



31 January 2012

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## DECEMBER 2011 QUARTERLY REPORT

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### HIGHLIGHTS:

- Successful completion of capital raising of AUD\$42.5 million through a retail offer of AUD\$17.5 million and an excluded offer of AUD\$25 million;
- Issuance of Convertible Bonds for a total amount of USD\$25 million;
- The Company has completed the acquisition of the remaining interest in Topone Star Investments Limited (**TSI**), the company which owns 80% of the Ereeny and Dartsagt projects in Mongolia. The Ereeny project has a JORC Mineral Resource of 108.7 million tonnes (**Mt**) of Indicated and Inferred iron ore resource at 37.30% TFe;
- Appointment of Baogang Group Design & Research Institute to conduct a feasibility study on the Ereeny project;
- Completion of the construction of a 35KV / 1,250 KVA substation;
- Completion of preliminary design (with piping and routing) for living-use water supply to staff quarters in nearest Soum;
- The additional drilling of six holes has been successfully completed;
- Extractions of the samples from the drill core have been delivered to an internationally recognized Mongolian laboratory recommended by Minarco-MineConsult for assaying. Assaying technique will include both XRF (X-Ray Fluorescence) and Davis Tube methodologies;
- Mongolian-standard feasibility study has been prepared by a Mongolian design institute for the purpose of submission to the relevant authority in Mongolia; and
- Quotations for Ereeny mine plan design have been received from three reputable design companies in China.



FeOre Limited (**FEO** or the **Company**) provides the following commentary for the three months ended 31 December 2011, to be read in conjunction with the Appendix 5B.

## A. EREENY PROJECT

### Overview

The Ereeny Project is located in Mandalgovi Province of Mongolia with approximate geographic coordinates Longitude 108°15"–108°14" and Latitude 45°50"–45°52". The Project covers approximately 3.26km<sup>2</sup> and reaches a maximum depth of 400m.

The Project is located approximately 60km from the major trans-Mongolian railway line between Russia and China, and approximately 440km by rail to the point of sale at Erenhot which has been agreed with China Railway Mongolia Investments LLC (**CRMI**). CRMI is a subsidiary of China Railway Group Limited, one of the leading railway services and engineering companies in China.

FEO has also signed a 10-year Offtake Agreement and Logistics Agreement with CRMI.

In December 2011, the Company completed the acquisition of 100% interest in Topone Star Investments Limited (**TSI**), a company which owns 80% of the Ereeny and Dartsagt projects in Mongolia through a majority interest in its subsidiary Tai Sheng Development LLC. Part of the IPO proceeds has been used to complete the acquisition of TSI.

### Maiden JORC

Runge Asia Limited trading as Minarco-MineConsult (**MMC**) completed a comprehensive compilation and assessment of recent and historical geological and exploration data in October 2011.

A total of 23 drill holes (comprising 6,857m drilled) and 20 trench samples which were extracted prior to the reporting period were used to define the maiden Resource. Drilling has been conducted on predominantly 80m spaced NW-SE sections, with some broader spacings of up to 130m at depth, while most surface trench sampling have been conducted at 100m intervals.

MMC has stated that the deposit demonstrates reasonable expectation for economic extraction due to its shallow occurrence, and good width, grade and continuity of mineralisation compared to similar deposits in the region.

**Table 1: Statement of TFe JORC Mineral Resources as at June 2011, reported @ 15% TFe cutoff grade**

JORC classification	Tonnes (t)	TFe (%)	Contained Fe metal (tonnes)
Indicated	57,338,000	39.10	22,431,000
Inferred	51,410,000	35.20	18,096,000
<b>Total</b>	<b>108,747,000</b>	<b>37.30</b>	<b>40,527,000</b>

Note: Disparity in sum of numbers is due to rounding.

**Table 2: Statement of mFe JORC Mineral Resources as at June 2011, reported @ 15% TFe cutoff grade**

JORC classification	Tonnes (t)	mFe (%)	Contained Fe metal (tonnes)
Indicated	12,333,000	31.30	3,862,000
Inferred	96,414,000	27.50	26,532,000
<b>Total</b>	<b>108,747,000</b>	<b>28.00</b>	<b>30,394,000</b>

Note: The mFe resource is contained within the TFe resource and is not exclusive or additional tonnage. Disparity in sum of numbers is due to rounding.

TFe mineralisation is interpreted to be closely associated with the fold structures in the area, with the mineralised horizons forming a synclinal feature which corresponds closely to the host sedimentary units.

### Exploration

During the quarter ended 31 December 2011, the Company conducted further exploration in the northern part of the Ereeny licensed area where the existing ore body is located. Six additional holes with a total depth of 1,377m were drilled, and MMC was commissioned to provide recommendation on sampling and laboratory assaying procedures.

Samples from the drill holes were extracted from the drill cores with core saw and were delivered to an international recognized Mongolian laboratory recommended by MMC. The laboratory is commissioned to assay the samples using various techniques including XRF (X-Ray Fluorescence) and Davis Tube methodologies. The Company anticipates the receipt of these exploration results in the current quarter.



Figure 1 – Drill core samples dissected with core saw

### Project Development

#### Electricity

During the quarter ended 31 December 2011, the Company has completed the installation of a 35KV / 1,250 KVA substation. The substation will be used for supplying power to assist in the mine development, and for the workshops and living quarters upon commencement of the mining operation.

Furthermore, the preliminary engineering design of a 110kv high-voltage power supply has been completed. This power supply will form an integral part of the mine plan.





Figure 2 – 35KV / 1,250 KVA substation on site

### **Water**

A total of three bore holes located 7.5km – 17km to the southwest of the licensed area have been drilled in previous quarters. This water source will provide living-use water to the staff quarters in the nearest Soum (the second level administrative subdivision below the Aimags (provinces), roughly comparable to a county in the USA) as well as provide living-use water to the mine site. Preliminary design (both piping and routing) for the water supply to the nearest Soum has been completed.

An industrial-use water reservoir is located 22km (routing distance) to the south of the licensed area. Currently three bore holes for industrial-use water have been drilled (in previous quarters) and the preparation of a water exploration report is currently being prepared. The piping and routing design contract will be awarded as part of the mine plan design.

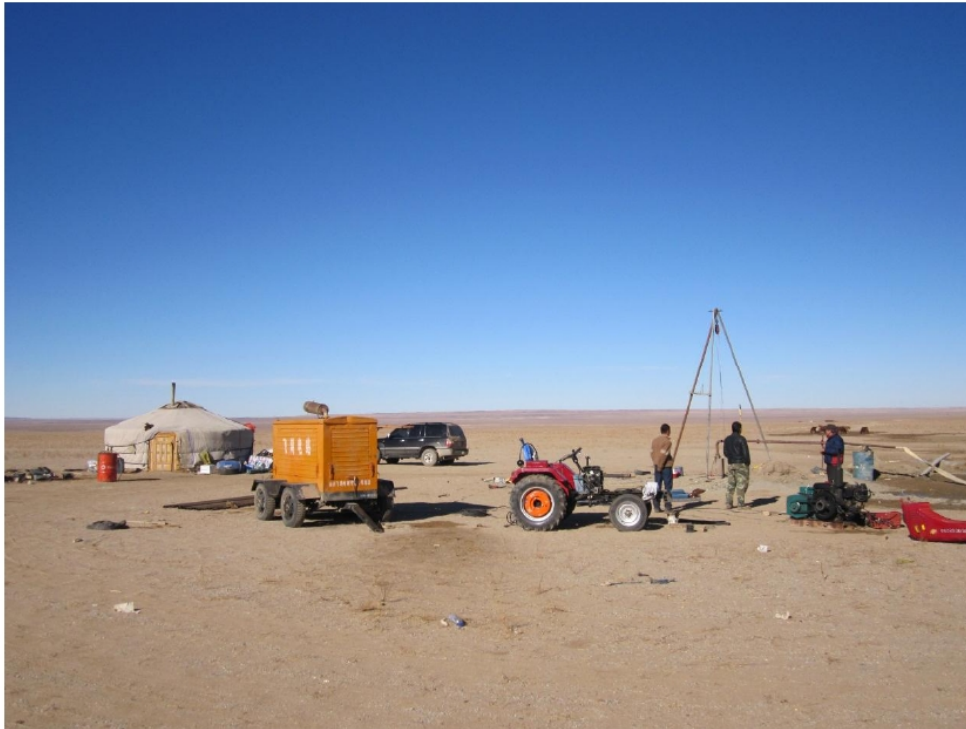


Figure 3 – Bore hole at industrial-use water reservoir

### **Project Design**

Baogang Group Design & Research Institute has been appointed to conduct a feasibility study on the Ereeny Project.

Quotations from three reputable design companies in China have been received for the mine plan and design of the Ereeny Project. The Company expects to award this tender during the current quarter.

A Mongolian design institute has prepared a Mongolian-standard feasibility study based on the work performed by Baogang Group Design & Research Institute. This study has been prepared for the purpose of submission to the relevant authority to satisfy certain statutory requirement.

### **Project Funding**

Up to 31 December 2011, the Company has spent a total of US\$2.2 million on the development of the Ereeny project. It is anticipated that additional project debt funding will be required for the construction of mine facilities and procurement of the processing equipment. FEO is in discussion with Chinese banks surrounding development financing. Confirmations of interest have been received and the Company aims to optimize the debt to equity capital structure.



## **B. DARTSAGT PROJECT**

### **Overview**

The Dartsagt Project (Exploration Licence 5930X) can be characterised as an early stage project. The project is located at Dartsagt, Dalanjargalan of Dornogovi Province with approximate initial coordinates: point 1=108°49' and 45°58'; point 2=108°51' and 45°58'; point 3=108°51' and 45°56'; and point 4=108°49' and 45°56'.

### **Project Development**

During the reporting period, the Company has conducted topographical mapping on the licensed area and reviewed the preliminary exploration report. The final report will be submitted to the relevant authority for the application of mining permit in the current quarter. Up to 31 December 2011, the Company has incurred a total of US\$0.1 million in the development of the Dartsagt Project.

- Ends -

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### **Forward Looking Statements**

This report contains certain forward looking statements which by nature, contain risk and uncertainty because they relate to future events and depend on circumstances that occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.

### **Competent Persons Compliance Statement**

Information in this report that relates to mineral resources is based on information provided by Mr Jeremy Clark, Principal Geologist, who is a Member of the Australian Institute of Geoscientists. Mr Clark has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the '2004 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves'. Mr Clark consents to the inclusion in this report based on his information in the form and context in which it appears.