



FeOre Limited  
62/F, The Center  
99 Queens Road Central  
Hong Kong  
Tel: +852 3960 6518  
[www.feore.com](http://www.feore.com)

## ASX ANNOUNCEMENT

22 January 2014

### SALE OF TOPONE STAR INVESTMENTS LIMITED

FeOre Limited (**FeOre** or the **Company**) has entered into a conditional share purchase agreement with China Energy (Cayman) Limited (the **Purchaser**), an independent private company, for the sale of all of the Company's interest in Topone Star Investments Limited (**TSI**)<sup>1</sup> (the **Agreement** or the **Transaction**).

The cash consideration includes US\$51.03 million plus a conditional final deferred consideration that equals to total amount of \$56.7million, payable in three tranches: US\$5.67 million upon satisfaction of the conditions precedent; a second payment of US\$45.36 million within 5 business days thereafter; and the conditional final deferred consideration of US\$5.67 million to be paid in the escrow account to be released upon the successfully listing of an entity associated with the Purchaser on the Hong Kong Stock Exchange and subject to any reduction due to any breach of any representations and warranties given by the Company or other liabilities that the Company may face at that time.

Ten percent of the Purchaser's associated entity's share capital will be held by a third party, whose ultimate beneficial owners include certain key personnel, staffs and consultants that the Purchaser believes to have significant respects favorable to TSI's projects and business development.

A summary of the key terms of the Agreement is outlined in Appendix 1.

The Transaction is subject to certain conditions precedent, including:

1. Approval by FeOre shareholders, as required by ASX Listing Rule 11.2;
2. Completion of due diligence process;
3. Each of the parties obtaining all necessary approvals;
4. The Company obtaining written consent for waivers from holders of the US\$25 million convertible bonds (the **Convertible Bonds**) (the **Bondholders**) and Gleneagles Securities.

---

<sup>1</sup> A BVI incorporated company wholly owned by the Company, which holds 80% interest in Taisheng Development LLC.

The next put option of the Convertible Bonds is in June 2014 and the maturity of the Convertible Bonds is in December 2014. The Company will use proceeds of the first payment and existing cash balances (approximately US\$20.1 million<sup>2</sup>) to redeem the Convertible Bonds from the Bondholders. Subsequent to the redemption of the Convertible Bonds (but prior to receipt of the second payment – see Appendix 1), the Company's then net cash position will be approximately US\$0.4 million.

After the second payment is completed, the Company intends to undertake a capital distribution through a share buy-back program. The offer price and total buy-back offer amount to be determined subject to the then prevailing foreign exchange rates, the actual cash position of the company. FeOre intends to keep a minimum of A\$4.3 million (assuming an US\$/A\$ exchange rate of 0.88 to 1) to pay for any contingent liabilities, fund due diligence on potential acquisitions and for working capital. Assuming an exchange rate of 0.88 USD/AUD, the intended price for the buy-back may be A\$0.08 per share, as set out in the below table.

Indicative Transaction cash flow <sup>(a)</sup>		
	US\$ million	A\$ million
Current Cash	\$20.1	
Proceeds from First Payment	\$5.6	
Proceeds from Second Payment	\$45.4	
Total Cash	\$71.1	
Less:		
Transaction Fees (legal, advisors, execution agent, third party valuator etc.)	(\$2.4)	
Redemption of Convertible Bonds	(\$25.0)	
Total Outgoings	(\$27.4)	
Net Cash available to FeOre <sup>(a)</sup>	\$43.7	
Provision for Contingent Payment	(\$2.8)	
Net Cash after Provision <sup>(a)</sup>	\$40.9 <sup>(b)</sup>	\$46.5
Minimum Cash to be reserved for General Purposes		(\$4.3)
Maximum Cash to be used for Share Buy-back <sup>(a)</sup>		\$42.2
Intended Repurchase Share Price <sup>(a)</sup>		\$0.08
<sup>(a)</sup> Not including the conditional final deferred consideration of US\$5.67 million; <sup>(b)</sup> Assumes an US\$/A\$ exchange rate of 0.88		

<sup>2</sup> Current cash balance amounts to approximately US\$20.6 million, and assuming the operational costs to be approximately US\$0.5 million immediately prior to the receipt of the second payment, and the partial payments of costs relating to the Transaction of US\$0.3 million.

The Transaction is a result of FeOre's board actively identifying financing solutions for the development of its projects for the past 2 years.

The Chairman of FeOre said that "Given the Convertible Bonds have an upcoming put option in June 2014, and will be maturing in December 2014, and amid the current challenging environment, the Company's board has undertaken an extensive process to find a financing solution prior to the maturity of the Convertible Bonds. The Transaction was the only proposal capable of being put to shareholders. Whilst the board thinks that the Transaction undervalues the Company, the board presents the shareholders an option to consider. Should shareholders decide not to proceed with the Transaction; the Board will continue to put its greatest effort in sourcing alternative solutions and will present any alternatives to the shareholders."

The expected timetable for the Transaction is as follows:

<b>February 2014</b>	Notice of Meeting, Explanatory Notes and Independent Expert's Report dispatched to shareholders
<b>February 2014</b>	FeOre Extraordinary General Meeting of shareholders to approve the Transaction
<b>March 2014</b>	If approved by the shareholders, completion of the Transaction (including the establishment of a jointly owned escrow account and the transfer of the conditional final deferred consideration into the escrow account – please refer to "Payment Schedule" section under Appendix 1)

The actual timetable is dependent on the satisfaction of all the precedent conditions set forth in the Agreement. To assist shareholders in considering the Transaction, the Company's directors have retained BDO Corporate Finance to prepare an independent expert's report on the Transaction.

- END -

For further details please contact



Tim Sun  
Chairman and Non-executive Director  
FeOre Limited  
Tel: +852 3960 6518  
Fax: +852 3965 3222

## About FeOre

FeOre Limited principally engages in the exploration and development of mineral resources in Mongolia. The Company currently owns 80% of the Ereeny Iron Ore Project and the Dartsagt Iron Ore Project, located in Mongolia.

## Forward Looking Statements

This announcement contains certain forward looking statements which by nature, contain risk and uncertainty because they relate to future events and depend on circumstances that will 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.

Certain statements made herein, including statements relating to matters that are not historical facts and statements of FeOre's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable legislation and "forward-looking statements" within the meaning of applicable provisions. Forward-looking information and statements relate to future events or future performance, reflect current expectations or beliefs regarding future events and are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will," "believe" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking statements and information are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements or information. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate, including the price of iron ore, anticipated costs and ability to achieve goals, as well as the timing of the completion of any fund-raising activities. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements and information include, among others, iron ore price volatility, discrepancies between actual and estimated production, mineral reserves and resources, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities, currency fluctuations, the speculative nature of iron ore exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, funding requirements and defective title to mineral claims or property. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

All such forward-looking information and statements are based on certain assumptions and analyses made by FeOre's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the

circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements. Such factors include, among other things, the political risks associated with FeOre's principal operations in Mongolia; the impact of changes in, changes in interpretation to or changes in enforcement of, laws, regulations and government practices in the jurisdictions in which FeOre operates; and changes in the attitudes of the Mongolian government.

Important factors that could cause actual results to differ from these forward-looking statements include those described in the issuer's previous Quarterly Reports and Annual Financial Reports. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking information or statements that other such information or statements will be correct. The reader is cautioned not to place undue reliance on forward-looking information or statements. All forward-looking information and statements herein are made as of the date hereof. FeOre does not intend or undertake to update or revise forward-looking statements or information, whether written or oral or whether as a result of new information, future events or otherwise, that may be made by FeOre or on its behalf, except as required by law.

## Appendix 1 – Summary of the Key Terms of the Conditional Share Purchase Agreement

<b>Purchaser</b>	: China Energy (Cayman) Limited, an independent private company
<b>Seller</b>	: FeOre Limited
<b>Sale Interest</b>	: All of the Seller's interest in Topone Star Investments Limited, which indirectly holds 80% interest in the Ereeny and Dartsagt Project located in Mongolia
<b>Cash Consideration</b>	: A total of US\$56.7 million, including a US\$51.03 million cash payment and a conditional final deferred consideration (see "Payment Schedule")
<b>Payment to Third Parties</b>	: 10% of the shares of the List Co will be held by a third party company that the Purchaser believes are significant for the business management, project operations and business development of TSI and its assets.
<b>Payment Schedule</b>	: <ol style="list-style-type: none"><li>1. US\$5.67 million to be paid to the Seller upon satisfying Conditions Precedent;</li><li>2. US\$45.36 million to be paid to the Seller within 5 business days from the date of the first tranche payment; and</li><li>3. The conditional final deferred consideration of US\$5.67 million to be held in escrow jointly owned by the Purchaser and the Seller immediately after the second payment, and to be paid to the Seller (less any deductions due to any breach of representations and warranties given by the Seller) upon the listing of an entity designated by the Purchaser which at that time holds the legal title of TSI (the <b>List Co</b>). If the Purchaser fails to list the List Co by 30 September 2015, the final deferred consideration (less any deductions) will be released to the Purchaser's designated bank account and the Purchaser will issue or transfer 6.3% of its share capital to the Seller.</li></ol>
<b>Conditions Precedent</b>	: <ol style="list-style-type: none"><li>1. The incorporation of the List Co (an entity to be associated with the Purchaser);</li><li>2. Each party to the Transaction obtaining or being issued all necessary permit, consent or approval for the Transaction;</li><li>3. All documents, materials and representation provided by each party to the Transaction being true, correct, complete and sufficient;</li><li>4. The Purchaser completing all financial, legal, technical, business, environmental and social due diligence investigations of the Seller, TSI and Taisheng;</li><li>5. The Purchaser obtaining all necessary internal and external consents, permits, approvals of any kind as required by the Transaction and completing all relevant filings with corresponding supervising authorities;</li><li>6. Each Party to the Transaction duly and validly executing all related transaction documents;</li><li>7. The representation and warranties of each party under the Share Purchase Agreement and other transaction documents continuously remaining true, correct and complete;</li><li>8. The holders of the Convertible Bonds legally and validly discharging, releasing, or waiving all relevant mortgage, pledge, lien, encumbrance, security interest or charge of</li></ol>

any kind over the Seller's share in TSI and TSI's share in Taisheng (if any);

9. Mortgage/charge/pledge established or any other security or encumbrance (if any) over the Seller's, TSI's or Taisheng's equities and/or assets being legally and validly released, discharged or waived;
10. Taisheng providing the Purchaser with all relevant consents, permits, approvals of any kind, filings and relevant legal documents;
11. The Purchaser completing its further resource verification on Taisheng's resources and being satisfied with the results;
12. The Seller, TSI and Taisheng disclosing all the material risks (including but not limited to those risks causing material adverse effect) related to the Purchaser (or its Affiliate)'s investment in TSI and Taisheng and promising that after the completion of the Purchaser (or its Affiliate)'s investigation, no any circumstances or events or changes has taken place which will or may result in material adverse effects causing the Purchaser (or its Affiliate) to suffer losses;
13. None of the Seller, TSI or Taisheng suffering a material adverse effect (as defined in the Share Purchase Agreement);
14. No Dividend or other distribution being paid directly or indirectly to any shareholder of TSI and Taisheng, unless with prior written approval from the Purchaser; and
15. Gleneagle Securities (Aust) Pty Ltd agreeing in writing to waive all the past service fees and the service fees and compensation relating to this Transaction from the Seller, TSI and TaiSheng.

**Termination**

- : The Agreement may be terminated if the Conditions Precedent are not satisfied on or before 28 April 2014 (or any other dates as agreed by the parties).