the non-core projects.

**Directors' attendance at Meetings**

The number of meetings of the Company's Board of directors held during the year and the number of meetings attended by each director was as follows:

| Directors | Meetings of Directors | |
|---|---|---|
| | Eligible to attend | Attended |
| Antony Sage | 2 | 2 |
| Mark Gwynne | 2 | 2 |
| Paul Kelly | 2 | 2 |

**REMUNERATION REPORT (AUDITED)**

This Report outlines the remuneration arrangements in place for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning and directing the major activities of the Company and the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the executives in the parent and the subsidiary companies.

**Details of Key Management Personnel**

*Directors*

| | |
|---|---|
| A Sage | Director (Non-Executive chairman) |
| M Gwynne | Director (Executive) |
| P Kelly | Director (Non-Executive) |

*Executives*

| | |
|---|---|
| E von Puttkammer | Company Secretary |
| C Grant | Chief Financial Officer (appointed 1 June 2013) |

**Remuneration Philosophy**

The performance of the Consolidated Entity depends on the quality of its directors, executives and employees. Consequently, the Consolidated Entity must attract, motivate and retain appropriately qualified industry personnel.

The following principles are embodied in the remuneration framework:

- provide competitive rewards to attract and retain high calibre executives, directors and employees; and
- link executive rewards to shareholder value.

**Remuneration Policy**

During the year, the Company did not have a separately established remuneration committee. The Board is responsible for determining and reviewing remuneration arrangements for the executive and non-executive directors and the Chairman. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a yearly basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from retention of a high quality board. The directors are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The remuneration of executive and non-executive directors is not dependent on the satisfaction of performance conditions. Remuneration and share based payments are issued to align directors' interests with that of shareholders.

The Consolidated Entity has a policy which restricts executives and directors entering into contracts to hedge their exposure to options granted as part of their remuneration package.

**Performance and shareholder wealth**

Below is a table summarising key performance and shareholder wealth statistics for the Consolidated Entity over the last five financial years.

| Financial year | Profit / (Loss) after tax '000s | Loss per share (Cents) | Share Price (Cents) |
|---|---|---|---|
| 30 September 2009 | (1,766) | (2.47) | 7.00 |
| 30 September 2010 | (1,064) | (1.17) | 14.50 |
| 30 September 2011 | (4,605) | (3.99) | 8.50 |
| 30 September 2012 | (1,838) | (1.59) | 3.10 |
| 30 September 2013 | (2,368) | (2.05) | 2.40 |

**Executive Directors' Remuneration**

The Board seeks to set remuneration of the executive directors at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Executive Director Mr Gwynne is entitled to receive $175,000 per annum. In addition he is entitled to reimbursement of reasonable expenses for attendance at meetings. There is no employment contract between the Company and Mr Gwynne.

Details of remuneration paid to executive directors are provided in the table below.

**Non-Executive Director Remuneration**

The Board seeks to set remuneration of non-executive directors at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Mr Kelly is entitled to receive $60,000 per annum. There is currently no employment contract between the Company and Mr Kelly.

Total remuneration paid to non-executive directors is capped at $350,000.

Summary details of remuneration for non-executive directors are given in the table below.

**Chairman's Remuneration**

The Company aims to reward the Chairman with a level and mix of remuneration commensurate with his position and responsibilities within the Company to:

- align the interests of the Chairman with those of shareholders;
- ensure that total remuneration is competitive by market standards.

Mr Sage is entitled to receive $120,000 per annum. There is currently no employment contract between the Company and Mr Sage.

**Compensation of Key Management Personnel**

| Consolidated<br>30 September 2013 | Short-Term<br>Salary & Fees<br>$ | Post-Employment<br>Superannuation<br>$ | Share-based Payment<br>Share Options<br>$ | Total<br>$ | % Performance Based | % Comprising Options |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| A Sage (i) | 120,000 | - | - | 120,000 | - | - |
| M Gwynne (ii) | 175,000 | - | - | 175,000 | - | - |
| P Kelly (iii) | 60,000 | - | - | 60,000 | - | - |
| | 355,000 | - | - | 355,000 | - | - |
| **Executives** | | | | | | |
| E von Puttkammer | - | - | - | - | - | - |
| C Grant (iv) | - | - | - | - | - | - |
| | - | - | - | - | - | - |

For the year ended 30 September 2013:

(i) $120,000 was paid or payable to Okewood Pty Ltd a company that Mr Sage is a director of.

(ii) $175,000 was paid or payable to Silverwest Corporation Pty Ltd a company that Mr Gwynne is a director of.

(iii) $60,000 was paid or payable to PAFK Enterprises Pty Ltd a company which Mr Kelly is a director of.

(iv) C Grant is an employee of Cauldron Energy Ltd ("Cauldron"). A Sage is a director of Cauldron. During the year $11,608 was paid or payable to Cauldron for consulting fees.

| Consolidated<br>30 September 2012 | Short-Term Salary & Fees<br>$ | Post-Employment Superannuation<br>$ | Share-based Payment Share Options<br>$ | Total<br>$ | % Performance Based | % Comprising Options |
|---|---|---|---|---|---|---|
| **Directors** | | | | | | |
| A Sage (i) | 120,000 | - | - | 120,000 | - | - |
| M Gwynne (ii) | 175,000 | - | - | 175,000 | - | - |
| P Kelly (iii) | 60,000 | - | - | 60,000 | - | - |
| K Bischoff (iv) | 1,200 | - | - | 1,200 | - | - |
| | 356,200 | - | - | 356,200 | - | - |
| **Executives** | | | | | | |
| E von Puttkammer | - | - | - | - | - | - |
| | - | - | - | - | - | - |

For the year ended 30 September 2012:

(i) $120,000 was paid or payable to Okewood Pty Ltd a company that Mr Sage is a director of.

(ii) $175,000 was paid or payable to Silverwest Corporation Pty Ltd a company that Mr Gwynne is a director of.

(iii) $60,000 was paid to PAFK Enterprises Pty Ltd a company which Mr Kelly is a director of.

(iv) $1,200 was paid or payable to Paniki Services Pty Ltd a company that Mr Bischoff is a director of. Mr Bischoff was appointed on 21 March 2011, and resigned on 28 November 2011.

**Options Granted as Part of Remuneration**

Options are granted to certain executives, employees and consultants of the Consolidated Entity in the form of share-based payments. There is currently no formal employee share plan. There were no options granted during the current year. The purpose of the grant of options to selected employees in previous years was to:

- recognise the ongoing ability of the employees of the Consolidated Entity and their expected efforts and contribution in the long term to the performance and success of the Company; and
- provide an incentive to the employees of the Consolidated Entity to remain in their employment in the long term.

*Director and Executive Options Awarded and Vested*

There were no options granted to directors and executives during the year ended 30 September 2013.

There were no shares issued on exercise of options during the year.

*Options Lapsed without Exercise*

| 30 September 2013 | Balance at 1 October 2012 | Acquired /granted during year | Lapsed during Year | Balance at 30 September 2013 | Exercisable | Not Exercisable |
|---|---|---|---|---|---|---|
| *Directors* | | | | | | |
| A Sage | 2,500,000 | - | (2,500,000) | - | - | - |
| M Gwynne | 1,500,000 | - | (1,500,000) | - | - | - |
| P Kelly | - | - | - | - | - | - |
| *Executives* | | | | | | |
| E Von Puttkammer | 250,000 | - | (250,000) | - | - | - |
| C Grant | - | - | - | - | - | - |
| | 4,250,000 | - | (4,250,000) | - | - | - |

| 30 September 2012 | Balance at 1 October 2011 | Acquired /granted during year | Lapsed during Year | Balance at 30 September 2012 | Exercisable | Not Exercisable |
|---|---|---|---|---|---|---|
| *Directors* | | | | | | |
| A Sage | 2,500,000 | - | - | 2,500,000 | 2,500,000 | - |
| M Gwynne | 1,500,000 | - | - | 1,500,000 | 1,500,000 | - |
| P Kelly | - | - | - | - | - | - |
| K Bischoff (i) | - | - | - | - | - | - |
| *Executives* | | | | | | |
| E Von Puttkammer | 250,000 | - | - | 250,000 | 250,000 | - |
| | 4,250,000 | - | - | 4,250,000 | 4,250,000 | - |

(i) Resigned 28 November 2011

**End of Remuneration Report**

**Auditors' Independence Declaration**

Section 307C of the Corporations Act 2001 (Cth) requires the Company's auditors, Ernst & Young, to provide the directors of the Company with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration for the year is set out on page 13 and forms part of this Directors' Report. The Directors are satisfied with the independence of the auditors.

**Non-Audit Services**

No non-audit services were provided to the Consolidated Entity by the auditor, Ernst & Young, during the year.

This report is signed in accordance with a resolution of the Board of Directors.

Mark Gwynne
Executive Director

18 December 2013

Ernst & Young
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Perth WA 6000 Australia
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# Auditor's Independence Declaration to the Directors of Fe Limited

In relation to our audit of the financial report of Fe Limited for the financial year ended 30 September 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
18 December 2013

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Fe Limited (**FEL**) is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council's (**CGC**) Corporate Governance Principles and Recommendations (**Recommendations**) and CGC published guidelines.

In accordance with ASX Listing Rule 4.10.3, this corporate governance statement discloses the extent to which the Company has followed the Recommendations by detailing the Recommendations that have not been adopted by the Company and the reasons why they have not been adopted. The Company is pleased to advise that the Company's practices are largely consistent with CGC guidelines, however, in areas where they do not correlate, the Company is working toward compliance or does not consider that the practices are appropriate for the current size and scale of operations.

FEL corporate governance practices were in place throughout the year ended 30 September 2013. The current corporate governance policy is posted in a dedicated corporate governance information section of the Company's website at www.felimited.com.au.

**Adherence to the Guide on Best Practice Recommendations**

| | *Recommendation* | *Comply Yes / No* |
|---|---|---|
| **Principal 1 – Lay solid foundations for management and oversight** | | |
| 1.1 | Formalise and disclose the functions reserved to the Board and those delegated to management. | Yes |
| 1.2 | Disclose the process for evaluating the performance of senior executives. | Yes |
| 1.3 | Provide the information indicated in the guide to reporting on Principle 1. | Yes |
| **Principal 2 – Structure the Board to add value** | | |
| 2.1 | A majority of the Board should be independent directors. | No |
| 2.2 | The chairperson should be an independent director. | No |
| 2.3 | The roles of chairperson and chief executive officer should not be exercised by the same individual. | Yes |
| 2.4 | The Board should establish a nomination committee. | No |
| 2.5 | Disclose the process for evaluating the performance of the Board, its committees and individual directors. | Yes |
| 2.6 | Provide the information indicated in the guide to reporting on Principle 2. | Yes |
| **Principal 3 – Promote ethical and responsible decision-making** | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>3.1.1 The practices necessary to maintain confidence in the Company's integrity.<br>3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.<br>3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Yes |
| 3.2 | Establish and disclose the policy concerning trading in Company securities by directors, senior executives and employees. | Yes |
| 3.3 | Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them. | No |
| 3.4 | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | Yes |
| 3.5 | Provide the information indicated in the guide to reporting on Principle 3. | Yes |
| **Principal 4 – Safeguard integrity in financial reporting** | | |
| 4.1 | The Board should establish an audit committee. | No |
| 4.2 | The audit committee should be structured so that it:<br>▪ consists only of non-executive directors;<br>▪ consists of a majority of independent directors;<br>▪ is chaired by an independent chairperson, who is not chairperson of the Board; and<br>▪ has at least three members. | No |
| 4.3 | The audit committee should have a formal charter | No |
| 4.4 | Provide the information indicated in the guide to reporting on Principle 4. | No |

| | | |
|---|---|---|
| **Principal 5 – Make timely and balanced disclosure** | | |
| 5.1 | Companies should established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | Yes |
| 5.2 | Provide the information indicated in the guide to reporting on Principle 5. | Yes |
| **Principal 6 – Respect the rights of shareholders** | | |
| 6.1 | Companies should design a communication policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy. | Yes |
| 6.2 | Provide the information indicated in the guide to reporting on Principle 6. | Yes |
| **Principal 7 – Recognise and manage risk** | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. | Yes |
| 7.3 | The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Yes |
| 7.4 | Provide the information indicated in the guide to reporting on Principle 7. | Yes |
| **Principal 8 – Remunerate fairly and responsibly** | | |
| 8.1 | The Board should establish a remuneration committee. | No |
| 8.2 | The remuneration committee should be structured so that it:<br>8.2.1 Consists of a majority of independent directors;<br>8.2.2 Is chaired by an independent chair; and<br>8.2.3 Has at least three members. | No |
| 8.3 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | Yes |
| 8.4 | Provide the information indicated in the guide to reporting on Principle 8. | Yes |

**Functions of the Board**

The Board is responsible for the corporate governance of the Company. In carrying out its governance role, the Board's primary responsibility is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body.

It is the role management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. The Board ensures that management is appropriately qualified and experienced to discharge their responsibilities. The Board has the final responsibility for the successful operations of the Company.

The Board has adopted a formal charter that details the functions and responsibilities of the Board. The Board Charter can be viewed on the Company's website. The Board of FEL is responsible for:

- oversight of the Company, including its control and accountability systems;
- appointment or removal of the Company Secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- identification of significant areas of potential business and legal risk;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;

- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, key executives and employees in the performance of their roles. The Code of Conduct addresses the minimum standard expected by the Company to maintain the Company's integrity, legal obligations and expectations of shareholders, responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

**Structure of the Board**

The names, term of office, skills, experience and expertise of the Directors in office at the date of this Annual Report are set out at the beginning of the Directors' Report. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgement skills.

The Board has been formed so that is has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations.

Directors of FEL are considered to be independent when they are a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr A.W.P. Sage is not considered to be independent when applying the definition of independence by virtue of the fact that he is an executive officer of a major shareholder of the Company. The Board believes his experience and knowledge of the Company makes him the most appropriate person to lead the Board.

Mr M. Gwynne is currently the Executive Director of the Company and by virtue of his role is not considered independent. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes, Mr M. Gwynne remains the most appropriate person to fulfil this role.

Mr P. Kelly is considered an independent Non-Executive Director.

The Board is conscious of the need for independence and ensures that Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Board meeting which considers those transactions or potential transactions and do not discuss those transactions or potential transactions with other Directors.

The retirement by rotation of Directors is governed by the Company's constitution, the Corporations Act and the ASX Listing Rules. According to clause 5.1 of the Company's constitution, at each annual general meeting of the Company one third of the Directors or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third, retire from office but no Director may retain office for more than three years without submitting himself or herself for re-election even though the submission results in more than one third of the directors retiring from office. The Directors to retire by rotation at an annual general meeting are those who have been longest in office since their election. According to clause 5.7 of the Company's constitution a Managing Director is not subject to retirement by rotation and is not taken into account in determining the rotation of retirement of directors.

For the purposes of the proper performance of their duties, Directors are entitled to seek independent professional advice at FEL expense in certain circumstances.

The Company's constitution states that subject to the Corporations Act and the ASX Listing Rules, the Directors may, with the approval of the Company in general meeting, pay a director of the Company who has ceased to hold office a lump sum in respect of his or her past services as a director.

**Review of Performance**

The performance of the Non-Executive Chairman is monitored by the Non-Executive Director(s). A formal performance review of the Non-Executive Chairman did not occur during the year. The performance of the Executive Director of the Company is monitored by the remainder of the Board, no formal performance appraisal of the Executive Director occurred during the year.

The performance of senior management is monitored by the Executive Director.

There is currently no formal process for performance evaluation of the Board or individual Directors. No formal performance evaluation of the Board, the Audit Committee or individual Directors took place during the year.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continued professional development.

**Audit Committee**

The Company has a formal Audit Committee Charter that forms part of the Corporate Governance Charter. The charter states that where the Board comprises only three members the Audit Committee will consist of two non-executive Directors.

The Audit Committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Company;
- oversee the financial reporting process to ensure compliance with statutory and accounting standards;
- review the annual and half-year financial reports and recommend them for approval by the Board;
- review and make recommendations to the Board regarding the appointment or dismissal of external auditors;
- review the performance of the external auditors and existing audit arrangements;
- oversee the processes used by management to ensure compliance with laws, regulations and other statutory or professional requirements; and
- review annually the requirement for an internal audit function.

The Audit Committee did not hold a full meeting during the year.

**Risk Management**

The Board is ultimately responsible for identifying and managing areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks.

Recognised areas of risk include financial, legal, reputation, operation and strategic risks.

Management has reported to the Board as to the effectiveness of the Company's management of its material business risks.

Controls for the management of risk have been determined and the following are some examples of these controls. i) Use of independent accountants for the monitoring and preparation of financial reports, ii) open access for all directors to senior management, and iii) regular mine site attendance and review of operating and exploration plans by the Board.

The Board has received assurance from the Executive Director and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.1 states that the Company should establish policies for the oversight and management of material business risks and disclose a summary of those policies. The Board have established a formal risk management program further details regarding the program can be found in the Corporate Governance Statement available on the Company's website.

**Remuneration and Nomination Committee**

During the year FEL did not have a separately established remuneration and nomination committee. The collective Board serves as a remuneration and nomination committee to undertake the duties and responsibilities typically delegated to such a committee. The Board have in place formal procedures for the selection and appointment of directors. It is the Company's objective to retain high quality Board and senior management by remunerating fairly and appropriately with reference to relevant employment market conditions. For full disclosure of Director and executive remuneration for the period, please refer to the Remuneration Report, which is contained within the Directors' Report. Given the Company's size the Board does not believe that any marked efficiencies or benefit would be achieved by the creation of a separate remuneration and nomination committee.

**Remuneration Policy**

Directors' remuneration is approved by resolution of the Board when a Director is appointed to the Company, and a resolution of Shareholders when the remuneration of Non-Executive Directors increases.

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by Shareholders for the remuneration of Non-Executive Directors.

Full details regarding the remuneration of Directors is included in the Directors' Report.

Senior executives are remunerated in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Senior executive remuneration may be comprised of the following:

- fixed fee that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders; and
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black-Scholes option pricing model.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

**Criteria for selection of Directors**

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with relevant industry experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

**Diversity Policy**

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation.

The Company has adopted a diversity policy which provides a framework for the Company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviors for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Board is primarily responsible for setting achievable objectives on gender diversity and monitoring the progress of the Company towards them on an annual basis. Due to the size and scale of operations of the Company, the Board has determined that a long term gender diversity objective is more appropriate.

The following table shows the representation of women in the Company as at 30 September 2013:

| | Total Number | Women | %Women |
|---|---|---|---|
| Whole organisation | 7 | 4 | 57% |
| Permanent technical staff (excl. senior exec) | - | - | - |
| Permanent admin staff (excl. senior exec) | 2 | 2 | 100% |
| Senior exec (excl. executive Director) | 2 | 2 | 100% |
| Senior exec (incl. executive Director) | 5 | 2 | 40% |
| Board members | 3 | - | 0% |

**Securities Dealing Policy**

Under the Company's Securities Dealing Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

As a matter of course trading in securities of the Company are restricted in the following periods:

- within the period of 1 month prior to the release of the Company's annual and half yearly results to ASX; and
- there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.

Before commencing to trade, a Director, executive or other employee must notify the Chairman or Company Secretary of their intention to do so.

As is required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by a Director in the securities of the Company.

**Continuous Disclosure**

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules which is available on the Company's website. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

The Company's Continuous Disclosure Policy is located on its website: www.felimited.com.au.

**Shareholder Communication**

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information. The Company's Shareholder Communication Policy is available on the Company's website: www.felimited.com.au.

**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

| | Notes | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **Revenue from continuing operations** | | | |
| Interest income | 3(a) | 42,522 | 63,804 |
| Other income | 3(b) | 52,600 | 248,889 |
| | | 95,122 | 312,693 |
| Employee benefits expense and directors remuneration | 3(c) | (381,343) | (461,731) |
| Impairment of exploration assets | | (983,618) | (546,319) |
| Impairment of available-for-sale financial assets | | (8,000) | (2,750) |
| Impairment of receivables | | (2,750) | (12,755) |
| Accounting and audit fees | | (86,748) | (83,675) |
| Legal fees | | - | (1,051) |
| Consultants costs | | (8,947) | (3,009) |
| Compliance costs | | (43,485) | (35,571) |
| Travel costs | | (32,792) | (53,265) |
| Finance costs | | (167,193) | (87,402) |
| Other expenses | 3(d) | (187,280) | (230,661) |
| **Loss from continuing operations before income tax** | | (1,807,034) | (1,205,496) |
| Income tax expense | 5 | - | - |
| **Loss from continuing operations after income tax** | | (1,807,034) | (1,205,496) |
| **Loss from discontinued operations after tax** | 4(c) | (560,942) | (632,622) |
| **Net loss for the year** | | (2,367,976) | (1,838,118) |
| **Other comprehensive income to be reclassified to Profit and Loss in subsequent periods** | | | |
| Net fair value gain/(loss) on available-for-sale financial assets | | (8,000) | 241,012 |
| Transfer realised gain on sale of available-for-sale financial assets to other income | | - | (243,762) |
| Transfer of impairment loss to Profit and Loss | | 8,000 | 2,750 |
| **Total comprehensive loss for the year** | | (2,367,976) | (1,838,118) |
| Loss per share (cents per share) from continuing operations attributable to ordinary equity holders of the Company Items that may be reclassified subsequently to profit or loss: | | | |
| - basic loss per share | 6 | (1.56) | (1.04) |
| - diluted loss per share | 6 | (1.56) | (1.04) |
| Loss per share (cents per share) attributable to ordinary equity holders of the Company | | | |
| - basic loss per share | 6 | (2.05) | (1.59) |
| - diluted loss per share | 6 | (2.05) | (1.59) |

**STATEMENT OF FINANCIAL POSITION**
**AS AT 30 SEPTEMBER 2013**

| | Notes | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 9,136 | 147,111 |
| Trade and other receivables | 8 | 36,225 | 41,531 |
| Other receivables | 12 | 2,267,562 | - |
| Other assets | | 19,502 | 21,857 |
| | | 2,332,425 | 210,499 |
| Non-current assets held for sale | 4(a) | 461,450 | 553,454 |
| **Total Current Assets** | | 2,793,875 | 763,953 |
| **Non-Current Assets** | | | |
| Exploration and evaluation expenditure | 9 | 1,306,522 | 2,068,189 |
| Plant and equipment | 10 | 28,180 | 40,257 |
| Available-for-sale financial assets | 11 | 1,750 | 9,750 |
| Other receivables | 12 | 800 | 2,268,362 |
| **Total Non-Current Assets** | | 1,337,252 | 4,386,558 |
| **TOTAL ASSETS** | | 4,131,127 | 5,150,511 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 13 | 375,739 | 362,332 |
| Provisions | 14 | - | 7,009 |
| Interest-bearing loans and borrowings | 15 | 3,260,248 | 1,918,054 |
| | | 3,635,987 | 2,287,395 |
| Liabilities associated with non-current assets held for sale | 4(a) | 2,248,984 | 2,248,984 |
| **Total Current Liabilities** | | 5,884,971 | 4,536,379 |
| **Non-Current Liabilities** | | | |
| Provisions | 14 | 16,000 | 16,000 |
| **Total Non-Current Liabilities** | | 16,000 | 16,000 |
| **TOTAL LIABILITIES** | | 5,900,971 | 4,552,379 |
| **NET ASSETS / (LIABILITIES)** | | (1,769,844) | 598,132 |
| **EQUITY** | | | |
| Contributed equity | 16 | 33,957,000 | 33,957,000 |
| Accumulated losses | 17 | (37,445,625) | (35,077,649) |
| Reserves | 18 | 1,718,781 | 1,718,781 |
| **TOTAL EQUITY / (NET DEFICIENCY)** | | (1,769,844) | 598,132 |

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED TO 30 SEPTEMBER 2013**

| | Contributed equity | Accumulated losses | Share based payments reserve | Total |
|---|---|---|---|---|
| **Consolidated** | **$** | **$** | **$** | **$** |
| **Balance at 1 October 2012** | 33,957,000 | (35,077,649) | 1,718,781 | 598,132 |
| Loss for the year | - | (2,367,976) | - | (2,367,976) |
| Other comprehensive income | - | - | - | - |
| | - | (2,367,976) | - | (2,367,976) |
| Transactions with owners in their capacity as owners | - | - | - | - |
| **Balance at 30 September 2013** | 33,957,000 | (37,445,625) | 1,718,781 | (1,769,844) |
| | | | | |
| **Balance at 1 October 2011** | 33,957,000 | (33,239,531) | 1,718,781 | 2,436,250 |
| Loss for the year | - | (1,838,118) | - | (1,838,118) |
| Other comprehensive income | - | - | - | - |
| | - | (1,838,118) | - | (1,838,118) |
| Transactions with owners in their capacity as owners | - | - | - | - |
| **Balance at 30 September 2012** | 33,957,000 | (35,077,649) | 1,718,781 | 598,132 |

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 30 SEPTEMBER 2013**

| | Notes | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 65,565 | 50,475 |
| Payments to suppliers and employees | | (1,246,145) | (1,538,662) |
| Interest received | | 43,409 | 65,211 |
| **Net cash flows used in operating activities** | 7(a) | (1,137,171) | (1,422,976) |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation costs | | (225,804) | (250,659) |
| Proceeds from sale of available-for-sale financial assets | | - | 390,019 |
| Advance from purchaser of GEM (refer note 13(c)) | | 50,000 | 50,000 |
| **Net cash flows (used in)/from investing activities** | | (175,804) | 189,360 |
| **Cash flows from financing activities** | | | |
| Proceeds from loans | | 1,175,000 | 1,315,000 |
| **Net cash flows from financing activities** | | 1,175,000 | 1,315,000 |
| Net (decrease)/increase in cash and cash equivalents | | (137,975) | 81,384 |
| Cash and cash equivalents at beginning of year | | 147,111 | 65,727 |
| **Cash and cash equivalents at end of year** | 7 | 9,136 | 147,111 |

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

The financial report of Fe Limited ("FEL" or "the Company") and the financial statements comprising FEL and its controlled entities (together the "Consolidated Entity") for the year ended 30 September 2013 was authorised for issue in accordance with a resolution of the directors on 18 December 2013.

FEL is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis, except for assets held for sale which are carried at the lower of cost and fair value less costs to sell, and available-for-sale financial assets at fair value. The financial report is presented in Australian dollars unless otherwise stated.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### (c) Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the year ended 30 September 2013, the Consolidated Entity incurred net losses after tax attributable to the members of $2,367,976 (2012: $1,838,118) and had a net cash outflow of $137,975 (2012: $81,384 inflow). At balance date the Consolidated Entity had a net working capital deficit of $3,091,096 (2012: $3,772,426). As detailed in note 28, subsequent to year end, FEL completed the sale of 100% of its interests in Grafters and Bardoc Tenements for $149,500 cash and Vettersburg Tenements for $13,000 cash.

The ability of the Consolidated Entity to continue its planned exploration and evaluation activities is dependent on the Consolidated Entity completing the sale of its 100% interest in Gympie Eldorado Mining Pty Ltd ("GEM") as detailed in note 4(b). At the date of this report, the directors are satisfied there are reasonable grounds to believe that the sale will complete and are actively working towards a successful completion of the GEM sale. In the event that the sale does not complete, the directors are confident that the Consolidated Entity will be able to raise additional capital, to enable it to meets its obligations as and when they fall due.

As detailed in note 15, the Consolidated Entity has utilised its existing $2,000,000 facility with Cape Lambert Resources Limited ("Cape Lambert") via a loan facility agreement. The directors have renegotiated a deferral of its repayment obligation of this loan to 31 December 2013. In addition, the Consolidated Entity has secured and utilised an additional short-term facility with Cape Lambert for $1,000,000 which is also repayable by 31 December 2013. Interest is payable on the amounts drawn down at the cash rate plus 3% per annum. Furthermore, it has been negotiated with Cape Lambert that subject to receipt of necessary shareholder approvals by the Company that Cape Lambert may convert the outstanding monies into fully paid ordinary shares in the Company. The Company is currently in negotiations with Cape Lambert to secure a short-term loan to fund the Company's operations until such time as the GEM sale is completed. In addition, FEL is currently in negotiations with Cape Lambert to obtain a deferral of its repayment obligation, and to finalise an arrangement for settlement of the existing loans.

Should the Consolidated Entity not achieve the matters set out above, there is significant uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statement do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

### (d) Adoption of new and revised standards

*Changes in accounting policies on initial application of Accounting Standards*

The accounting policies adopted are consistent with those of the previous financial year. From 1 October 2012, the Consolidated Entity has adopted all the standards and interpretations mandatory for annual periods beginning on or after 1 October 2012. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Consolidated Entity. The Consolidated Entity has not elected to early adopt any new standards or amendments.

*New accounting standards and interpretations issued but yet effective*

The following applicable accounting standards and interpretations have been issued or amended but are not yet effective. These standards have not been adopted by the Consolidated Entity for the year ended 30 September 2013.

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| AASB 10 | *Consolidated Financial Statements* | AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.*<br><br>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.<br><br>Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10. | 1 January 2013 | 1 October 2013 |
| AASB 11 | *Joint Arrangements* | AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures*.<br><br>AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right | 1 January 2013 | 1 October 2013 |

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| | | to the net assets is accounted for using the equity method.<br><br>Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. | | |
| AASB 12 | *Disclosure of Interests in Other Entities* | AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. | 1 January 2013 | 1 October 2013 |
| AASB 13 | *Fair Value Measurement* | AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.<br><br>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.<br><br>Consequential amendments were also made to other standards via AASB 2011-8. | 1 January 2013 | 1 October 2013 |
| AASB 119 | *Employee Benefits* | The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.<br><br>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.<br><br>Consequential amendments were also made to other standards via AASB 2011-10. | 1 January 2013 | 1 October 2013 |
| Interpretation | *Stripping Costs in* | This interpretation applies to stripping costs | 1 January | 1 |

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| 20 | *the Production Phase of a Surface Mine* | incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".<br><br>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.<br><br>Consequential amendments were also made to other standards via AASB 2011-12. | 2013 | October 2013 |
| AASB 2012-2 | Amendments to Australian Accounting Standards - *Disclosures - Offsetting Financial Assets and Financial Liabilities* | AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met. | 1 January 2013 | 1 October 2013 |
| AASB 2012-5 | Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle | AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:<br>► Repeat application of AASB 1 is permitted (AASB 1)<br>► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*). | 1 January 2013 | 1 October 2013 |
| AASB 2011-4 | Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124] | This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions. | 1 July 2013 | 1 October 2013 |
| AASB 1053 | *Application of Tiers of Australian Accounting Standards* | This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:<br>(a) Tier 1: Australian Accounting Standards<br>(b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements | 1 July 2013 | 1 October 2013 |

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| | | Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.<br><br>The following entities apply Tier 1 requirements in preparing general purpose financial statements:<br>(a) For-profit entities in the private sector that have public accountability (as defined in this standard)<br>(b) The Australian Government and State, Territory and Local governments<br><br>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:<br>(a) For-profit private sector entities that do not have public accountability<br>(b) All not-for-profit private sector entities<br>(c) Public sector entities other than the Australian Government and State, Territory and Local governments.<br><br>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11. | | |
| AASB 2012-3 | Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities* | AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. | 1 January 2014 | 1 October 2014 |
| Interpretation 21 | *Levies* | This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation. | 1 January 2014 | 1 October 2014 |
| AASB 9 | *Financial Instruments* | AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.<br><br>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.<br><br>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash | 1 January 2015 | 1 October 2015 |

| Reference | Title | Summary | Application date of standard* | Application date for Group* |
|---|---|---|---|---|
| | | flows.<br>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br><br>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.<br><br>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:<br><br>► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)<br>► The remaining change is presented in profit or loss<br><br>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.<br><br>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances.<br><br>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. | | |
| AASB 2013-3 | *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets* | AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. | 1 January 2014 | 1 October 2014 |

* Designates the beginning of the applicable annual reporting period unless otherwise stated

The Consolidated Entity is in the process of determining the impact of the above on its financial statements. The Consolidated Entity has not elected to early adopt any new Standards or Interpretations. At the date of this report, management does not anticipate significant impact from adopting the new standards and interpretations.

**(e) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Fe Limited and its subsidiaries as at and for the year ended 30 September 2013.

Subsidiaries are all those entities over which Fe Limited has the power to govern the financial operating policies so as to obtain benefits from their activities.

The financial statements of the Company's subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their fair values at the date of acquisition. Any difference between the fair value of the consideration and the fair values of the identifiable net assets acquired is recognised as goodwill or a gain on bargain purchase.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

**(f) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(g) Trade and other receivables**

Trade receivables, which generally have 5-day term for gold sales and 14-day term for others, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of the estimated future cash flows, discounted at the original effective interest rate.

**(h) Exploration and evaluation**

Exploration and evaluation expenditure incurred by or on behalf of the Consolidated Entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

a) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
b) exploration and/or evaluation activities in the area have not yet reached a stage which permits a

reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest are written off in the statement of comprehensive income when the above criteria do not apply or when the directors assess that the carrying value may exceed the recoverable amount.

**(i) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land is measured at cost.

Depreciation is calculated on a combination of a straight-line and reducing balance basis over the estimated useful life of the asset as follows:

Plant and equipment – 3 to 5 years

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(j) Impairment of assets**

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(k) Trade and other payables**

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

**(l) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of loans and borrowings.

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

*Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**(m) Provisions and employee leave benefits**

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

*Employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**(n) Share-based payments**

The Consolidated Entity provides benefits to certain executives, consultants and employees of the Consolidated Entity in the form of share-based payments, usually through the award of options.

Options are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability and exercise restrictions.

The fair value is determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 6), unless a loss result has been reported.

**(o) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(p) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Interest*

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

**(q) Income tax and other taxes**

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

*Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(r) Available-for-sale financial assets**

All available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. Investments are designated as available for sale if they do not have fixed maturities and fixed and determinable payments and management intends to hold them for the medium to long term.

After initial recognition, available-for-sale investments are measured at fair value. Gains or losses are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

**(s) Earnings per share**

Basic earnings per share is calculated as net profit/(loss) attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the Company, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Where a loss has been reported the dilutive effects of options are not adjusted for, in accordance with AASB 133 *Earnings per share.*

**(t) Rehabilitation**

Rehabilitation costs are provided for when exploration and evaluation activities give rise to the need for rehabilitation. The estimate of the rehabilitation obligations are based on anticipated technology and legal requirements and future costs. Any changes in the estimates are adjusted on a prospective basis. In determining the rehabilitation obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to rehabilitation of such mines in the future.

If the effect of the time value of money is material, provisions are determined by discounting the expected cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**(u) Operating segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

**(v) Non-current assets and disposal groups held for sale and discontinued operations**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction instead of use. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income and the assets and liabilities are presented separately on the face of the statement of financial position.

**(w) Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting year are:

*Capitalised Exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the group decides to exploit the related lease itself or, if not whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

*Rehabilitation provision*

The Consolidated Entity assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and cost increases. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

## 3 REVENUE, INCOME AND EXPENSES

| | 2013 $ | 2012 $ |
|---|---|---|
| (a) Revenue | | |
| Interest | 42,522 | 63,804 |
| | | |
| (b) Other income | | |
| Gain on sale of available-for-sale financial assets | - | 243,762 |
| Other | 52,600 | 5,127 |
| | 52,600 | 248,889 |
| | | |
| (c) Employment benefits and directors remuneration | | |
| Directors fees | (355,000) | (356,200) |
| Wages and salaries | (26,343) | (97,486) |
| Other employee benefits expenses | - | (8,045) |
| | (381,343) | (461,731) |
| | | |
| (d) Other expenses | | |
| Tenement administration fees | (45,943) | (100,478) |
| Media and printing expenses | (19,165) | (27,605) |
| Depreciation expense | (12,077) | (17,320) |
| Other expenses | (110,095) | (85,258) |
| | (187,280) | (230,661) |

## 4 DISCONTINUED OPERATIONS

(a) Assets and liabilities of held for sale assets and operations

| | 2013 $ | 2012 $ |
|---|---|---|
| Assets | | |
| Property, plant and equipment (Land) (i) | 428,454 | 428,454 |
| Exploration and evaluation expenditure (ii) | 32,996 | 125,000 |
| | 461,450 | 553,454 |
| | | |
| Liabilities | | |
| Provision for rehabilitation (i) | (2,248,984) | (2,248,984) |
| | | |
| Net liabilities attributable to discontinued operations | (1,787,534) | (1,695,530) |

(i) Assets and liabilities of Gympie Eldorado Mining Pty Ltd ("GEM"). Refer to notes 4(b) for further details.
(ii) Exploration assets in Western Australia, classified as held for sale.

(b) Details of operations held for sale – Gympie Eldorado Mining Pty Ltd ("GEM")

As previously announced, FEL advised that it had signed a conditional binding term sheet for the sale of its wholly owned subsidiary, Gympie Eldorado Mining Pty Ltd ("GEM")to a private Singapore registered Mining and Metals trading group company ("Purchaser"). In accordance with the conditions of the term sheet, the parties have now entered into a full form, share shale agreement to the sale of GEM, subject to certain conditions precedent. The Purchaser has also advised FEL that it has lodged the required Foreign Investment Review Board application for approval. The terms of the GEM Sale include:

- Payment of $50,000 deposit under execution of term sheet (received by FEL)
- Payment of a further $200,000 upon completion of the GEM Sale
- Refund of $2,264,984 in respect of environmental performance bonds
- 3% Net Smelter Return from gold derived from the Gympie Eldorado Mine
- 10% of any profits from any future sale of freehold land which comprises the Gympie Eldorado Gold Mine Tailings Site.

(c) Financial performance of held for sale operations and assets

| | 2013 $ | 2012 $ |
|---|---|---|
| Other income from sale of property, plant and equipment | 12,965 | - |
| Employee benefits expense | (307,760) | (315,786) |
| Site operation costs | (193,260) | (267,242) |
| Administration and other expenses | (92,896) | (94,948) |
| Other income | 20,009 | 45,354 |
| Loss from discontinued operations before tax | (560,942) | (632,622) |
| Income tax | - | - |
| Loss from discontinued operations after tax | (560,942) | (632,622) |

(d) Loss per share of discontinued operations

| | 2013 Cents | 2012 Cents |
|---|---|---|
| Loss per share (cents per share) | | |
| - Basic | (0.49) | (0.55) |
| - Diluted | (0.49) | (0.55) |

(e) Net cash flows

Net operating cash outflows for operating activities of discontinued operations for the current year is $502,050 (2012: $704,696). There is no cash in/out flows for investing or financing activities relating to discontinued operations in the current period (2012: nil).

## 5 INCOME TAX

| | 2013 $ | 2012 $ |
|---|---|---|
| (a) Income tax expense | | |
| The major components of income tax expense are: | | |
| Current tax | - | - |
| Deferred tax | - | - |
| Income tax expense reported in the statement of comprehensive income | - | - |

(b) Reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory tax rate

| | 2013 $ | 2012 $ |
|---|---|---|
| Loss from continuing operations | (1,807,034) | (1,205,496) |
| Profit/(loss) from discontinued operations | (560,942) | (632,622) |
| Accounting loss before tax | (2,367,976) | (1,838,118) |
| Tax at the statutory income tax rate of 30% | (710,392) | (551,435) |
| Tax effect of permanent differences | 303,410 | 163,895 |
| Unrecognised tax losses and temporary differences | 406,982 | 387,540 |
| Income tax expense reported in statement of comprehensive income | - | - |

(c) Deferred Tax Liabilities

| | 2013 $ | 2012 $ |
|---|---|---|
| Exploration Expenditure | 401,855 | 657,957 |
| Accrued income | 313 | 579 |
| | 402,168 | 658,536 |
| Less offset by Deferred Tax Asset | (402,168) | (658,536) |
| Deferred Tax Liabilities | - | - |

| (d) Deferred Tax Assets | 2013 $ | 2012 $ |
|---|---|---|
| Provisions | 679,495 | 681,598 |
| Accrued expenditure | 89,474 | 42,235 |
| Loss on financial assets | 11,850 | 9,450 |
| Tax losses (revenue) | 7,910,742 | 7,870,082 |
| Unrealised capital tax losses | 264,204 | 392,439 |
| | 8,955,765 | 8,995,804 |
| Less offset against deferred tax liabilities | (402,168) | (658,536) |
| Deferred tax assets not recognised | 8,553,597 | 8,337,268 |

The Consolidated Entity has not formed a tax consolidated group.

## 6 EARNINGS PER SHARE

| | 2013 Cents | 2012 Cents |
|---|---|---|
| Basic loss per share (cents) | | |
| Continuing operations | (1.56) | (1.04) |
| Discontinued operations | (0.49) | (0.55) |
| | (2.05) | (1.59) |

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Company by the weighted average number of shares on issue during the year.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to shareholders by the weighted average number of shares on issue during the year (adjusted for the effects of dilutive options). Where a loss has been reported the dilutive effects of options are not adjusted for, in accordance with AASB 133 *Earnings per share*.

The following reflects the income and share data used in the basic and diluted earnings/(loss) per share computations:

| | 2013 $ | 2012 $ |
|---|---|---|
| *For basic loss per share* | | |
| Net loss from continuing operations attributable to equity holders of the parent | (1,807,034) | (1,205,496) |
| Loss attributable to discontinued continuing operations | (560,942) | (632,622) |
| Net loss attributable to ordinary equity holders of the parent | (2,367,976) | (1,838,118) |
| *For diluted loss per share* | | |
| Net loss attributable to Shareholders for diluted earnings per Share | (1,807,034) | (1,205,496) |
| Loss attributable to discontinued operations | (560,942) | (632,622) |
| Net loss attributable to ordinary equity holders of the parent | (2,367,976) | (1,838,118) |

| | 2013 No. | 2012 No. |
|---|---|---|
| Weighted average number of ordinary shares for basic earnings per share | 115,521,575 | 115,521,575 |
| Effect of dilution: | | |
| - Share options | - | - |
| Adjusted weighted average number of ordinary shares for diluted earnings per share | 115,521,575 | 115,521,575 |

There are 375,000 (2012: 18,875,000) share options excluded from the calculation of diluted earnings per share (that could potentially dilute basic earnings per share in the future) because they are anti-dilutive for each of the periods presented.

## 7 CASH AND CASH EQUIVALENTS

| | 2013 $ | 2012 $ |
|---|---|---|
| Cash at bank and on hand | 9,136 | 147,111 |

Cash at bank and on hand earns interest at the floating rates based on daily bank deposit rates.

(a) Reconciliation of net loss after tax to net cash flows from operations

| | 2013 $ | 2012 $ |
|---|---|---|
| Net loss for the year | (2,367,976) | (1,838,118) |
| *Adjustments for:* | | |
| Depreciation | 12,077 | 17,320 |
| Profit on sale of available-for-sale financial assets | - | (243,762) |
| Impairment of exploration assets | 1,008,618 | 546,319 |
| Impairment of available-for-sale financial assets | 8,000 | 2,750 |
| Impairment of receivables | 2,750 | 12,755 |
| Interest capitalised to loan facility balance | 167,193 | 87,402 |
| *Changes in assets and liabilities* | | |
| (Increase)/decrease in trade and other receivables | (5,306) | 13,440 |
| (Increase)/decrease in prepayments | (2,355) | (811) |
| (Decrease)/increase in trade and other payables | 46,837 | (17,189) |
| (Decrease)/increase in provisions | (7,009) | (3,082) |
| Net cash from/(used) in operating activities | (1,137,171) | (1,422,976) |

## 8 TRADE AND OTHER RECEIVABLES

| | 2013 $ | 2012 $ |
|---|---|---|
| **Current** | | |
| Trade receivables | 22,433 | 48,725 |
| Impairment allowance | (15,505) | (12,755) |
| Other receivables | 29,297 | 5,561 |
| | 36,225 | 41,531 |

Trade receivables are non-interest bearing and are generally on 14 day terms. An allowance for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment expense of $2,750 has been recognised in the current year (2012: $12,755).

At 30 September the ageing analysis of trade receivables were as follows:

| | | Total $ | Current $ | Past due and impaired $ |
|---|---|---|---|---|
| 2013 | Consolidated | 22,433 | 6,928 | 15,505 |
| 2012 | Consolidated | 48,725 | 35,970 | 12,755 |

Other receivables are amounts which generally arise from transactions outside the usual operating activities of the Consolidated Entity and are non-interest bearing with no fixed terms. Other receivables do not contain impaired assets, are not past due date and are expected to be received in full.

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. It is not the Consolidated Entity's policy to transfer (on-sell) receivables to special purpose entities.

## 9 EXPLORATION AND EVALUATION EXPENDITURE

| | 2013 $ | 2012 $ |
|---|---|---|
| Exploration and evaluation expenditure | 1,306,522 | 2,068,189 |
| *Movements in exploration and evaluation expenditure* | | |
| Carrying value at the beginning of the year | 2,068,189 | 2,422,568 |
| Exploration expenditure incurred | 254,977 | 316,940 |
| Impairment (a) | (983,618) | (546,319) |
| Transferred to assets held-for-sale (refer note 4(a)) | (32,996) | (125,000) |
| Carrying value at end of year | 1,306,522 | 2,068,189 |

Exploration and evaluation expenditures are carried forward in accordance with the policy set out in note 2(h).

The ultimate recoupment of the capitalised exploration and evaluation costs relating to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest and the Consolidated Entity's ability to continue to meet its financial obligations to maintain the area of interest.

a) The Consolidated Entity has assessed the carrying amount of the exploration and evaluation expenditure in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and has recognised an impairment expense of $983,618 during the current year (2012: $546,319). Part of this impairment expense relates to the write-down of exploration assets held for sale. The remaining amount of the impairment expense relates to the discontinuance of exploration activities on certain tenements in Western Australia. The impairment expense is shown as a separate line item in the Statement of Comprehensive Income.

## 10 PLANT AND EQUIPMENT

| | 2013 $ | 2012 $ |
|---|---|---|
| At cost | 89,708 | 89,708 |
| Accumulated depreciation | (61,528) | (49,451) |
| | 28,180 | 40,257 |
| *Movements in plant and equipment* | | |
| Carrying value at beginning of year | 40,257 | 57,577 |
| Additions | - | - |
| Depreciation charge for the year | (12,077) | (17,320) |
| Carrying value at end of year | 28,180 | 40,257 |

## 11 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2013 $ | 2012 $ |
|---|---|---|
| Shares – Australian listed | 1,750 | 9,750 |
| *Movements in available-for-sale financial assets* | | |
| Carrying value at beginning of year | 9,750 | 158,757 |
| Shares disposed | - | (146,257) |
| Impairment expense recognised through profit and loss | (8,000) | (2,750) |
| Carrying value at end of year | 1,750 | 9,750 |

## 12 OTHER RECEIVABLES

| | 2013 $ | 2012 $ |
|---|---|---|
| **Current** | | |
| Term deposits (a) | 1,463,978 | - |
| Cash deposits – deposited with DEEDI (b) | 803,584 | - |
| | 2,267,562 | - |
| **Non-Current** | | |
| Term deposits (a) | - | 1,463,978 |
| Cash deposits – deposited with DEEDI (b) | - | 803,584 |
| Cash deposits – other | 800 | 800 |
| | 800 | 2,268,362 |

The following term deposit and cash deposit provide security for the Consolidated Entity's rehabilitation obligations in relation to the tenements held by Gympie Eldorado Mining Pty Ltd:

(a) Term deposits have been pledged as security for a bank guarantee.

(b) Cash has been deposited directly with the Department of Employment, Economic Development and Innovation ("DEEDI"), pledged as security for an environmental performance bond.

## 13 TRADE AND OTHER PAYABLES

| | 2013 $ | 2012 $ |
|---|---|---|
| Trade payables (a) | 248,711 | 150,017 |
| Other payables (b) | 77,028 | 162,315 |
| Advance from purchaser of GEM (c) | 50,000 | 50,000 |
| | 375,739 | 362,332 |

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms.
(b) Other payables are non-interest bearing and have varying terms.
(c) The balance represents initial consideration paid by purchaser in relation to GEM Sale (refer note 4(b) for further details).

## 14 PROVISIONS

| | 2013 $ | 2012 $ |
|---|---|---|
| **Current** | | |
| Employee benefits | - | 7,009 |
| | - | 7,009 |
| Liability associated with assets held for sale | | |
| Provision for rehabilitation (a) | 2,248,984 | 2,248,984 |
| **Non-current** | | |
| Provision for rehabilitation (b) | 16,000 | 16,000 |
| | 16,000 | 16,000 |

| | Rehabilitation $ |
|---|---|
| *Movements in rehabilitation* | |
| Carrying value at beginning of year | 2,264,984 |
| Arising during the year | - |
| Expensed during the year | - |
| Carrying value at end of year | 2,264,984 |

(a) Provision for rehabilitation is recognised for the expected costs associated with the rehabilitation of the mine site area, which is expected to be incurred as a result of the Company's decision to cease mining operations at the Monkland Mine in Gympie Queensland. The provision is based on the best estimate of the direct expenditures to be incurred. Refer to note 4(a)(i). The Company has provided a bank guarantee and cash deposit amounting to $2,267,562 (2012: $2,267,562) to cover potential rehabilitation costs in respect of the Consolidated Entity's mining operations (refer note 12(a) and 12(b)).

(b) Provision for rehabilitation is recognised for the expected costs associated with the rehabilitation of the Mt Elvire project in Western Australia. The provision is based on the best estimate of the direct expenditures to be incurred.

## 15 INTEREST-BEARING LOANS AND BORROWINGS

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Current | | |
| Unsecured loan from related party (a) | | |
| - Principal | 3,000,000 | 1,825,000 |
| - Interest | 260,248 | 93,054 |
| | 3,260,248 | 1,918,054 |

(a) In June 2011, FEL secured a $2,000,000 standby loan facility ("Facility") entered into with cornerstone shareholder Cape Lambert Resources Limited (ASX: CFE) ("Cape Lambert"), which currently holds a 19.9% interest in FEL. At 30 September 2013, $2,000,000 had been drawn down under the facility. Subsequently the Company renegotiated a deferral of its repayment obligation to 31 December 2013. In addition, the Company secured an additional short-term facility with Cape Lambert capped at $1,000,000, to enable it to meet its obligations as and when they fall due. At 30 September 2013, $1,000,000 had been drawn down under the facility. Interest is payable on the amounts drawn down at the cash rate plus 3% per annum. Furthermore, it has been negotiated with Cape Lambert that subject to receipt of necessary shareholder approvals by the Company that Cape Lambert may convert the outstanding monies into fully paid ordinary shares in the Company at a conversion price per share of 80% of the 10-day VWAP of shares on ASX prior to conversion date. FEL has entered into discussions with CFE for an extension to the loan agreement and securing bridging finance until the GEM Sale is completed. In addition, FEL is currently in negotiations with Cape Lambert to obtain a deferral of its repayment obligation, and to finalise an arrangement for settlement of the existing loans.

## 16 CONTRIBUTED EQUITY

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| *Ordinary shares* | | |
| Issued and fully paid (a) | 33,957,000 | 33,957,000 |

| | 2013<br>No. of shares | 2013<br>$ |
|---|---|---|
| *Movements in ordinary shares on issue* | | |
| Balance at beginning of year | 115,521,575 | 33,957,000 |
| Balance at end of year | 115,521,575 | 33,957,000 |

| | 2012<br>No. of shares | 2012<br>$ |
|---|---|---|
| *Movements in ordinary shares on issue* | | |
| Balance at beginning of year | 115,521,575 | 33,957,000 |
| Balance at end of year | 115,521,575 | 33,957,000 |

(a) Fully paid ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of shares held. Ordinary shares carry one vote per share, either in person or by proxy, at a meeting of the Company.

**17 ACCUMULATED LOSSES**

| | 2013 $ | 2012 $ |
|---|---|---|
| Accumulated losses | (37,445,625) | (35,077,649) |
| *Movements in accumulated losses* | | |
| Balance at beginning of year | (35,077,649) | (33,239,531) |
| Net Loss for the year | (2,367,976) | (1,838,118) |
| Balance at end of year | (37,445,625) | (35,077,649) |

**18 RESERVES**

| | 2013 $ | 2012 $ |
|---|---|---|
| Share based payments reserve (a) | 1,718,781 | 1,718,781 |
| Net unrealised gains reserve (b) | - | - |
| | 1,718,781 | 1,718,781 |

(a) Share based payments reserve

| | 2013 $ | 2012 $ |
|---|---|---|
| *Movements in reserve* | | |
| Balance at beginning of year | 1,718,781 | 1,718,781 |
| Share-based payments made during the year | - | - |
| Balance at end of year | 1,718,781 | 1,718,781 |

| | 2013 No. of options | 2013 $ |
|---|---|---|
| *Movements in options on issue* | | |
| Balance at beginning of year | 18,875,000 | 1,718,781 |
| Options expired during the year | (18,500,000) | - |
| Balance at end of year | 375,000 | 1,718,781 |

| | 2012 No. of options | 2012 $ |
|---|---|---|
| *Movements in options on issue* | | |
| Balance at beginning of year | 18,875,000 | 1,718,781 |
| Balance at end of year | 18,875,000 | 1,718,781 |

*Nature and purpose of reserve*

This reserve is used to record the value of share based payments made to directors, consultants and employees, as well as share based payments awarded as consideration for the acquisition of assets.

During the year ended 30 September 2013 the following options expired:

i) 500,000 unlisted consultant options with an exercise price of 12 cents per option expired 31 December 2012.

ii) 5,000,000 unlisted consultant options with an exercise price of 12 cents per option expired 31 December 2012.

iii) 12,500,000 unlisted vendor options issued to existing shareholders of Mooloogool Limited. The options have an exercise price of 12 cents per option and expired 31 December 2012.

iv) 500,000 unlisted employee options with an exercise price of 12 cents per option and expired 31 December 2012.

At the reporting date the following options were outstanding:

i) 375,000 unlisted employee options with an exercise price of 15 cents per option and are exercisable any time up until 23 March 2014.

(b) Net unrealised gains reserve

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| *Movements in reserve* | | |
| Balance at beginning of year | - | - |
| Net fair value on available-for-sale financial assets | (8,000) | 241,012 |
| Transfer realised gain on sale of available-for-sale financial asset to profit and loss | - | (243,762) |
| Transfer of impairment loss to profit and loss | 8,000 | 2,750 |
| Balance at end of year | - | - |

*Nature and purpose of reserve*

This reserve records the movements in the fair value of available-for-sale investments.

## 19 SEGMENT INFORMATION

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources. The Consolidated Entity has only one operating segment, being mineral exploration and all of these activities are conducted in Australia.

## 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's objective with regard to financial risk management is to ensure the effective management of business risks crucial to the financial integrity of the business without affecting the ability of the Consolidated Entity to operate efficiently or execute its business plans and strategies.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective management of all significant financial risks to the business. The Board may delegate specific responsibilities as appropriate.

*Capital risk management*

The Consolidated Entity's capital base comprises its ordinary shareholders equity, which was a deficit of $1,769,844 at 30 September 2013 (2012: $598,132 surplus). The Consolidated Entity manages its capital to ensure that the entities in the group will be able to continue to meet its working capital requirements and operate as a going concern while seeking to maximise the return to stakeholders.

In making its decisions to adjust its capital structure, either through new share issues or consideration of debt, the Consolidated Entity considers not only its short-term working capital needs but also its long-term operational and strategic objectives. The Board continually monitors the capital requirements of the Consolidated Entity.

The Consolidated Entity is not subject to any externally imposed capital requirements.

*Financial instrument risk exposure and management*

The Consolidated Entity's principal financial instruments comprise cash and short-term deposits, receivables, payables and interest-bearing loans and borrowings. The main risks arising from the Consolidated Entity's financial instruments are interest rate and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

*Interest rate risk*

The Consolidated Entity's exposure to changes in market interest rates relates primarily to the Consolidated Entity's cash and short-term deposits with a floating interest rate. In addition, the Consolidated Entity's interest-bearing liabilities are subject to floating interest rates and are therefore exposed to changes in market interest rates.

At the reporting date, the Consolidated Entity had the following financial assets and liabilities exposed to variable interest rate risk:

| | Note | 2013 $ | 2012 $ |
|---|---|---|---|
| *Financial assets* | | | |
| Cash and cash equivalents | 7 | 9,136 | 147,111 |
| Other receivables (term deposits) | 12 | 1,463,978 | 1,463,978 |
| | | 1,473,114 | 1,611,089 |
| *Financial liabilities* | | | |
| Interest-bearing loans and borrowings | 15 | (3,260,248) | (1,918,054) |
| Net exposure | | (1,787,134) | (306,965) |

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date and based on judgements of reasonably possible movements:

| | Post Tax Loss (Higher)/Lower | | Equity Higher/(Lower) | |
|---|---|---|---|---|
| | 2013 $ | 2012 $ | 2013 $ | 2012 $ |
| **Consolidated** | | | | |
| +1% (100 basis points) | (17,871) | (3,070) | - | - |
| -0.5% (50 basis points) | 8,936 | 1,535 | - | - |

A sensitivity analysis is derived from a review of historical movements and management’s judgment of future trends. The analysis was performed on the same basis as 2012.

*Credit risk*

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents and trade and other receivables. The Consolidated Entity’s exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at reporting date is addressed in each applicable note.

The Consolidated Entity trades only with recognised and creditworthy third parties.

In addition, receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity’s exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Consolidated Entity.

*Liquidity risk*

Liquidity risk arises from the Consolidated Entity’s management of working capital. It is the risk that the Consolidated Entity will encounter difficulty in meeting its financial obligations as they fall due. The Consolidated Entity’s objective is to ensure that it will always have sufficient liquidity to meet its liabilities through ensuring it has sufficient cash reserves to meet its ongoing working capital and long-term operational and strategic objectives. The Consolidated Entity manages liquidity risk by maintaining adequate borrowing facilities and monitoring forecast and actual cash flows on an ongoing basis.

The following table summarises the maturity profile of the Consolidated Entity’s liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

| **Consolidated** | Less than 6 months $ | 6 months to 1 year $ | 1 year to 5 years $ | Total $ |
|---|---|---|---|---|
| **2013** | | | | |
| Trade and other payables | 375,739 | - | - | 375,739 |
| Interest-bearing loans and borrowings | 3,260,248 | - | - | 3,260,248 |
| | 3,635,987 | - | - | 3,635,987 |

| | | | | |
|---|---|---|---|---|
| **2012** | | | | |
| Trade and other payables | 362,332 | - | - | 362,332 |
| Interest-bearing loans and borrowings | 1,950,554 | - | - | 1,950,554 |
| | 2,312,886 | - | - | 2,312,886 |

The Consolidated Entity has determined that the carrying value of financial liabilities is approximately equal to its fair value.

*Fair value estimation*

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

*Financial Instruments Measured at Fair Value*

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

| 2013 | Level 1<br>$ | Level 2<br>$ | Level 3<br>$ | Total<br>$ |
|---|---|---|---|---|
| *Financial assets* | | | | |
| Available-for-sale financial assets | 1,750 | - | - | 1,750 |
| 2012 | | | | |
| *Financial assets* | | | | |
| Available-for-sale financial assets | 9,750 | - | - | 9,750 |

## 21 COMMITMENTS AND CONTINGENCIES

*Exploration Expenditure Commitments*

In order to maintain rights of tenure to mining tenements, the Consolidated Entity is required to fulfil various minimum expenditure requirements up until expiry of the mining tenement leases. These obligations are not provided for in the financial statements.

If the Consolidated Entity decides to relinquish certain tenement leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of their carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations. The expected expenditure commitments with respect to the exploration grounds in Western Australia are approximately $127,000 (2012: $892,000).

*Office Rental Commitments*

During 2012, the Consolidated Entity entered into a sub-lease with Cape Lambert Resources Ltd for office premises for a period of 5 years, terminating on 31 March 2017. The expenditure commitment with respect to rent payable under the sub-lease agreement is $128,066 (2012: $164,657):

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Within one year | 36,590 | 36,590 |
| After one year but less than five years | 91,476 | 128,007 |
| More than five years | - | - |
| | 128,066 | 164,657 |

*Contingencies*

At 30 September 2013 there were no known contingent liabilities or contingent assets (2012: nil).

## 22 CONTROLLED ENTITIES

The consolidated financial statements include the financial statements of Fe Limited and the subsidiaries listed in the following table.

| Subsidiary | Country of Incorporation | Equity interest % 2013 | Equity interest % 2012 | Parent Entity Investment $ 2013 | Parent Entity Investment $ 2012 |
|---|---|---|---|---|---|
| Gympie Eldorado Mining Pty Ltd | Australia | 100 | 100 | 4,341,350 | 4,341,350 |
| - Impairment allowance | | | | (4,341,350) | (4,341,350) |
| Jackson Minerals Ltd | Australia | 100 | 100 | 731,211 | 731,211 |
| Mooloogool Ltd | Australia | 100 | 100 | 3,763,050 | 3,763,050 |
| - Impairment allowance | | | | (3,763,050) | (3,763,050) |
| Bulk Ventures Ltd | Australia | 100 | 100 | - | - |
| | | | | 731,211 | 731,211 |

## 23 AUDITORS' REMUNERATION

| | 2013 $ | 2012 $ |
|---|---|---|
| Amounts received or due and receivable by Ernst & Young Australia for: | | |
| An audit or review of the financial report of the entity and any other entity in the consolidated entity: | | |
| Amounts paid relating to prior year audit | - | 8,240 |
| Amounts paid or payable relating to current year audit and half year review | 58,600 | 59,630 |
| | 58,600 | 67,870 |

## 24 KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

*Directors*

| | |
|---|---|
| A Sage | Director (Non-executive chairman) |
| M Gwynne | Director (Executive) |
| P Kelly | Director (Non-Executive) |

*Executives*

| | |
|---|---|
| E von Puttkammer | Company Secretary |
| C Grant | Chief Financial Officer (appointed 1 June 2013) |

During the year, the Company had in place and paid premiums for insurance policies indemnifying directors and officers of the Company against certain liabilities incurred in the conduct of business or in the discharge of their duties as directors or officers. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premium paid, the nature of the liability covered by the policies, the limit of liability and the name of the insurer.

(b) Compensation of key management personnel

| | 2013 $ | 2012 $ |
|---|---|---|
| Short term employee benefits | 355,000 | 356,200 |
| Post employment benefits | - | - |
| Share based payments | - | - |
| | 355,000 | 356,200 |

(c) Shareholdings of Key Management Personnel

| 30 September 2013 | Balance at 1 October 2012 | Granted as remuneration | Net change other | Balance at 30 September 2013 |
|---|---|---|---|---|
| *Directors* | | | | |
| A Sage* | 2,071,699 | - | - | 2,071,699 |
| M Gwynne | - | - | - | - |
| P Kelly | - | - | - | - |
| *Executives* | | | | |
| E Von Puttkammer | 83,333 | - | - | 83,333 |
| C Grant | - | - | - | - |
| | 2,155,032 | - | - | 2,155,032 |

| 30 September 2012 | Balance at 1 October 2011 | Granted as remuneration | Net change other | Balance at 30 September 2012 |
|---|---|---|---|---|
| Directors | | | | |
| A Sage* | 2,071,699 | - | - | 2,071,699 |
| M Gwynne | - | - | - | - |
| P Kelly | - | - | - | - |
| K Bischoff (i) * | 375,000 | - | (375,000) | - |
| Executives | | | | |
| E Von Puttkammer | 83,333 | - | - | 83,333 |
| | 2,530,032 | - | (375,000) | 2,155,032 |

*Indirect interest

(i) As at the date of his resignation on 28 November 2011, Mr Bischoff held 375,000 ordinary shares

(d) Option holdings of Key Management Personnel

| 30 September 2013 | Balance at 1 October 2012 | Acquired /granted during year | Lapsed during Year | Balance at 30 September 2013 | Exercisable | Not Exercisable |
|---|---|---|---|---|---|---|
| *Directors* | | | | | | |
| A Sage | 2,500,000 | - | (2,500,000) | - | - | - |
| M Gwynne | 1,500,000 | - | (1,500,000) | - | - | - |
| P Kelly | - | - | - | - | - | - |
| *Executives* | | | | | | |
| E Von Puttkammer | 250,000 | - | (250,000) | - | - | - |
| C Grant | - | - | - | - | - | - |
| | 4,250,000 | - | (4,250,000) | - | - | - |

| 30 September 2012 | Balance at 1 October 2011 | Acquired /granted during year | Lapsed during Year | Balance at 30 September 2012 | Exercisable | Not Exercisable |
|---|---|---|---|---|---|---|
| *Directors* | | | | | | |
| A Sage | 2,500,000 | - | - | 2,500,000 | 2,500,000 | - |
| M Gwynne | 1,500,000 | - | - | 1,500,000 | 1,500,000 | - |
| P Kelly | - | - | - | - | - | - |
| K Bischoff (i) | - | - | - | - | - | - |
| *Executives* | | | | | | |
| E Von Puttkammer | 250,000 | - | - | 250,000 | 250,000 | - |
| | 4,250,000 | - | - | 4,250,000 | 4,250,000 | - |

(ii) Resigned 28 November 2011

(e) Other transactions with Key Management Personnel

For details of other transactions with Key Management Personnel, refer to note 25.

## 25 RELATED PARTY INFORMATION

Transactions with directors, director related entities and other related parties.

(a) Payments to and from director related entities

An aggregate amount of $54,929 (2012: $51,553) was paid to Cape Lambert Resources Ltd ("Cape Lambert") during 2013 for reimbursement of rent and consultancy costs. Mr Sage is a director of Cape Lambert. At 30 September 2013 $38,409 was payable to Cape Lambert (2012: $25,000).

During the year, the Consolidated Entity received $29,677 net (2012: $45,311) from Cauldron Energy Limited ("Cauldron") for the reimbursement of employee costs. Mr Sage is a director of Cauldron. At 30 September 2013 $12,769 was receivable from Cauldron (2012: $11,990).

During the year, the Consolidated Entity received $37,811 (2012: $26,391) from Kupang Resources Limited ("Kupang") for the reimbursement of employee costs. Mr Sage is a director of Kupang. At 30 September 2013 nil was receivable from Kupang (2012: $11,990).
An aggregate amount of $120,000 (2012: $120,000) was paid or payable to Okewood Pty Ltd ("Okewood") for director fees. Mr Sage is a director of Okewood. At 30 September 2013 nil was payable to Okewood (2012: nil).

An aggregate amount of $175,000 (2012: $120,000) was paid or payable to Silverwest Corporation Pty Ltd ("Silverwest") for director fees. Mr Gwynne is a director of Silverwest. At 30 September 2013 $16,042 was payable to Silverwest (2012: $32,083).

An aggregate amount of $60,000 (2012: $60,000) was paid or payable to PAFK Enterprises Pty Ltd ("PAFK") for director fees. Mr Kelly is a director of PAFK. At 30 September 2013 nil was payable to PAFK (2012: nil).

(b) Related party loan

During the year, the Consolidated Entity drew down $1,175,000 (2012: $1,315,000) on its loan facilities from Cape Lambert (refer note 15). At 30 September 2013, the Consolidated Entity has accrued interest on the loans of $260,248 (2012: $93,054). Mr Sage is a Director of Cape Lambert.

(c) Financial Assets

At 30 September 2013, the Consolidated Entity held 250,000 shares in Eclipse Metals Limited (formerly Eclipse Uranium Limited) (ASX: EPM) with a market value of $1,750 (2012: $9,750). Mr Kelly was a director of EPM until November 2011.

During the year ended 30 September 2012, the Consolidated Entity sold its shares in African Iron Limited (ASX: AKI) for a net gain of $243,762. Mr Sage was a director of AKI until March 2012.

## 26 SHARE-BASED PAYMENTS

Total costs arising from share based payment transactions recognised during the year were as follows:

| | 2013<br>$ | 2012<br>$ |
|---|---|---|
| Expense arising from equity-settled, directors, executives, consultant and employee share-based payment transactions (a) | - | - |
| | - | - |

(a) Equity settled directors, executives, consultants and employee share based payment transactions

Options are granted to directors, executives, employees and consultants of the Consolidated Entity in the form of share-based payments. There is currently no formal employee share plan, however selected employees of the Consolidated Entity were granted options during the previous year. The purpose of the grant of options to selected employees was to:

- recognise the ongoing ability of the employees of the Consolidated Entity and their expected efforts and contribution in the long term to the performance and success of the Consolidated Entity; and
- provide an incentive to the employees of the Consolidated Entity to remain in their employment in the long term.

(b) Summary of options granted

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, options issued during the year:

| | 2013 No. | 2013 WAEP | 2012 No. | 2012 WAEP |
|---|---|---|---|---|
| Outstanding at the beginning of the year | 18,875,000 | 0.12 | 18,875,000 | 0.12 |
| Granted during the year to executives and consultants | - | - | - | - |
| Options expired | (18,500,000) | 0.12 | - | - |
| Outstanding at the end of the year | 375,000 | 0.15 | 18,875,000 | 0.12 |
| Exercisable at the end of the year | 375,000 | 0.15 | 18,875,000 | 0.12 |

The outstanding balance as at 30 September 2013 is represented by:

- 375,000 employee options exercisable at a price of $0.15 each before 23 March 2014.

(c) Weighted average remaining contractual life

The weighted average remaining contractual life for the options outstanding as at 30 September 2013 is 0.48 years (2012: 0.28 years).

(d) Range of exercise prices

The range of exercise prices for options outstanding at the end of the year was $0.15 - $0.15 (2012: $0.12 - $0.15).

(e) Weighted average fair value

No options were granted during 2013 (2012: nil).

(f) Option pricing model

The fair value of the equity-settled Options granted is estimated as at the date of grant using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

(g) Option granted

No options were granted during 2013 (2012: nil).

(h) Option expired

During the year ended 30 September 2013 the following options expired:

- 5,500,000 employee options exercisable at a price of $0.12 each expired 31 December 2012;
- 12,500,000 options issued to shareholders of Mooloogool Ltd exercisable at a price of $0.12 each expired 31 December 2012; and
- 500,000 employee options exercisable at a price of $0.12 each expired 31 December 2012.

## 27 PARENT ENTITY FINANCIAL INFORMATION

| | 2013 $ | 2012 $ |
|---|---|---|
| Current Assets | 1,677,483 | 327,245 |
| Non-Current assets | 1,136,164 | 2,434,901 |
| Total Assets | 2,813,647 | 2,762,146 |
| | | |
| Current Liabilities | 3,562,502 | 2,253,405 |
| Non-current liabilities | 16,000 | 16,000 |
| Total Liabilities | 3,578,502 | 2,269,405 |
| | | |
| Net (liabilities)/assets | (764,855) | 492,741 |
| | | |
| Issued Capital | 33,957,000 | 33,957,000 |
| Accumulated losses | (36,440,636) | (35,183,040) |
| Share Based Payment reserve | 1,718,781 | 1,718,781 |
| Total Shareholder’s Equity | (764,855) | 492,741 |
| | | |
| Loss for the year | (1,257,596) | (800,219) |
| Total comprehensive loss for the year | (1,257,596) | (800,219) |

The parent entity has deposited $1,461,400 on term deposit which is pledged as security for a bank guarantee in the name of the parent entity in respect of GEM’s environmental performance bond. There were no other guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

There were no contingent liabilities in the parent entity.

There were no contractual commitments by the parent entity for the acquisition of property plant and equipment. The parent entity has entered into a sub-lease agreement for office space. The Commitment under this agreement is $128,066. Refer note 21 for details.

## 28 EVENTS AFTER THE REPORTING DATE

On 15 November 2013, FEL completed the sale of 100% of its interests in:

(a) Grafters and Bardoc Tenements consisting of 13 prospecting licences for $149,500 cash; and

(b) Vettersburg Tenements consisting of 2 mining leases for $13,000 cash.

On 29 November 2013, FEL announced that it had signed a full form share sale agreement for the sale of Gympie Eldorado Mining Pty Ltd, subject to certain conditions precedent.

Other than detailed above there are no events subsequent to 30 September 2013 and up to the date of this report that would materially affect the operations of the consolidated entity or its state of affairs which have not otherwise been disclosed in this financial report.

**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Fe Limited, I state that:

1. In the opinion of the directors:

   a) the financial statements and notes of Fe Limited for the financial year ended 30 September 2013 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 September 2013 and its performance for the year ended on that date; and

      (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b);

   c) subject to the matters described in note 2(c), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 September 2013.

On behalf of the Board

Mark Gwynne
Executive Director

18 December 2013

Ernst & Young
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# Independent auditor's report to the members of Fe Limited

## Report on the financial report

We have audited the accompanying financial report of Fe Limited, which comprises the consolidated statement of financial position as at 30 September 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

## Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

## Opinion

In our opinion:

a. the financial report of Fe Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 September 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

## Report on the remuneration report

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 September 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Fe Limited for the year ended 30 September 2013, complies with section 300A of the *Corporations Act 2001*.

## Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2(c) in the financial report. As a result of these matters, there is material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

G H Meyerowitz
Partner
Perth
18 December 2013

**SCHEDULE OF TENEMENTS**

**Queensland**

| Tenement | Ownership | Entity | Status |
|---|---|---|---|
| ML 3772 | 100% GEM | GEM | Granted |
| ML 50114 | 100% GEM | GEM | Granted |
| ML 50160 | 100% GEM | GEM | Granted |
| EPM 16655 | 20% FEL | FEL | Granted |
| EPMA 16818 | 20% FEL | FEL | Granted |
| EPMA 16819 | 20% FEL | FEL | Granted |
| EPMA 16820 | 20% FEL | FEL | Granted |
| EPM 16822 | 20% FEL | FEL | Granted |
| EPMA 16823 | 20% FEL | FEL | Granted |
| EPM 16824 | 20% FEL | FEL | Granted |
| EPMA 16825 | 20% FEL | FEL | Granted |

**Western Australia**

| Tenement | Ownership | Entity | Status |
|---|---|---|---|
| E29/0806 | 100% FEL | FEL | Granted |
| E29/0807 | 100% FEL | FEL | Granted |
| E29/0818 | 100% FEL | FEL | Granted |
| E29/0847 | 100% FEL | FEL | Granted |
| E77/1269 | 100% FEL | FEL | Granted |
| E77/1754 | 100% FEL | FEL | Granted |
| E77/1841 | 100% FEL | FEL | Granted |
| E77/1842 | 100% FEL | FEL | Granted |
| E77/1843 | 100% FEL | FEL | Granted |
| E77/1881 | 100% FEL | FEL | Granted |
| P24/4500 | 100% | FEL | Granted |
| E24/0145 | 100% | JAK | Granted |
| E24/0151 | 80% | JAK | Granted |
| E27/0192 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| E27/0343 | 80% | JAK | Granted |
| E27/0360 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| E27/0362 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Pending |
| E27/0450 | 100% | FEL | Granted |
| E27/0465 | 100% | FEL | Granted |
| E51/1033 | 20% | JAK | Granted |
| E52/1613 | 20% | JAK | Granted |
| E52/1659 | 20% | JAK | Granted |
| E52/1668 | 20% | JAK | Granted |
| E52/1670 | 20% | JAK | Granted |
| E52/1671 | 20% | JAK | Granted |
| E52/1672 | 20% | JAK | Granted |
| E52/1678 | 20% | JAK | Granted |
| E52/1722 | 20% | JAK | Granted |
| E52/1730 | 20% | JAK | Granted |
| EPM 9869 | 25% | JAK | Granted |
| EPM 13848 | 25% | JAK | Granted |
| M24/0462 | 80% Ni | JAK | Granted |
| M24/0640 | 80% | JAK | Granted |
| M27/0092 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| M27/0202 | 90% | JAK | Granted |
| M27/0340 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P24/4017 | 100% | JAK | Granted |
| P24/4018 | 100% | JAK | Granted |
| P24/4019 | 100% | JAK | Granted |

| | | | |
|---|---|---|---|
| P24/4146 | 80% | JAK | Granted |
| P24/4149 | 80% | JAK | Granted |
| P24/4498 | 100% | FEL | Granted |
| P24/4499 | 100% | FEL | Granted |
| P24/4501 | 100% | FEL | Granted |
| P24/4502 | 100% | FEL | Granted |
| P24/4503 | 100% | FEL | Granted |
| P24/4538 | 100% | FEL | Granted |
| P26/3363 | 100% | JAK | Granted |
| P26/3364 | 100% | JAK | Granted |
| P26/3365 | 100% | JAK | Granted |
| P26/3366 | 100% | JAK | Granted |
| P26/3367 | 100% | JAK | Granted |
| P26/3368 | 100% | JAK | Granted |
| P26/3369 | 90% | JAK | Granted |
| P26/3766 | 80% | FEL | Granted |
| P26/3767 | 80% | FEL | Granted |
| P26/3768 | 80% | FEL | Granted |
| P26/3769 | 100% | FEL | Granted |
| P26/3770 | 100% | FEL | Pending |
| P26/3788 | 100% | FEL | Granted |
| P26/3801 | 80% | FEL | Granted |
| P26/3802 | 80% | FEL | Granted |
| P26/3875 | 100% | FEL | Granted |
| P26/3876 | 100% | FEL | Granted |
| P27/1682 | 90% | JAK | Granted |
| P27/1683 | 100% | JAK | Granted |
| P27/1684 | 100% | JAK | Granted |
| P27/1685 | 100% | JAK | Granted |
| P27/1686 | 90% | JAK | Granted |
| P27/1687 | 90% | JAK | Granted |
| P27/1688 | 90% | JAK | Granted |
| P27/1743 | 80% | JAK | Granted |
| P27/1865 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1866 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1867 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1868 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1869 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1870 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1871 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1872 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1873 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1878 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1880 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1881 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1882 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1893 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1894 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1895 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1898 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1899 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1900 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1901 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1903 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1904 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1905 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1906 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1907 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |

| | | | |
|---|---|---|---|
| P27/1908 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1909 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1910 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1911 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1912 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1913 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1914 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1915 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1917 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/1918 | 100% Ni (and associated minerals - eg/ Colbalt) | JAK | Granted |
| P27/2024 | 100% | FEL | Granted |
| P27/2025 | 100% | FEL | Granted |
| P27/2026 | 100% | FEL | Granted |
| P27/2099 | 100% | FEL | Granted |
| P27/2100 | 100% | FEL | Granted |
| P27/2101 | 100% | FEL | Granted |
| P27/2102 | 100% | FEL | Granted |
| P52/1167 | 20% | JAK | Granted |
| P52/1168 | 20% | JAK | Granted |
| P52/1170 | 20% | JAK | Granted |
| P52/1171 | 20% | JAK | Granted |
| P52/1172 | 20% | JAK | Granted |
| P52/1195 | 20% | JAK | Granted |
| P52/1196 | 20% | JAK | Granted |
| E51/1186 | 100% Fe & Mn | MOOL | Granted |
| E51/1187 | 100% Fe & Mn | MOOL | Granted |
| E51/1213 | 100% Fe & Mn | MOOL | Granted |
| E51/1214 | 100% Fe & Mn | MOOL | Granted |
| E51/1215 | 100% Fe & Mn | MOOL | Granted |
| E51/1325 | 100% Fe & Mn | MOOL | Granted |
| E51/1341 | 100% Fe & Mn | MOOL | Granted |
| E51/1342 | 100% Fe & Mn | MOOL | Granted |
| E51/1367 | 100% Fe & Mn | MOOL | Granted |
| P24/4785 | 100% | JAK | Pending |
| P24/4786 | 100% | JAK | Pending |
| P26/3979 | 100% | JAK | Pending |
| P26/3980 | 100% | JAK | Pending |
| P26/3981 | 100% | JAK | Pending |
| P26/3982 | 100% | JAK | Pending |
| P26/3983 | 100% | JAK | Pending |

**ADDITIONAL SHAREHOLDER INFORMATION**

**Shares**

The total number of Shares on issue as at 6 December 2013 was 115,521,575, held by 782 registered Shareholders. 461 shareholders hold less than a marketable parcel, based on the market price of a share as at 6 December 2013.

Each Share carries one vote per Share without restriction.

**Quoted Options**

The Company does not have any quoted Options on issue.

**Unquoted Options**

As at the date of this report the Company had on issue:

- 375,000 unquoted Options exercisable at $0.15 and expiring on 23 March 2014

No voting rights are attached to unquoted Options.

**Twenty Largest Shareholders**

As at 6 December 2013, the twenty largest Shareholders were as shown in the following table and held 67.94% of the Shares.

| | Legal Holder | Holding | % |
|---|---|---|---|
| 1 | DEMPSEY RESOURCES PTY LTD | 22,988,793 | 19.90% |
| 2 | CAULDRON ENERGY LIMITED | 15,695,835 | 13.59% |
| 3 | CITICORP NOMINEES PTY LIMITED | 6,074,798 | 5.26% |
| 4 | MR RUSSELL NEIL CREAGH | 3,710,050 | 3.21% |
| 5 | MS CONCETTINA SCHIAVELLO | 2,884,371 | 2.50% |
| 6 | MATTHEW PARRISH PTY LTD | 2,595,449 | 2.25% |
| 7 | MRS LILIANA TEOFILOVA | 2,327,890 | 2.02% |
| 8 | GRAND ENTERPRISES PTY LTD | 2,181,862 | 1.89% |
| 9 | MR ANTONY WILLIAM SAGE | 2,071,699 | 1.79% |
| 10 | ARCHFIELD HOLDINGS PTY LTD | 2,048,000 | 1.77% |
| 11 | PEARL BLISS PTY LTD | 2,000,000 | 1.73% |
| 12 | MR IANAKI SEMERDZIEV | 1,939,000 | 1.68% |
| 13 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA | 1,929,033 | 1.67% |
| 14 | IDRA HOLDINGS PTY LTD | 1,863,991 | 1.61% |
| 15 | PT RADINKA ARTHAPRIMA | 1,364,197 | 1.18% |
| 15 | C S T CORPORATION | 1,364,197 | 1.18% |
| 16 | MR ANTHONY ROBERT RAMAGE | 1,191,674 | 1.03% |
| 17 | GANBARU PTY LTD | 1,170,000 | 1.01% |
| 18 | CLASSIC CATERERS PTY LTD | 1,100,000 | 0.95% |
| 19 | LAKE MINA HOLDINGS PTY LTD | 1,082,778 | 0.94% |
| 20 | EMILIO PIETRO DEL FANTE & SHERIDAN JANE DEL FANTE | 900,000 | 0.78% |
| | **Total** | **78,483,617** | **67.94%** |

**Distribution Schedule**

A distribution schedule of the number of Shareholders, by size of holding, as at 6 December 2013 is below:

| Size of holdings | Number of Shareholders |
|---|---|
| 1 – 1000 | 58 |
| 1,001 – 5,000 | 181 |
| 5,001 – 10,000 | 154 |
| 10,001 – 100,000 | 283 |
| 100,001 and over | 106 |
| **Total** | **782** |

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