ANNUAL REPORT 2012

FeOre
LIMITED

CORPORATE INFORMATION

ARBN

152 971 821

DIRECTORS

Tim Sun, Chairman
Bruce Higgins
Christina (Jun) Mu
Quintus Roux

COMPANY SECRETARY

Dion Cohen

REGISTERED OFFICE

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Australian Stock Exchange (ASX)

PRINCIPAL BANKER

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AUDITORS

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MONGOLIA LEGAL COUNSEL

Mongol-Advocate Law Firm
Mongolia

TECHNICAL ADVISOR

Runge LLC
Mongolia

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CHAIRMAN'S LETTER

ON BEHALF OF THE BOARD OF DIRECTORS AND MANAGEMENT OF FEORE LIMITED (ASX: FEO), IT IS WITH GREAT PLEASURE THAT I PRESENT TO YOU OUR FIRST ANNUAL REPORT AS AN ASX-LISTED COMPANY.

The Company has made tremendous progress in the fiscal year 2011/2012, beginning with a successful listing on the ASX on 15 December 2011. Despite being caught in a volatile capital market towards the end of last year, the Company has successfully closed its excluded and public offer for its IPO, raising a total of A$42.5 million, demonstrating the investors' confidence in the quality of the Company's assets in Mongolia.

Since the IPO, FeOre has been focused in the creation of shareholders' value through advancing towards the commercial production of its flagship Ereeny Project, evolving from an exploration company to a pre-mining company. During the period between September and December 2011, the Company has drilled six additional holes in the northern part of the Ereeny licensed area with samples taken from the drill core for laboratory assaying test work. In addition, processing studies on the Ereeny Project were conducted based on 1,649kg of representative samples taken from borehole core at Ereeny Project. The recent results from the studies provide the Company with essential information pertaining to the economic value of the project, and indicate characteristics of potential products.

Meanwhile, the Dartsagt Project has reached a major milestone in obtaining a mining permit. This accomplishment is a positive enhancement to the asset portfolio of the Company and demonstrated our ability to achieving objectives and delivering results.

Although fluctuation has been seen in the recent iron ore price movement, researches have shown signs of stabilising prices in the near future. According to a report by the United Nations Conference on Trade and Development (UNCTAD), China accounted for 60.1% of total world's iron ore import in 2011. Iron ore use is estimated to increase from 1.92 billion tonnes in 2011 to 2 billion tonnes in 2012 and 2.08 billion tonnes in 2013. In light of China's high iron ore demand, we believe the Company's assets have a competitive advantage due to its proximity to China and low labor cost in Mongolia. We remain optimistic on the outlook of the iron ore market.

FeOre is focused in maximising shareholder's return through the careful planning and development of its existing assets, as well as the commitment to expand and diversify its portfolio. With the combination of an experienced management and technical team, quality assets and sound objectives, the Board believes the Company holds the right ingredient to the creation of wealth for our shareholders.

Lastly, the Board would like to emphasize our dedication and commitment for continuous growth, and would like to thank our shareholders for your continuous support.

Tim Sun
Chairman
FeOre Limited

CEO'S REPORT

THIS THE FIRST REPORT OF THE COMPANY AS A PUBLIC COMPANY FOLLOWING THE SUCCESSFUL INITIAL PUBLIC OFFERING (IPO). I AM PLEASED TO REPORT THAT WE HAVE MADE SIGNIFICANT PROGRESS IN DEVELOPING OUR MAJOR ASSET, THE EREENY PROJECT BASED IN MONGOLIA, AND ALSO IN THE FORMATION OF OUR MANAGEMENT TEAMS.

HIGHLIGHTS

- Successful completion of capital raising of A$42.5 million through a retail offer of A$17.5 million and an excluded offer of A$25 million
- Issuance of Convertible Bonds for a total amount of US$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
- Successfully obtained approval from the Minerals Authority of Mongolia on the Feasibility Study for the Ereeny Project
- The additional drilling of six holes in the Ereeny Project 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 X-Ray Fluorescence (XRF) and Davis Tube Recovery (DTR) methodologies. DTR results has been reviewed by Minarco-MineConsult and were shown to be positive
- Engaged Changsha Research Institute of Mining and Metallurgy Co., Ltd, a subsidiary of China Minmetals Incorporation and leading metallurgic design institute in China, to conduct metallurgic studies for the Ereeny Project. A study report has been completed in August 2012 with recommendations regarding optimised processing design for potential iron concentrate products suitable for export
- Engaged MCC Capital Engineering & Research Incorporation Qinhuangdao Co., Ltd, a leading mine design institute in China, to perform mine plan design for the Ereeny Project. An initial design has been submitted for management review
- Dispatched team to site location (Ereeny Project) in preparation for construction of foundation work
- Civil work completed for supporting utilities, including power supply, accommodation and water facilities
- Water studies are underway to determine the location of optimal bore water sources
- Application of the mining permit for the Dartsagt Project has been successful and a mining permit has been granted in September 2012

EREENY PROJECT

Overview

The Ereeny Project (Mining Licence MV-017028) 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 $3.26km^2$ and the current indication is that the iron mineralisation extends continuously to beyond a depth of 400m below surface.

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, FEO 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 (**TSD**). Part of the IPO proceeds has been used to complete the acquisition of TSI.

In March 2011, TSD has received approval from the Head of Mineral Authority on the feasibility study based on the Conclusion of the Minerals Professional Council of Mongolia. This approval allows TSD to commence construction works regarding the infrastructure, buildings and other facilities of the mine. The Company noted that the approval contains certain provisions which require attention, implementation and compliance to (1) environmental aspects pertaining to the Ereeny Project, (2) requirements by local authorities and updating, and (3) renewal or modification of the Feasibility Study after three years, stating of closure and rehabilitation of the deposit in the annual mining working plan.

JORC Compliant Resource

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 surface drill holes (totalling 6,857m drilled) and 20 trench samples, which were completed prior to IPO, 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 has been conducted at 100m intervals.

The iron formations at Ereeny form a broadly circular arrangement as can be seen in Figure 1 and are interpreted to have originally been a banded iron formation (**BIF**), which was folded into a cup shaped synform. Metamorphic processes have greatly modified the iron horizons coalescing lenses to form large continuous bodies in places as can be seen in Figure 2. On this section line the original tipped cup shape synformal nature is evident, with lenses dipping into the center of the deposit on the left and right hand sides of the section. However, on this section the left limb is greatly thickened through metamorphic processes and the hinge of the synform is removed by shearing.

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.

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.

Results of Additional Exploration

During September to December 2011, the Company drilled six additional holes in the northern part of the Ereeny licensed area where the existing ore body is located with the aim to:

(i) confirm and improve the confidence of mineralization continuity; and

(ii) confirm and improve the metallurgical understanding of the ore.

Samples from the drill holes were taken from the drill cores with a core saw and were delivered to SGS, an internationally recognized Mongolian laboratory recommended by MMC. The laboratory performed an assay of the samples using X-Ray Fluorescence (XRF) and Davis Tube Recovery (DTR) methodologies and MMC was engaged to complete the compilation and assessment of the recent exploration results.

Interpretation revealed that the additional holes were consistent with the previous geologic interpretation of the Resource, and were likely to increase the confidence when an update to the Mineral Resource Statement is complete. Long intervals of magnetite iron mineralization (up to 106m long) were intersected at an applied cut-off grade of 15% magnetic iron, including occasional below cut-off intervals of less than 2m long. These additional intersections support the interpreted general synformal geometry of the iron mineralization at Ereeny, which is illustrated in the geological map in Figure 1 and in the cross section through the current drilling in Figure 2.

The intersections from the recent drilling further support the potential for an economically viable project with DTR results indicating up to 99% magnetic recoveries are achievable and concentrate grades of up to 68% TFe on an individual sample basis, were achieved.

The recently completed drill hole locations and orientations are presented in Figure 1 and tabulated in Table 3, while the significant intercepts for each drill hole (at a applied cut-off grade of 15% mFe) along with the averaged DTR results are presented in Table 4.

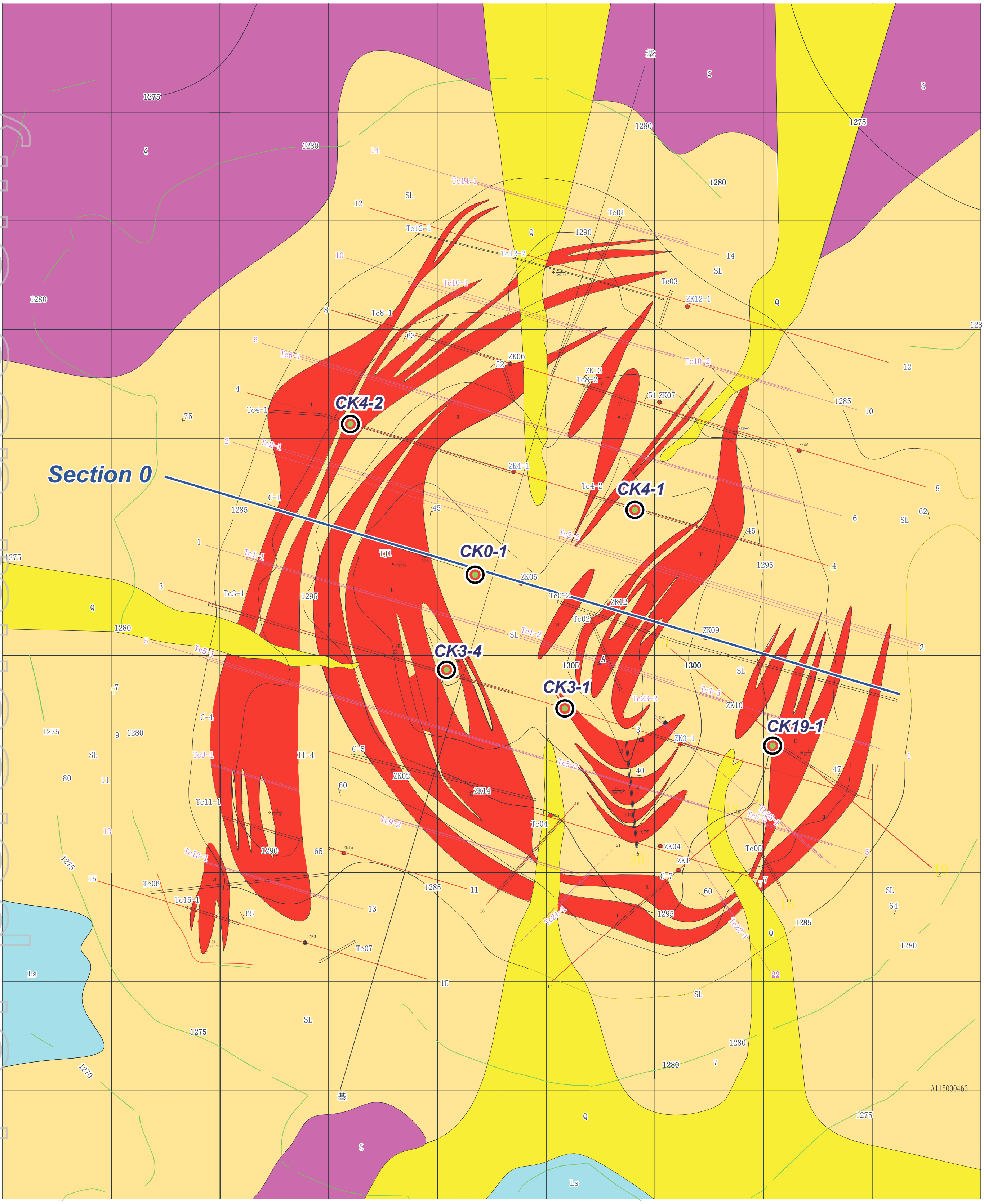
The DTR test work was completed to obtain initial information on likely magnetite recoveries and potential concentrate grade and degree of rejection of undesirable elements that can be achieved at the Ereeny project.

A total of 408 individual interval determinations from 6 drill holes were obtained from the DTR test work. These included samples with magnetite contents ranging from 0.05% to 88.4% and averaging approximately 40% magnetite content. The samples were pulverized to a P80 of 75 microns.

Results of the DTR work are presented in Table 4 and a representative cross section of averaged results is presented in Figure 2.

Results from the DTR test work indicate that the Ereeny deposit includes significant zones with excellent DTR recoveries which could potentially result in a saleable concentrate product. The Pre DTR grade is an indication of the run of mine ore quality that can be achieved and Post DTR Concentrates is a good indication for saleable product qualities that can be achieved.

Figure 1: Ereeny new drill holes and summary geology



Magnetite and Mineralisation

Verification of Drill Core – Winter 2011

Figure 2: Ereeny Summary Drill Section Line No 0

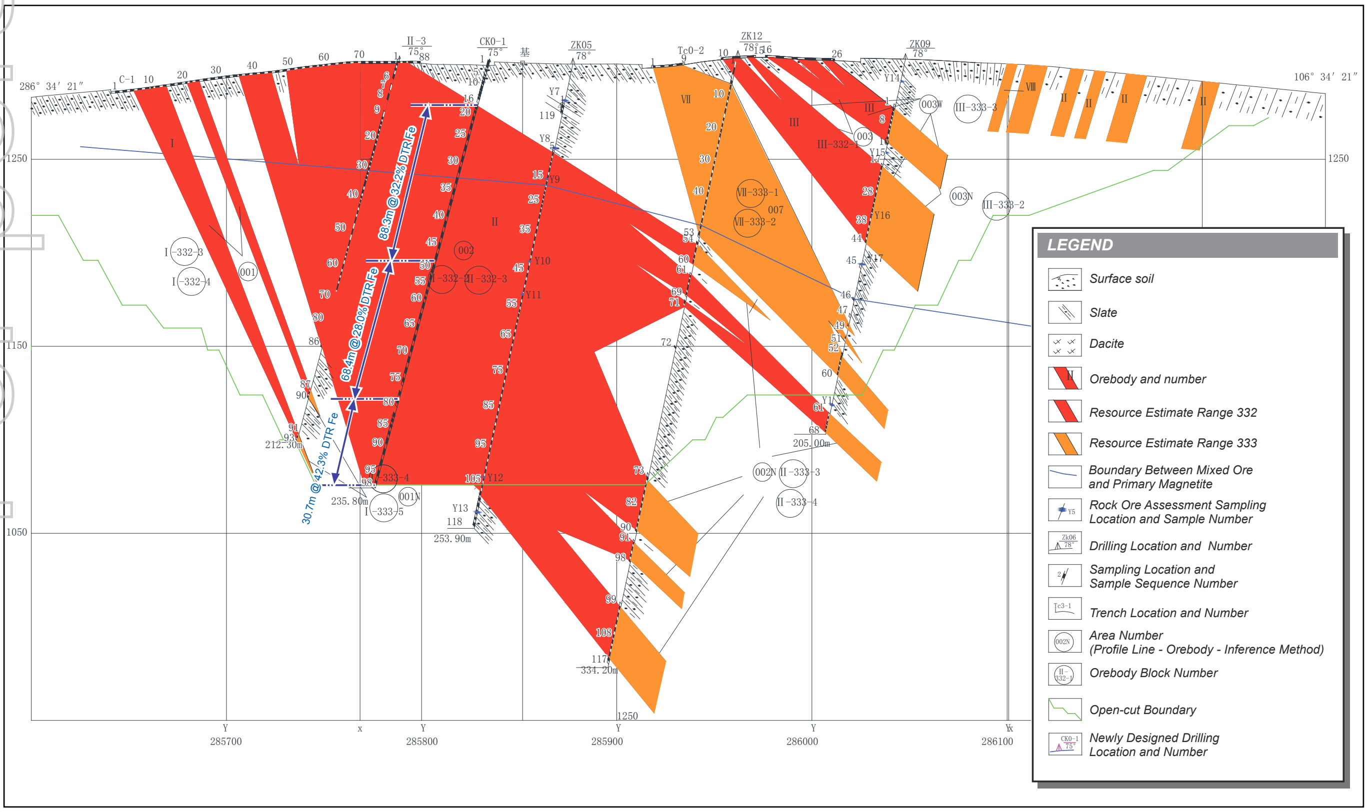


Figure 1 and Figure 2 show the location of the iron mineralization. The deposit has open cut mining compatible geometry; broadly circular with some very thick and massive lenses of mineralisation. This geometry will potentially result in favourable waste to ore ratios for the operation being planned upon completion of ongoing mining studies.

Processing Design and Mine Plan Design

The Company engaged a leading metallurgic design institute in China, Changsha Research Institute of Mining and Metallurgy Co., Ltd (**Changsha Institute**), a subsidiary of China Minmetals Incorporation, to conduct processing facility studies on the ore samples taken from the 2011 drilling programme. The report has recently been completed in August 2012.

The report produced was based on a total of 1,649 kg of representative samples taken from borehole core at Ereeny Project. The primary target of the study was to recommend a magnetic processing design for the Ereeny Project with a target iron concentrate product TFe grade greater than 62%, TFe recovery of greater than 75% and mFe recovery of greater than 90%. The Company is pleased to announce that an overall processing design plan has been developed, which forms a sound basis for progressing the project development plans.

Table 5 reflects the chemical composition of sample products after processing under multi-stage grinding and magnetic separation

The study resulted in an optimised processing design which achieves a concentrate grade of 65.2% for primary ore with a TFe recovery of 89.89%. The concentrate from processing of mixed ore resulted in a TFe of 63.4% with a TFe recovery of 70.58%. Table 6 illustrates the main mineral content in the products after processing.

The collection of ore samples used in this study, including the sampling plan, execution, transportation and sample categorisation meets industrial requirements; samples were representative in various aspects including spatial distribution, quantity, grade, and mineral composition.

The processing design plans developed for primary ore and mixed ore are largely similar. A uniform processing design plan applicable to both primary ore and mixed ore will be adopted.

The completion of the processing study represents a significant step towards the development of the Ereeny Project. The results from the report provide the Company with essential information pertaining to the economic value of the project, and indicate characteristics of potential products.

The Company has also engaged MCC Capital Engineering & Research Incorporation Qinhuangdao Co. Ltd (**MCC**), one of the top mine design institutes in China, to perform mine plan design for the Ereeny Project. An initial design incorporating the results from the Changsha Institute has recently been submitted to the management for review.

Utility and Infrastructure

In early 2012, a team of geologists and engineers were dispatched to the Ereeny site location to set up a supervisory unit for project development. Up to the date of this report, the team has successfully supervised the completion of several civic works including the establishment of a living and construction-use power connection and water supply. The team also oversaw several additional on-site geophysical surveys. Additional study on the industrial water source is being conducted to determine the optimal borehole locations.

DARTSAGT PROJECT

The Dartsagt Project (Mining Licence MV-017120) 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'.

During the period under review, the Company focused on the compilation of an exploration report which formed part of the submission to the Minerals and Resources Authority of Mongolia for the application of a mining licence* for the Dartsagt Project. In September 2012, TSD has been granted a mining licence* for the project.

WORKPLACE HEALTH AND SAFETY

The Company places heavy emphasis on creating a safe working environment for its staff and contractors. Active measures and internal control systems have been put in place to ensure maximum protection to its employees. The Company is devoted to continuously update and review its system and to adapt to any change in the operating environment.

ENVIRONMENTAL IMPACT

Environmental impact assessment is also another area of focus of FeOre. The Company regularly discusses with local authorities and residents to ensure exploration and site construction work are compliant with relevant rules and regulations. Following the approval of the feasibility study, the Company is required to submit to the relevant authorities an Environmental Impact Assessment Report. The report is currently being compiled by a local consultancy company.

SUMMARY

We have successfully transitioned the Ereeny Project from an exploration stage to a pre-mining stage during the year, with the development of a series of technical studies and engineering design work combined with additional exploration and competent person review and analysis of the ore body.

Our technical studies have identified an optimised processing design, which indicates a concentrate of 65.2% TFe grade for primary ore, with a TFe recovery of 89.89% is potentially acheivable. The concentrate from processing of mixed ore in the studies resulted in a TFe of 63.4% TFe grade with a TFe recovery of 70.58%.

The processing design plans developed for primary ore and mixed ore are largely similar, and meet our expectation. Based on statistical analysis performed by MCC on collected and historical samples, we assess the remaining oxidised ore to be less than 5% of the deposit. A uniform processing design plan applicable to both primary ore and mixed ore will be adopted.

The results of the processing study have been most promising and have further supported our positive outlook for the Ereeny Project. In the year ahead we will be focused on finalising project funding and on mine construction activities to develop the mining operation and processing plant. Our goal is to build a mine operation with processing facilities that operate in the lowest quartile of operating costs on a global basis and deliver our iron ore concentrate to local China steel producers on a profitable basis.

George Cheng-ma Wang
Chief Executive Officer
FeOre Limited

FORWARD LOOKING STATEMENT

This annual 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

Exploration results and mineral resources

The information in this report that relates to Mineral Resources is based on information compiled by Mr. Jeremy Clark, Principal Geologist, who is a Member of the Australian Institute of Geoscientists, while the information in this report that relates to the Exploration Results is based on information compiled by Mr. Bob Dennis, who is a Member of the Australasian Institute of Mining and Metallurgy and of the Australian Institute of Geoscientists. Mr. Clark is a full time employee of Runge Limited. 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 and Mineral Resources*.

Mr. Dennis is a full time employee of Runge Limited. Mr. Dennis has sufficient experience which is relevant to the style of mineralisation and the type of ore deposit under consideration and the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the *Australasian Code for Reporting of Mineral Resources and Ore Reserves*. Mr. Dennis has inspected the Project Area and has relied on further information provided by FeOre.

Both Mr. Clark and Mr. Dennis consents to the inclusion in the annual report of the matters based on their information in the form and context in which it appears.

* Please refer to Section 7 – 3.1.6 of the FeOre Prospectus 2011 for details on Mining Licences in Mongolia

Our goal is to build a mine operation with processing facilities that operate in the lowest quartile of operating costs on a global basis and deliver our iron ore concentrate to local China steel producers on a profitable basis.

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
Total	**108,747,000**	**37.30**	**40,527,000**

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
Total	**108,747,000**	**28.00**	**30,394,000**

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.

Table 3: Drill Hole Locations and Orientations

Hole ID	Length	Easting	Northing	RL	Dip	Azimuth
CK0-1	235.8	285835	5084274	1302	75°	287°
CK4-1	311.7	285981	5084334	1302	75°	287°
CK3-1	265.6	285917	5084151	1303	75°	287°
CK4-2	119.1	285721	5084413	1290	65°	287°
CK19-1	121.6	286108	5084117	1289	75°	119°
CK3-4	325.7	285808	5084187	1305	78°	287°

Table 4: Summary of all Averaged Drilling and DTR Results

			Drill Hole Grade (%)		DTR Concentrate (%)					
Drill Hole	From (m)	Intercept (m)	TFe	mFe	Fe	Al_2O_3	SiO_2	LOI	P	S
CK0-1	11.2	1.6	52.3	17.5	62.1	0.3	10.9	0.9	0.1	0.0
CK4-1	26.6	88.3	44.8	32.0	63.1	0.5	9.3	0.5	0.1	0.1
CK4-1	118.8	68.4	33.5	28.0	50.8	1.7	16.7	1.1	0.1	0.1
CK4-1	202.8	30.7	45.3	42.3	58.9	0.4	14.0	0.4	0.2	0.0
CK4-1	82.2	6.3	31.9	27.1	55.6	1.3	18.1	0.8	0.1	0.1
CK4-1	93.2	7.5	30.6	26.3	55.3	1.2	18.2	1.8	0.1	0.0
CK4-1	106.7	12.0	26.5	21.4	57.6	0.8	16.1	1.4	0.1	0.2
CK4-1	124.7	1.7	49.2	40.9	64.1	1.1	6.4	0.0	0.1	0.2
CK4-1	183.2	1.5	36.2	28.0	59.3	2.0	11.4	1.6	0.1	0.1
CK4-1	194.5	1.1	42.6	34.8	59.6	2.1	10.2	2.6	0.1	0.5
CK4-1	271.0	1.3	27.5	14.9	40.6	4.4	31.2	2.5	0.1	0.4
CK3-1	282.0	1.0	27.7	15.2	40.9	5.2	28.5	2.2	0.1	0.9
CK3-1	291.0	1.0	29.2	15.2	43.3	3.9	27.4	2.6	0.1	0.6
CK3-1	298.2	0.8	33.0	23.8	48.5	1.7	26.0	0.0	0.0	0.7
CK3-1	97.8	0.8	33.3	19.3	50.5	1.4	23.0	3.3	0.1	0.0
CK3-1	111.6	0.7	41.8	17.7	56.7	0.7	16.9	2.2	0.1	0.0
CK3-1	115.2	2.4	37.9	28.9	59.3	0.3	6.9	2.8	0.0	0.0
CK3-1	119.0	6.7	42.3	49.8	58.1	0.8	20.0	4.1	0.1	0.4
CK3-1	134.0	10.6	52.7	49.4	64.7	0.5	3.7	4.0	0.1	0.0
CK3-1	150.3	36.3	46.7	42.7	62.8	0.2	8.9	0.2	0.1	0.0

			Drill Hole Grade (%)		DTR Concentrate (%)					
Drill Hole	**From (m)**	**Intercept (m)**	**TFe**	**mFe**	**Fe**	**Al_2O_3**	**SiO_2**	**LOI**	**P**	**S**
CK3-1	187.6	14.3	39.2	33.6	58.1	1.4	12.6	2.0	0.1	0.1
CK3-1	222.9	39.2	40.4	34.0	57.6	1.5	13.7	0.8	0.1	0.1
CK4-2	4.4	7.4	39.3	18.3	58.0	0.1	6.0	0.4	0.0	0.0
CK4-2	25.4	3.0	29.3	16.6	54.1	0.4	20.6	1.3	0.0	0.0
CK4-2	32.2	2.0	35.7	8.3	62.2	0.8	5.0	11.7	0.1	0.0
CK4-2	36.0	1.0	40.0	18.3	62.5	0.6	7.5	7.7	0.0	0.0
CK4-2	43.4	14.0	44.5	20.5	60.8	1.2	7.4	5.2	0.1	0.1
CK19-1	11.6	2.0	38.7	21.3	60.8	1.0	11.2	1.6	0.1	0.0
CK19-1	79.6	1.1	47.3	23.7	57.2	1.1	15.2	1.4	0.1	0.0
CK19-1	85.7	4.2	46.1	39.7	63.0	0.3	3.3	0.3	0.0	0.0
CK19-1	95.5	1.5	32.3	15.5	56.7	1.6	14.4	2.3	0.1	0.0
CK19-1	111.4	1.0	38.3	30.9	57.9	1.3	14.2	1.0	0.1	0.1
CK19-1	113.1	3.5	34.3	28.5	56.1	1.6	15.2	2.3	0.2	0.0
CK3-4	5.4	1.3	41.6	16.4	61.0	0.4	11.5	3.7	0.0	0.0
CK3-4	8.2	14.5	42.0	16.9	62.4	0.3	11.5	1.8	0.0	0.0
CK3-4	37.7	43.0	39.7	26.2	59.0	0.9	11.7	5.0	0.1	0.0
CK3-4	82.1	10.7	35.1	21.7	52.5	2.4	19.3	3.9	0.1	0.0
CK3-4	95.2	24.0	38.1	33.6	59.4	1.2	10.0	4.8	0.1	0.1
CK3-4	121.3	1.0	42.7	39.0	58.6	2.5	12.2	0.1	0.1	0.2
CK3-4	126.6	1.1	32.4	25.4	48.7	3.5	22.3	2.8	0.1	0.2
CK3-4	130.7	6.8	34.9	28.5	55.6	2.6	15.3	3.9	0.1	0.2
CK3-4	138.7	55.0	35.8	30.3	54.0	1.8	16.6	3.4	0.2	0.2
CK3-4	201.6	7.1	26.9	17.7	43.6	4.3	26.9	3.1	0.1	0.3
CK3-4	212.7	1.1	26.7	16.4	42.6	3.2	29.4	1.4	0.2	0.5
CK3-4	219.2	105.6	36.9	32.1	55.3	1.2	16.6	1.1	0.1	0.1
	Average	**646.1**	**39.2**	**30.4**	**56.4**	**1.1**	**13.4**	**1.9**	**0.1**	**0.1**

Table 5: Chemical Composition of Sample Product

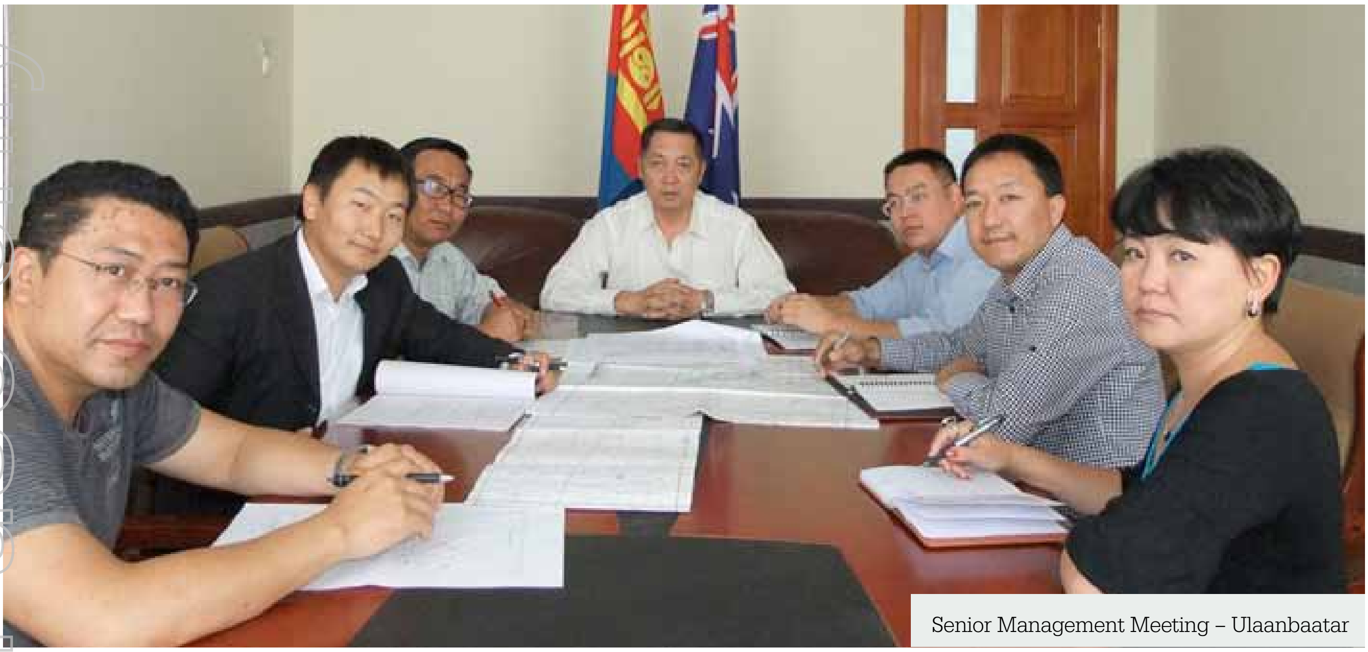
Ore Category*	TFe (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	S (%)	LOI (%)
Primary Ore	65.82	6.5	0.44	0.068	0.087	0.55
Mixed Ore	63.29	8.83	0.73	0.16	0.08	1

*Samples were separated into Primary Ore, Mixed Ore and Oxidised Ore, Primary Ore is defined where content of mFe/TFe is greater than 85%, Mixed Ore is where content of mFe/TFe is between 85% and 15%, Oxidised Ore is where content of mFe/TFe is less than15%. Oxidised Ore using only magnetic separation technique was not tested for chemical composition and mineral content as Oxidised Ore constitute less than 5% of the total resource..

Table 6: Main Mineral Content in Concentrate

Ore Category*	Magnetite (%)	Martite (%)	Limonite (%)	Chlorite, Biotite & Actinolite (%)	Quartz & Others (%)
Primary Ore	90	Trace	-	5	5
Mixed Ore	83	4	1	5	7

DIRECTORS' REPORT



Senior Management Meeting – Ulaanbaatar

The directors submit their report on the consolidated entity (hereinafter referred to as the "**Group**") for the financial period from 1 August 2011 to 30 June 2012. This is the first annual report prepared by FeOre Limited (the "**Company**"), which was incorporated on 1 August 2011.

DIRECTORS

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

Tim Sun

Chairman & Non-executive Director
Appointed: 20 September 2011

Dr. Sun holds a professional Ph.D in Mining from the Faculty of Mining from Queen's University of Canada. Dr. Sun has extensive experience in mining explorations, developments, and operations in Canada and the PRC for more than 25 years, being one of the most active and experienced investors in the joint venture mining industry over the PRC. He had served in Ivanhoe as Chief Representative for two years and has also been in charge of and participated in the PRC's Sino-foreign joint venture gold deposit, the Dayin'gezhuang gold deposit in the Shandong Province, Griffin Mining Ltd's Caijiaying lead-zinc mine and the Oyu Tolgoi copper and gold deposit in Mongolia.

Dr. Sun was previously a director of ASX listed Norton Gold Fields Limited (March 2010 – May 2011) and is currently a director of Minco Silver Corporation (since July 2011) (TSX listed).

Bruce Higgins

Non-executive Director
Appointed: 5 August 2011

Mr. Higgins has over 25 years' experience in large international project management leadership in the Asia-Pacific region and is an experienced chairman and non-executive director and former chief executive of both private and listed companies within Australia and internationally in diverse companies ranging from engineering, manufacturing and professional services to larger contracting businesses. Mr. Higgins and has a Bachelor Degree in Engineering, Master Degree in Business Administration where he studied competitive advantage with Harvard University and is a Fellow of the Australian Institute of Company Directors (AICD) and Chartered Professional Engineer. Mr. Higgins is currently the Chairman of Legend Corporation Limited (since October 2007), the Director of Q Technology Group Limited (since December 2010), former Chairman of TSV Holdings Limited (July 2007 – August 2010) and former Director of Global Health Limited (January 2010 – November 2010).

Quintus Roux

Non-executive Director
Appointed: 5 August 2011

Mr. Roux has over 30 years mining experience, including Vice President at BHP Billiton Manganese during which he held leadership roles in the strategy, business and projects development and operations management. He held a variety of management positions in collieries, mines and technology and was responsible for international compliance with various mining codes. Mr. Roux has also served on the boards of various BHP Billiton related companies. Mr. Roux held no directorships in other listed entities other than FeOre during the three years prior to the current year.

Christina (Jun) Mu

Non-executive Director
Appointed: 5 August 2011

Ms. Mu has diverse experience in financial services and listed companies both as entrepreneur and business leader. Ms. Mu is a former Managing Director of Ortus Capital Management Limited, an investment management fund. Ms. Mu has also served as Vice President of the Royal Bank of Scotland, Vice President for Goldman Sachs and also as Risk Management Advisor for UBS Warburg. Ms. Mu has also served as an engineer for the Westinghouse Nuclear Power Plant Control Division. Ms. Mu was previously a director of a US listed company, Pantheon China Acquisition Corporation (April 2006 – June 2009).

DIRECTORS' REMUNERATION

Due to the nature of the Company's operations which consists of minerals exploration and evaluation, the remuneration of directors and executives, at present, is paid at the discretion of the Board of Directors. The current remuneration of the directors is as follows:

Names	Annual Remuneration
Dr. Tim Sun	US$80,000
Mr. Bruce Higgins	A$80,000
Ms. Christina (Jun) Mu	US$80,000
Mr. Quintus Roux	US$80,000

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the directors in the shares and options of the Company were:

Names	Number of ordinary shares	Number of options over ordinary shares
Mr Tim Sun	-	2,272,163[2]
Mr Bruce Higgins	708,001[1]	-
Ms Christina (Jun) Mu	-	2,272,163[3]
Mr Quintus Roux	-	3,408,245[4]

Notes: 1. 708,000 shares were held by Bruce Eric George Higgins and Ruth Janine Higgins ATF the Higgins Family Superannuation Fund
2. Those options were held through China Fortune Capital Holdings Limited, Mr. Tim Sun's nominated entity
3. Those options were held through Crosia Limited, Ms. Christina (Jun) Mu's nominated entity
4. Those options were held through Firstrate Vantage Limited, Mr. Quintus Roux's nominated entity

INFORMATION ON SENIOR MANAGEMENT AND COMPANY SECRETARY

George Wang

Chief Executive Officer

Mr. Wang has 30 years' experience as a mining executive both within China and internationally with leading mining companies. Mr. Wang is the former Deputy Chief Engineer of Western Mining Co Ltd., China where he was responsible for the Suangli iron mine, Xitieshan lead-zinc mine; Saishitang copper mine; Yulong copper mine; Gachun lead-zinc-silver mine; Xiasai silver mine; Huidong lead-zinc mine and Huogeqi copper mine. Mr. Wang has also served in the roles of Senior Researcher and Geological Engineer; Deputy Chief of the Kyrgyz Republic Mineral Resource Project, Deputy general manager, Development and Planning Department of Western Mining Co. Ltd. Previously he was Senior Geological Engineer & Chief Designer at the Lanzhou Engineering and Research Institute.

Yondon Munkhbayar

Deputy Country Manager (Mongolia) of Taisheng Development LLC

Mr. Munkhbayar is an experienced management executive in Mongolia. Mr. Munkhbayar is formerly a managing director and the head of logistics division of a Mongolian company. Mr. Munkhbayar has over 15 years' of experience in business operations in Mongolia as well as international corporate management practices. Mr. Munkhbayar was educated in Germany, and is fluent in Mongolian, English, German and Russian.

Erdene-Undrakh Luuvaanchig

Head of Finance Department of Taisheng Development LLC

Mr. Luuvaanchig joined Taisheng Development LLC as Head of Finance Department in 2007. Prior to 2007, Mr. Luuvaanchig has held managerial positions with several Mongolia companies. Mr. Luuvaanchig was educated in Mongolia, graduated with a bachelor degree in Accounting and Financial Management

Oyunbold Boldbaatar

Deputy Manager of General Department of Taisheng Development LLC

Mr. Boldbaatar is an experienced project coordinator with over 5 years' of experience in business operations, especially in the mining sector in Mongolia. Mr. Boldbaatar is formerly an assistant to infrastructure project manager for a Mongolian company. Mr. Boldbaatar was educated in Mongolia and is fluent in Mongolian, English and Chinese.

Dion Cohen

Company Secretary

After qualifying as a Chartered Accountant in 1995, Mr. Cohen was involved in corporate finance and private equity. His experience ranges from mergers and acquisition structuring, to capital raisings and management of mining companies in private equity ownership. Mr. Cohen held the position of Chief Financial Officer of International Ferro Metals Limited, a company listed on the Main Board of the London Stock Exchange and has held board positions in both listed and unlisted companies. Mr. Cohen is a director of Timpetra Resources Limited and director of Formulate Financial Services Pty Ltd, a company that provides corporate finance services to junior mining companies.

DIVIDEND

No dividends were paid or declared for future payment during the financial period.

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The Company 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. There have been no significant changes in the nature of the Group's principal activities during the period.

OPERATING AND FINANCIAL REVIEW

Group Overview

The consolidated loss of the Group for the financial period after providing for income tax and eliminating non-controlling interests was approximately US$5.2 million.

Further discussion on the Group's operations follows.

Review of Operations

The Company was incorporated on 1 August 2011 in Bermuda with the purpose of acquiring 80% interest in Taisheng Development LLC, a Mongolian entity which owns the Ereeny Project and the Dartsagt Project, through the acquisition of 100% equity interest in Topone Star Investments Ltd. The detail of the transaction was set out in the Company's prospectus.

The Company was admitted to the ASX Official List on 15 December 2011, successfully raising A$42.5 million through its IPO and US$25 million through a convertible bond issue. Mr. George Cheng-ma Wang joined the Group in March 2012 as CEO, adding to the strength and experience to the then-existing management team.

During the fiscal year 2012, the Company has made considerable progress with both projects.

1. Ereeny Project

During the fiscal year 2012, the Company has completed the drilling of 6 additional holes in the Ereeny Project, collecting over 1,600kg of drill core samples for laboratory testing and metallurgic studies. In August 2012, Changsha Research Institute of Mining and Metallurgy Co., Ltd (**Changsha Institute**), a subsidiary of China Minmetals Corporation, completed the process and processing facility study report and developed an optimised process design plan for the characteristics of the iron ore from the Ereeny Project. The results from the report provide the Company with an important foundation to ascertain the economic value of the project, and indicates the characteristics of potential products.

MCC Capital Engineering & Research Incorporation Qinhuangdao Co., Ltd (**MCC**) was engaged to develop a mine plan design for the Ereeny Project, of which the findings of the process and processing facility study report will contribute to the design of the processing facility. The mine plan design will include engineering drawings of the processing facility and other ancillary facilities for mine construction. An initial mine plan design has been produced by MCC and is currently under review by the management.

Additional field mapping and geophysical surveying has been conducted in the project location to identify additional exploration targets. The Company has further developed its infrastructure, including the construction of several power substations and drilling of water boreholes to satisfy the utilities requirement for the production of iron concentrate products.

2. Dartsagt Project

During the period under review, the Company mainly focused on the application of mining licence* for the Dartsagt Project. In June 2012, the Company has submitted the application and supportive documents to the Minerals and Resources Authority of Mongolia, and the Company has been granted with a mining licence* for the Dartsagt Project in September 2012.

Review of Financial Performance

The Group has reported a net loss for the period of US$5.2 million for the period ended 30 June 2012.

The Group incurred cost of US$1.1 million in administration, US$1.8 million in finance cost on the convertible bond, US$1.1 million in share listing, US$0.8 million in share based payment and US$0.5 million in acquisition of Taisheng Development LLC during the period. Among of those, finance cost and share based payment are non-cash in nature. On the other hand, the Group has paid US$1.8 million on development costs on both the Ereeny and Dartsagt projects on water borehole development, power transmission construction and general design and engineering studies related to both the ore process and mine infrastructure development.

During the period ended 30 June 2012, the Company has acquired the entire interest in Topone Star Investments Ltd., which in turn holds 80% of the interest in Tai Sheng Development LLC (which owns the Ereeny Project and Dartsagt Project) at a total consideration of US$45.3 million, of which US$39.5 million was settled in form of cash and US$5.8 million in form of consideration shares. Together with the acquisition cost of US$0.5 million incurred, US$0.2 million paid for purchase of assets and US$1.8 million paid for development, the net cash used in investing activities was US$42.0 million.

Net cash used in operations and net cash generated from financing activities over the period amounted to US$0.8 million and US$70.2 million respectively. Cash on hand is US$27.4 million as at 30 June 2012.

Risk Management

1. Political environment in Mongolia

Parliamentary elections were held in Mongolia on 28 June 2012, in order to elect 76 members of the State Great Khural. Given the thorough nature of this process, slight delays in government administration have occurred. However, the Company has and will continue to comply with all requirements to ensure there is as little impact on the Company's projects as possible, and actively monitor any risk relating to Mongolia's political climate.

2. Price volatility

In addition to the off-take arrangement with China Railway Mongolia Investments Limited, the Company has been actively looking to diversify its customers to achieve the best selling price for its future products. The metallurgy study report has also provided the Company with an optimum processing design plan to improve the quality of its products. The Company aims to maintain its competitiveness through the diligent project planning and management of the production cost.

3. Resources

The Company aims to diversify its resource base and to enhance its existing resources. Additional in-fill drilling focusing on the existing ore body as well as exploration on the remaining licensed areas of the Ereeny Project has been planned to increase the confidence level of the resources and to identify additional deposits. The Company assessed other potential assets in line with its aim to reduce its reliance and exposure to a single type of commodity.

4. Capital Requirement

The Company has been carefully managing its capital expenditure while not sacrificing progress. Indication of interest has been obtained from several commercial banks in providing project financing for the development of the Ereeny Project. The Company will continue to evaluate the optimum capital structure and mine construction approach in order to deliver maximum return to the shareholders.

5. Corporate Structure

The main business activities for the Mongolian Iron Project developments are based in Ulaanbaatar in the Taisheng Development Mongolian subsidiary office of FeOre. The management team consists of mostly local experts, complimented by several Chinese engineers and geologists acting as consultants to the Company. The Company acknowledges and complies with the Mongolian regulation requirement with regards to the recruitment from local workforce.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than the activities described in this report, there were no other significant charges in the state of affairs of the Company for the period ended 30 June 2012.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Tai Sheng is the beneficial owner of exploration licence 5930X which covers 907.49 hectares in Dartsagt Mongolia. The licence was granted on 13 June 2003 and expired on 13 June 2012. The application of the mining licence* for the project has been made and all required submission has been provided to the relevant authorities before the period end. The mining licence* MV-017120 for the project has been granted on 6 September 2012.

Except for the above mentioned event, no other matters or circumstances have been arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of the operations, or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company continues to focus on the development of its iron projects in conducting further exploration work and bringing them into production. At the same time, the Company intends to grow its portfolio of assets and to widen its exposure to include other types of mineral resources in Mongolia or elsewhere.

The Company places significant emphasis on workplace health and safety, and together with the robust management, the Company aims to bring sustainable growth to its shareholders.

ENVIRONMENTAL ISSUES

The Company acknowledges the importance of environmental protection. The management continuously monitors the Company's operations to ensure that it complies with all applicable environmental requirements, and takes actions to prevent and correct problems if needed.

In addition, as part of the application for the commencement of mine operation, the Company is required to compile an environmental impact assessment report and submit to the relevant authorities for approval. A draft report has been prepared by a Mongolian consultancy firm, and is in the progress of being reviewed by the management.

MEETINGS OF DIRECTORS

During the financial period, 34* meetings of directors (including committees of directors) were held. Attendances by each director during the period were as follows:

	Directors' Meetings	
	No. Eligible to Attend	No. Attended
Dr. Tim Sun	33	33
Mr. Bruce Higgins	33	31
Ms. Christina (Jun) Mu	33	33
Mr. Quintus Roux	33	30

* A meeting was held by the provisional directors on 5 August 2011 in relation to the establishment of the Company in accordance with the laws of Bermuda.

The Company has arranged insurance cover to each of its directors and the Chief Executive Officer which provide an indemnity for specified liabilities, costs or expenses including legal fees which they may become liable for while an officer of the Company or the Group.

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a willful breach of duty in relation to the Company.

SHARE OPTIONS

As at the date of this report, there were 8,152,571 options to acquire ordinary shares in the Company.

Other than as set out above, there have been no unissued shares or interests under option in the Company or a controlled entity during and since the reporting date.

During the period, employees, consultants and executives have not exercised any options to acquire any fully paid ordinary shares in the Company.

NON-AUDIT SERVICES

During the period, Ernst & Young were the auditors of the Company and the Group. The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditors because the nature of the services provided do not compromise the general principles relating to auditor's independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

Ernst & Young were paid the following non-audit service fee:

IPO fees for service: US$109,695

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the period ended 30 June 2012 has been received and can be found on page 47 of the annual report.

ROUNDING

The Company has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' report have been rounded off to the nearest US$1000.

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

On behalf of the Board

Tim Sun
Chairman & Non-executive Director
FeOre Limited

Dated this 28th day of September, 2012

CORPORATE GOVERNANCE STATEMENT

ACHIEVING A HIGH STANDARD OF CORPORATE GOVERNANCE IS A PRIORITY FOR THE BOARD OF DIRECTORS.

TThe Company has reviewed the ASX Corporate Governance Council's principles and best practice recommendations in order to provide a framework for its corporate governance practices with regard to the Company's particular circumstances and in particular its size and level of resources.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

As the Company has a small board (comprising four non-executive directors) and a small management team, roles and functions must necessarily be flexible to deliver the Company's objectives. The statement of Board and management responsibilities is found within the Board Charter on the Company's website.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board comprises four directors holding their positions in non-executive capacities and all of them considered to be independent. No materiality threshold has been applied due to the absence of any relationship affecting their independent status. The appointment date of each director is disclosed in the Directors' Report.

The Chairman is an independent non-executive director and the roles of Chairman and Chief Executive Officer are exercised by different individuals.

The skills, experience and expertise of each director is set out in the Directors' Report.

Directors are entitled to seek independent professional advice at the Company's expense in the furtherance of their duties.

The Company believes it is not of a size to justify a Nomination Committee. If vacancies arise on the Board, all directors are involved in search and recruitment. The Board seeks to achieve a balance of entrepreneurial, capital markets, technical, operational, commercial and financial skills from mining industry and broader business backgrounds.

No formal evaluation of the performance of the Board was undertaken due to the staggered appointment of directors which meant that the Board in place at the end of the reporting period had been operating as the Board of the Company for less than one year.

Under the Company's Constitution, no director except the Managing Director may hold office for a period in excess of three years or beyond the third annual general meeting following the director's election without being submitted for re-election. At every annual general meeting one third of the Directors or the number nearest to but not exceeding one third must retire from office and are eligible for re-election.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of conduct

The Board has adopted a formal Code of Conduct (Obligations to Stakeholders) and a formal Code of Conduct for directors and key officers to promote lawful, ethical and responsible decision-making by directors, management and employees. The Codes promote compliance with laws and regulation and avoidance of conflicts of interest, embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Codes of Conduct are available on the Company's website.

Policy for trading in Company's securities

The Board has adopted in accordance with ASX Listing Rules 12.9, 12.10, 12.11 and 12.12 a policy on trading in the Company's securities by directors, senior executives and employees which raises awareness of the law in relation to insider trading, specifies blackouts and provides notification protocols. The trading policy is located on the Company's website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Company does not currently have an Audit Committee. The Board considers that the formation of an Audit Committee is not warranted at this time given the size of the Board.

The Board will at some time consider forming an Audit Committee if the size of the Board increases and efficiencies

may be derived from a formal committee structure.

The Board as a whole acts as the Audit Committee and performs the functions thereof including the making sure that the financial records of the Company have been properly maintained and that the Company's financial statements for the period ended 30 June 2012 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

Disclosure policy

The Board places a strong emphasis on full and appropriate disclosure and has adopted a Continuous Disclosure Policy to ensure timely and accurate disclosure of price-sensitive information to shareholders through the lodgement of announcements with ASX. Clear procedures govern the preparation, review and approval of all announcements including technical material.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

The Board is committed to open and accessible communication with holders of the Company's shares and other securities.

The Board and the Company Secretary are responsible for the communication strategy to promote effective communications with shareholders and to encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings and through its share registry offers to members the option of receiving shareholder communications electronically.

In accordance with ASX recommendations, the Company publishes all relevant announcements on its website after ASX has acknowledged that the announcements have been released. The Continuous Disclosure Policy can be found on the Company's website. Subject to ASX disclosure rules, the Company communicates regularly with shareholders, brokers and analysts and publishes the information provided on its website.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board has been committed to ensuring that the risks associated with the Company's business activities are properly identified, monitored and managed and to embedding in its management and reporting systems a number of risk management controls. Operational management regularly reviews the risks and controls and updates the Board in light of changing circumstances and emergent risk factors and weightings.

The Board considers that the Company is not of a size sufficient to warrant the establishment of an internal audit function or a risk management committee.

The Chief Executive Officer has declared in writing to the Board that the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of internal control and that the system is operating effectively in all material respects in relation to financial risks.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Directors consider the current size of the Board does not warrant the establishment of a separate Remuneration Committee. However, the Board will at some time consider forming a Remuneration Committee if the size of the Board increases and efficiencies may be derived from a formal committee structure.

PRINCIPLE 9 – GENDER DIVERSITY

The Company has a policy of selecting and recruiting the best staff for each position in the Company regardless of race and gender. The company values diversity and has a goal to report the diversity within the company annually and initially target a range of 25 to 35% female employees within 3 years. The current gender balance is as per the table below:

	Percentage of Employment	
	Female	**Male**
Board of Director	25%	75%
Senior Management	20%	80%
Others	36%	64%
Total	**30%**	**70%**

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Limited in respect of listed public companies only.

The shareholder information set out below was applicable as at 25 September 2012.

DISTRIBUTION OF SHAREHOLDERS

Analysis of numbers of equity securities holders by size of holding:

Category (size of holding)	Total Holders	Units	% of Issued Capital
1–1,000	2	11	0.000%
1,001–5,000	5	18,501	0.003%
5,001–10,000	34	274,132	0.052%
10,001–100,000	166	5,426,610	1.026%
100,001 and over	78	523,390,747	98.919%
Total	**285**	**529,110,001**	**100%**

The number of shareholders held in less than marketable parcels is 5.

SUBSTANTIAL SHAREHOLDERS

	Fully Paid Ordinary Shares	
	Number	Percentage
Colfax Tradecorp Ltd.	31,293,546	5.91%
Colville Management Limited	31,574,205	5.97%
Craddock Worldwide Company Ltd	31,574,205	5.97%
Frountere Limited	34,380,801	6.50%
Jumilia Limited	28,065,960	5.30%
Kennewick Business Limited	28,065,960	5.30%
Merchant Holdings Group Limited	28,880,415	5.46%
Total	**213,835,092**	**40.41%**

VOTING RIGHTS

The voting rights attached to each class of equity securities are as follows:

Ordinary shares

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Options

Options do not carry a right to vote.

TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES

The shareholder information set out below was applicable as at 25 September 2012.

Rank	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	Gleneagle Securities Nominees Pty Limited	93,948,500	17.76%
2	Frountere Limited	34,380,801	6.50%
3	Colville Management Limited	31,574,205	5.97%
4	Craddock Worldwide Company Ltd	31,574,205	5.97%
5	Colfax Tradecorp Ltd.	31,293,546	5.91%
6	Merchant Holdings Group Limited	28,880,415	5.46%
7	Jumilia Limited	28,065,960	5.30%
8	Kennewick Business Limited	28,065,960	5.30%
9	Mr. Zhang Su	22,800,000	4.31%
10	Gleneagle Asset Management Limited (Gleneagle SP OP Fund #2 A/C)	20,138,247	3.81%
11	Sun Hung Kai Investment Services Ltd	20,000,000	3.78%
12	National Nominees Limited	18,309,800	3.46%
13	Red Star Developments Pte	18,177,308	3.44%
14	UBS Nominees Pty Ltd	15,969,999	3.02%
15	Raymond Securities Limited	14,032,986	2.65%
16	Carr-Billington Investments Ltd	14,032,980	2.65%
17	Stirsgill Holdings Limited	14,032,980	2.65%
18	Project Alliance Limited	9,088,654	1.72%
19	Citicorp Nominees Pty Limited	4,620,001	0.87%
20	UBS Nominees Pty Ltd <Atlantic Absolute Return Fund>	4,620,001	0.87%
	Total	**483,606,548**	**91.40%**

RESTRICTED SECURITIES

The number and class of restricted securities and securities subject to voluntary escrow that are in issue are as follows:

Ordinary Shares	Number of shares
Escrow until 15/12/2013	283,508,001
Escrow until 26/10/2012	22,792,003
Escrow until 7/12/2013 (inclusive of a voluntary escrow period from 8/12/2012 to 7/12/2013)	22,800,000
	329,100,004

Options	Number of options
Escrow until 15/12/2013	5,435,046
Escrow until 15/12/2014 (inclusive of a voluntary escrow period from 16/12/2013 to 15/12/2014)	2,717,525
	8,152,571

Convertible Bonds (US$1000 each)	Number of bonds
Escrow until 6/12/2012	25,000

STATEMENT UNDER ASX LISTING RULE 4.10.19

From the date of admission of the Company's shares on ASX (15 December 2011) to the date of this annual report, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives as stated on page 32 of the FeOre Prospectus 2011 and on the Directors' Report section of this annual report.

STATEMENT CONCERNING ACQUISITION OF THE COMPANY'S SHARES

The Company advises that:

(i) FeOre is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers); and

(ii) there are presently no restrictions imposed by Bermuda law, or the Company's Memorandum of Association or Bye-laws, which operate to prevent a person from acquiring a specified level of shareholding in the Company. However, it should be noted:

a. that issues and transfers of securities in exempted companies (such as the Company) involving non-residents for exchange control purposes must receive prior approval from the Bermuda Monetary Authority (BMA). However, the BMA has granted to all Bermuda companies with voting shares listed on an appointed stock exchange (defined in the Bermuda Companies Act to include the ASX) a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed; and

b. the Board may refuse to register a transfer of Shares in specific circumstances (as identified in the Bye-laws), including in circumstances permitted by the Listing Rules. The Board must refuse to register a transfer of shares where require to do so by the Listing Rules or the ASX Settlement Rules. The Board may suspend the registration of a transfer at any time, and for any period, as permitted by the Bermuda Companies Act, the Listing Rules and the ASX Settlement Rules as it may decide.

A copy of the Company's Bye-law is available on the ASX's website as well as the Company's website at http://feore.com.

COMPANY SECRETARY

Dion Cohen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE

62/F, The Center
99 Queen's Road Central, Hong Kong
Tel: +852 3960 6518

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney NSW 2000, Australia
Tel +61 2 8234 5000

STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all member exchanges of the Australian Stock Exchange Limited.

ON-MARKET BUY-BACK

There is no current on-market buy-back in respect of the Company's shares.

FINANCIAL REPORTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD FROM 1 AUGUST 2011 TO 30 JUNE 2012

	Note	1 Aug 11 to 30 Jun 12 US$'000
Revenue		-
Cost of goods sold		-
Gross profit		-
Bank interest income		539
Other income		5
Total income		**544**
Administration costs		(1,082)
Exchange loss		(419)
Share listing expenses		(1,126)
Share based payments expense	16	(776)
Finance costs	2	(1,808)
Depreciation	10	(12)
Acquisition expenses	17	(533)
Total operating expenses		**(5,756)**
Loss before income tax from continuing operations		(5,212)
Income tax expense	5	-
Loss for the period from continuing operations		(5,212)
Other comprehensive loss for the period		
Foreign currency translation reserve		48
Total comprehensive loss for the period		**(5,164)**
Loss attributable to :		
Members of the parent entity		(5,155)
Non-controlling interest		(57)
		(5,212)
Total comprehensive income attributable to :		
Members of the parent entity		(5,117)
Non-controlling interest		(47)
		(5,164)
Earnings per share from continuing operations		
Basic and diluted loss per share (US cent per share)	4	(1.20)

This statement should be read in conjunction with the notes to the financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	30 Jun 12 US$'000
Current assets		
Cash and cash equivalents	8	27,426
Other receivables	9	1,750
Total current assets		**29,176**
Non-current assets		
Property, plant & equipment	10	636
Exploration and evaluation assets	11	74,655
Non-current assets		**75,291**
Total assets		**104,467**
Current liabilities		
Other payables	12	260
Financial liability	13	14,249
Total current liabilities		**14,509**
Non-current liability		
Deferred tax liability	14	18,014
Total non-current liability		18,014
Total liabilities		**32,523**
Net assets		**71,944**
Equity		
Contributed equity	15	52,600
Reserves	16	13,222
Accumulated losses		(5,155)
Parent entity interest		**60,667**
Non-controlling interest		11,277
Total equity		**71,944**

This statement should be read in conjunction with the notes to the financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM 1 AUGUST 2011 TO 30 JUNE 2012

	Note	1 Aug 11 to 30 Jun 12 US$'000
Cash flows related to operating activities		
Payments to suppliers		(1,302)
Interest and other items of a similar nature received		539
Net operating cash flows		**(763)**
Cash flows related to investing activities		
Payments for development		(1,836)
Purchase of assets		(205)
Payments for purchases of subsidiaries	17	(39,944)
Net investing cash flows		**(41,985)**
Cash flows related to financing activities		
Proceeds from issues of shares		50,571
Proceeds from convertible bond		25,000
Costs of issue		(4,271)
Initial Public Offering (IPO) related costs		(1,126)
Net financing cash flows		**70,174**
Net increase in cash held		27,426
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		**27,426**

This statement should be read in conjunction with the notes to the financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD FROM 1 AUGUST 2011 TO 30 JUNE 2012

	Issued capital US$'000	Retained earnings US$'000	Convertible bonds US$'000	Share based payment reserve US$'000	Foreign currency translation reserve US$'000	Owners of parent US$'000	Non controlling interest US$'000	Total US$'000
Balance at 1 August 2011								
Loss for the period		(5,155)	-	-	-	(5,155)	(57)	(5,212)
Exchange Translation	-	-	-	-	38	38	10	48
Total comprehensive loss for the period	**-**	**(5,155)**	**-**	**-**	**38**	**(5,117)**	**(47)**	**(5,164)**
Transaction with owners								
Share based payments			-	776	-	776		776
Issue of convertible bonds			12,408	-	-	12,408		12,408
Acquisition of non-controlling Interest							11,324	11,324
Shares issued during the period	56,744	-	-	-	-	56,744	-	56,744
Capital raising costs	(4,144)	-	-	-	-	(4,144)		(4,144)
Balance at 30 June 2012	**52,600**	**(5,155)**	**12,408**	**776**	**38**	**60,667**	**11,277**	**71,944**

This statement should be read in conjunction with the notes to the financial report.

NOTES TO THE FINANCIAL INFORMATION

FeOre Limited (the "Company") is a for profit company and is incorporated in Bermuda on 1 August 2011 and the consolidated financial statements of the company and its subsidiaries (the "Group") for the period ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 28 September 2012. The Company was listed on the Australian Stock Exchange (ASX) on 15 December 2011. As such, no previous annual financial report has been prepared. The statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared for the period from date of incorporation to 30 June 2012.

The principal activities of the company and its subsidiaries are exploration activities in Mongolia.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of Australian Accounting Standard Board (AASB) and the Corporations Act 2001.

The financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The financial report is presented in US dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(b) Going concern

The Company has entered into a Convertible bond agreement. The holders of the convertible bonds have the right to require the Company to repay the convertible bonds within 24 months or 36 months after 15 December 2011 or upon the occurrence of a "Relevant Event" as described in Note 13 of the financial report. The Company is dependent upon the success of mine development and commercialisation of iron ore sales for funding or raising equity funds in the event of redemption. There is a risk that on such redemption, the Company may not have sufficient cash resources to repay the Convertible Bonds. Notwithstanding the above, the Company's financial statements have been prepared and presented on the going concern basis as the Directors conclude that it is unlikely that a "Relevant Event" which would trigger cash settlement will occur within the next 12 months. In the event that a settlement in cash is required, the Company would seek alternative funding arrangements through equity or alternative debt.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group as at and for the period from 1 August 2011 to 30 June 2012.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parents 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 fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by FeOre Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are allocated a value of exploration and evaluation expenditure within partly owned subsidiaries. Non-controlling interest are represented within equity in the consolidated statement of financial position, separately from equity of the owners of the parent.

(d) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

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 acquisition date fair values.

The difference between the identifiable net assets of the aquiree and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

(e) Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet 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:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.
- Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits 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 credits and unused tax losses can be utilised, except:
- When 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; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Service Tax (GST) or Value Added Tax (VAT) except:

- When the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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, which are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

(f) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the leased term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the leased term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expenses and reduction of the liability.

(g) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with a maturity of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(h) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit and loss as incurred.

Depreciation

Depreciation is calculated on a diminishing value basis over the estimated useful life of the specific assets.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

Class of Fixed Asset	
Buildings	5%
Furniture, Fixtures and Fittings	10%
Office Equipment	20%
Vehicles and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use of disposal.

(i) Exploration and evaluation costs

Direct and indirect costs attributable to finding the mineral resources are allocated to the exploration and evaluation assets. General and administrative costs that are not related directly to operational activities in the areas of interest have been expensed as incurred.

Exploration and evaluation assets are reclassified when technical feasibility and commercial viability has been established.

The exploration and evaluation assets are assessed against facts and circumstances to determine whether the carrying amount exceeds the recoverable amount. The facts and circumstances considered include whether the rights to explore are current, whether any area of interest has been removed from plans for substantive exploration, whether a decision has been taken to discontinue activities and whether data suggests that the carrying amounts are unlikely to be recovered from development or sale.

(j) Restoration and rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environmental is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit and loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

(k) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at cost on trade date which includes transaction costs when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value or amortised cost using the effective interest rate method.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The effective interest method is used is allocate interest income or interest expenses over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial liability. Revisions to expected future net cash flows will necessitates adjustments to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting periods. (All other loans and receivables are classified as non-current assets.)

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor evidence that the debtor is likely to be enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is is recognised in profit or loss.

(l) Impairment of Non-Financial Assets

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as charges in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that suffered impairments are tested for possible reversal of the impairment where events or changes in circumstances indicate impairment may have reversed.

(m) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in United States Dollars ($) which is the Company's functional and presentation currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed of.

(n) Employee Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for nonaccumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave

The liability for long service leave is recognised 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 using the projected unit credit method. Consideration is given to expect future wage and salary levels experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible the estimated future cash outflows.

(o) Trade and other creditors

Trade and other payables are carried at amortised cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Revenue and Other Income

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(q) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(r) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key judgments – exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period.

Key judgments – asset impairment

The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties less costs for disposing the asset. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. 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.

Key judgments – recognition of asset acquisitions

In determining the recognition of asset and business acquisitions, an assessment of the underlying assets and operations of the acquired entity is completed. Where the Group acquires an entity for tenements only, rather than acquiring an operation with clear distinct processes, the acquisition is deemed to be an asset acquisition, rather than a business combination.

Key judgments – recoverable reserves and resources

Estimated receivable reserves and resources are used to determine the depreciation of mine production assets, in accounting for deferred stripping costs and in performing impairment testing. Estimates are prepared by appropriately qualified persons, but will be impacted by forecast commodity prices, exchange rates, production costs and recoveries amongst other factors. Changes in assumptions will impact the carrying value of assets and depreciation and impairment charges recorded in the income statement.

Key judgments – environmental rehabilitation costs

The provisions for rehabilitation costs are based on estimated future costs using information available at the balance sheet date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be impacted.

(s) Earnings Per Share

Basic earnings per share is calculated as net profit attributable to members of the parent adjusted to excluded any costs of serving 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 attributable to members of the parent, adjusted for:

- Cost of servicing equity (other than dividends) and preference share dividends

- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses

Other non-discretionary changes in revenues or expenses during the period 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.

(t) Operating segments

An operating segments are component of 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 its performance and for which discrete financial information is available (refer to Note 7).

The operating segments have been identified based on the information provided to the chief operating decision makers being the Board of Directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services and if applicable,
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

(i) Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board of Directors (the Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The operating segments identified by management are each exploration tenement.

The Group operates entirely in the industry of mineral exploration, evaluation and development for different metals and minerals, including copper, gold, silver, coal, and others.

(ii) Discrete pre-tax financial information, being expenditure incurred year to date and from the start date, about each of these segments is reported to the Chief Operating Decision Makers on a monthly basis.

Accounting policies, segment revenue, and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

All expenses incurred for exploration and evaluation which qualify for capitalisation as described in Note 11 are capitalised.

There are no intersegment transactions within the Group's segment.

The segment results include the capitalised allocation of overhead that can be directly attributed to an individual business segment.

The following items and associated assets and liabilities are not allocated to segments as they are not considered part of the core operations of any segment:

- finance costs;
- certain general and administration expenses;
- impairment write offs for full value of tenements; and
- income tax expense/benefit.

(u) 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.

(v) Convertible bonds

The component of convertible bonds (notes) that exhibits characteristics of a borrowing is recognised as a liability in the Balance Sheet, net of transaction costs. On issue of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the equity component and is recognised in shareholders' equity, net of tax effects. The carrying amount of the equity component is not remeasured in subsequent years.

Convertible bonds are classified as non-current liabilities to the extent where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(w) Share Based Payments

The Group provides benefits to its employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using the Black Scholes model, further details of which are given in note 16.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash, and
- Conditions that are linked to the price of the shares of the Group (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods.

(x) New Accounting Standards not yet effective

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods and which the Group has elected not to early adopt. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or alter 1 January 2015). Date of application by the Group is 1 July 2015.

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. This standard is not expected to impact the Group...

  The key changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing 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; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

  (a) the objective of the entity's business model for managing the financial assets; and

  (b) the characteristics of the contractual cash flows.

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (applicable for annual reporting periods commencing on or after 1 January 2013). Date of application by the Group is 1 July 2013.

  The standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). This standard is not expected to impact the Group.

- AASB 10: Consolidated Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2013). Date of application by the Group is 1 July 2013.

  The standard redefines and clarifies the notion of control that is the basis for determining which entities should be incorporated on a line-by-line basis into the consolidated financial statements of a group. This standard is not expected to impact the Group.

- AASB 12: Disclosure of Interests in Other Entities (applicable for annual reporting periods commencing on or after 1 January 2013). Date of application by the Group is 1 July 2013.

  The standard requires entities to disclose the nature and financial effects of an entity's involvement with consolidated entities and unconsolidated (off balance sheet) structured entities. This standard is not expected to significantly impact the Group.

- AASB 13 Fair Value Measurement (applicable for annual reporting periods commencing on or after 1 January 2013). Date of application by the Group is 1 July 2013.

  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. 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. This standard is not expected to significantly impact the Group.

- AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013). Date of application by the Group is 1 July 2013.

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 recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. 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.

This standard is not expected to significantly impact the Group.

NOTE 2 – EXPENSES

	US$'000
Finance cost	
Interest expense on financial liabilities at amortised cost – external	1,808
Minimum lease payments on operating leases	
Office rent	26

NOTE 3 – AUDITORS' REMUNERATION

	US$
Remuneration of the auditor of the parent entity for:	
Auditing and reviewing the financial statements	72,306
Non-audit services (investigating accountant services, IPO)	109,695
Total	**182,001**

NOTE 4 – EARNINGS PER SHARE

Reconciliation of earnings to profit or loss	US$'000
Loss for the period	(5,212)
Loss attributable to non-controlling equity interest	57
Loss attributable to the owners of the Company	**(5,155)**

	'000
Weighted average number of ordinary shares outstanding during the period	435,884
Adjustments for calculation of diluted earnings per share	-
Weighted average number of ordinary shares outstanding during the period used in calculating diluted earnings per share	**435,884**

The weighted average number of ordinary shares to be issued with the convertible bonds and options that were not included in the calculation of loss per share as they are anti-dilutive: 131,453,727.

NOTE 5 – INCOME TAX EXPENSES

	US$'000
Current tax	-
Deferred tax	-
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:	
Prima facie tax payable on profit from ordinary activities before income tax at 0%	
- economic entity	
Add/(less) tax effect of:	
- difference in overseas tax rates	(141)
- non deductible expenses	141
Income tax attributable to entity	-

NOTE 6 – DIVIDENDS

No dividends were declared or paid during the period ended 30 June 2012.

NOTE 7 – OPERATING SEGMENTS

FeOre Limited is involved in exploration of iron ore in Mongolia.

The operating segments are reviewed and managed by Chief Operating Decision Makers based on the costs incurred for each exploration tenement throughout the reporting period, which are capitalised to operating segment assets. The operating segments identified by management are based on areas of interest.

Expenses included in the statement of comprehensive income which have not been capitalised to operating segment assets are unallocated as they are not considered part of the core operations of any segment.

Segment assets 30 June 2012	Ereeny	Dartsag	Total
Exploration and evaluation assets obtained through acquisition of subsidiaries	74,390	-	74,390
Exploration and evaluation assets incurred during the period	129	136	265
Property, plant and equipments	567	69	636
Total	**75,086**	**205**	**75,291**
Reconciliation to total assets:			
Total assets by reportable assets			75,291
Cash and cash equivalents			27,426
Other receivables			1,750
Total assets per Statement of financial position			**104,467**

NOTE 8 – CASH AND CASH EQUIVALENTS

	US$'000
Cash at banks and on hand	506
Short-term deposits	26,920
	27,426

Cash at banks earns interest at floating rates based on daily bank deposit rates (average annual deposit rate was approximately 4.6%). Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group only deposits cash surpluses with major banks of high quality credit standing.

NOTE 9 – OTHER RECEIVABLES

	US$'000
Prepayments	1,448
Tax receivables	213
Others	89
	1,750

NOTE 10 – PROPERTY, PLANT & EQUIPMENT

	Land US$'000	Buildings US$'000	Furniture, fixture and fittings US$'000	Office equipment US$'000	Vehicles US$'000	Construction in progress US$'000	Total property, plant and equipment US$'000
At cost	13	87	38	23	312	252	725
Accumulated depreciation	-	(11)	(14)	(17)	(47)	-	(89)
Total	**13**	**76**	**24**	**6**	**265**	**252**	**636**

Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial period:

	Land US$'000	Buildings US$'000	Furniture, fixture and fittings US$'000	Office equipment US$'000	Vehicles US$'000	Construction in progress US$'000	Total property, plant and equipment US$'000
Opening balance at 1 Aug 2011	-	-	-	-	-	-	-
Addition by acquisition of subsidiary	13	75	19	7	93	219	426
Exchange differences	-	3	1	-	4	9	17
Additions	-	-	7	-	174	24	205
Depreciation	-	(2)	(3)	(1)	(6)	-	(12)
Closing balance at 30 June 2012	13	76	24	6	265	252	**636**

NOTE 11 – EXPLORATION AND EVALUATION ASSETS

	US$'000
At the beginning of the period	-
Exploration tenements acquired through business combination	74,390
Exploration expenditure during the period in Tai Sheng	265
At the end of the period	**74,655**

Tai Sheng is the beneficial owner of exploration licence 5930X which covers 907.49 hectares in Dartsagt Mongolia. The licence was granted on 13 June 2003 and expired on 13 June 2012. The application of the mining licence for the project has been made and all required submission has been provided to the relevant authorities before the period end. The mining licence MV-017120 for the project has been granted on 6 September 2012.

Tai Sheng is the beneficial owner of mining licence MV-017028 (formerly 9095A) which covers 326 hectares in Ereeny, Mongolia. The licence was granted on 16 May 2012 and expires on 5 January 2035.

NOTE 12 – TRADE AND OTHER PAYABLES

	US$'000
Other payables	260
Total payables	**260**

NOTE 13 – FINANCIAL LIABILITY

The Company has issued convertible bonds raising a total of US$25 million. Upon conversion this Convertible Bond will convert into 123,301,156 shares. The shares are escrowed for the period of 12 months.

The holders of the Convertible Bonds (who have been granted security over the shares in TSI held by the Company and the shares in Tai Sheng held by TSI) have the right to require the Company to repay the Convertible Bonds 24 months or 36 months after 6 December 2011, or upon the occurrence of a "Relevant Event" such as a Change of Control, of if any step is taken by any person with a view to revoke or cancel any mining or exploration licences of the Issuer or any Group Company or to materially alter the terms thereof; or any step is taken by Tai Sheng or China Railway Mongolia Investment LLC to revoke, terminate or cancel any of the Mining Agreements or have a material adverse effect on (a) the business, results of operations or prospects of the Issuer or the Issuer and its Group Companies taken as a whole or (b) the ability of the Issuer or any Group Company to perform its obligations under the Bonds and the Transaction Documents. The Company is dependent upon the success of mine development and commercialisation of Iron Ore sales for funding or raising equity funds or alternative debt in the event of redemption. There is a risk that on such redemption, the Company may not have sufficient cash resources to repay the Convertible Bonds.

For the purpose of the statement of the financial position, the convertible bond has been treated as a hybrid financial instrument. The value of the debt and equity components has been assessed at approximately US$12.5 million and US$12.5 million respectively on the inception of the bond, before the deduction of transaction costs.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	US$'000
Value of the convertible bond on the inception	12,441
Effective interest expenses for the period	1,808
Balance as at 30 June 2012	**14,249**

NOTE 14 – DEFERRED TAX LIABILITY

The Deferred Tax liability of US$18,014,000 relates to the fair value adjustments arising from acquisition and subsidiary (see note 17). This has been recorded based on the Mongolian tax rate of 25%.

NOTE 15 – CONTRIBUTED EQUITY

Authorised share capital:
1,000,000,000,000 share with par value of US$0.00001 each

	Number	US$'000
Fully paid ordinary shares		
Shares issued to Promoters	283,200,001	
Pre IPO shares issued (A$0.141 per share)	53,100,000	7,325
Issue of shares for purchase of TSI (A$0.25 per share)	22,800,000	5,844
Placement to wholesale and institutional investors (A$0.25 per share)	100,000,000	25,631
IPO shares issued (A$0.25 per share)	70,010,000	17,944
Costs of Offer	**-**	**(4,144)**
As at 30 June 2012	**529,110,001**	**52,600**

NOTE 16 – RESERVES

	Note	US$'000
Convertible Bond reserve	(a)	12,408
Share based payment reserve	(b)	776
Exchange reserve		38
Consolidated balance		**13,222**

(a) The Convertible Bond reserve represents the equity portion of the Convertible Bond. Upon conversion this Convertible Bond will convert into 123,301,156 shares. This is transferred to share capital if and when the note is converted to shares.

Convertible Bond reserve	US$'000
Opening balance as at 1 August 2012	-
Convertible bond issuance	12,483
Costs of Convertible Bond issue	(75)
Closing balance as at 30 June 2012	**12,408**

(b) The Share Based Payment reserve is used to record the value of share based payments issued to employees as part of their remuneration. The Company issued 8,152,571 options as follows:

- Mr Quintus Roux – 3,408,245 options;
- Ms Christina Mu – 2,272,163 options;
- Mr Tim Sun – 2,272,163 options;
- Mr Leo Hui – 200,000 options.

The options fully vested as at 30 June 2012 and expire in 4 years after the grant date which is 15 December 2011. Valuation of the options is based on Black-Scholes methodology using the following assumptions:

Market value of shares	A$0.2
Exercise price	A$0.25
Expected price volatility	65%
Risk free rate	4.75%
Expected life of options	4 years
Expected Dividend yield	Zero
Black-Scholes fair value	A$0.95
Other considerations	Upon exercise of options, two thirds of the shares granted are escrowed for 2 years and one third is escrowed for 3 years

Share based reserve	US$'000
Opening balance as at 1 August 2012	-
Share based payment expense	776
Closing balance as at 30 June 2012	**776**

(c) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities and associates.

Foreign currency translation reserve	US$'000
Opening balance as at 1 August 2012	-
Foreign exchange movements on translation of foreign entities	38
Closing balance as at 30 June 2012	**38**

NOTE 17 – ACQUISITION OF SUBSIDIARIES

On 6 December 2011, the acquisition of 100% interest in Topone Star Investment Ltd ("TSI") was completed which in turn has an 80% interest in Tai Sheng (referred to as "TSI consolidated"), for US$45.3 million settled in cash and shares as follows:

- Tranche 1: US$7.0 million cash for a 25% interest in TSI. US$6.0 million was paid in cash on 29 June 2011 and US$1.0 million was paid as final settlement following the execution of a deed of release and settlement relating to legal claims against Tai Sheng.
- Tranche 2: US$25 million cash for a 55% interest in TSI which was paid following receipt of funds from the IPO and the convertible bond. The amount was settled as at 31 December 2011.
- Tranche 3: US$7.5 million cash and US$5.8 million worth of FeOre shares for a 20% interest in TSI which were paid following receipt of IPO proceeds. The amount was settled as at 31 December 2011

The acquisition has been accounted for as a business combination under AASB 3: Business Combinations. The acquisition has been accounted for as a business combination under AASB 3: Business Combinations. The purchase price allocation has been finalized and the fair values of the assets of the acquiree have been assessed by a qualified independent professional valuer.

The acquisition cost of US$45.3 million has been allocated over the fair value of the assets, liabilities and contingent liabilities of TSI consolidated as follows:

	Note	US$'000
Cash and cash equivalents		39
Other receivables		671
Prepaid expenses		195
Property, plant & equipment		426
Exploration and evaluation assets	11	74,390
Trade and other creditors		(1,089)
Deferred Tax liability	14	(18,014)
Total identifiable net assets at fair value		56,618
Non-controlling interest		(11,324)

	Note	US$'000
Purchase consideration transferred		**45,294**
Consideration		
Paid in cash		39,450
Paid in shares		5,844
Total		**45,294**
Net cash acquired with the subsidiary (included in cash flows from investing activities)		39
Cash paid		(39,450)
Payments for pre-acquisition costs		(533)
Net cash outflow		**(39,944)**

NOTE 18 – RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial information within this report includes the financial statements of FeOre and the subsidiaries listed in the following table.

Name	Country of Incorporation	% interest
Topone Star Investments Ltd	BVI	100%
Tai Sheng Development LLC	Mongolia	80%

(b) Transactions with related parties

Aggregate amounts receivable from related parties in the wholly-owned group as at 30 June 2012 were as follows. These loans are non-interest bearing with no fixed repayment terms:

	US$'000
Loans advanced to controlled entities	1,858
Total loans advanced to controlled entities	**1,858**

NOTE 19 – CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

The Group and the Company have no finance lease commitments as at 30 June 2012.

(b) Operating Lease Commitments

Non-cancellable operating leases of the Group and the Company contracted for but not capitalised in the financial statements:

Payable – minimum lease payment:	US$'000
Not later than 12 months	17
Between 12 months to 5 years	-
	17

(c) Capital Expenditure Commitments

The exploration commitments of the Group and the Company for Project Ereeny to Project Dartsagt are tabulated below:

Payable	US$'000
Not later than 12 months	1,110
Between 12 months to 5 years	94
	1,204

NOTE 20 – FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposit with banks, receivables and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	US$'000
Financial assets	
Cash and cash equivalents	27,426
Other receivables	1,750
Total financial assets	**29,176**
Financial liabilities	
Financial liabilities at amortised cost	14,249
Trade and other payables	260
Total financial liabilities	14,509

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

(a) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contractual obligations that could lead to a financial loss to the Group.

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group does not hold any credit derivatives to offset it credit exposure.

The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to scrutinise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis. The Group's credit management procedures has resulted in the Group's experiencing no bad debts.

(b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk though the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit risk profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis (within 1 year)	US$'000
Financial liabilities due for payment	
Financial liabilities – convertible bond	25,000
Trade and other payables	260
Total contractual outflows	**25,260**
Financial assets – cash flows realisable	
Cash and cash equivalents	27,426
Other receivables	1,750
Total anticipated inflows	29,176
Net inflow on financial instruments	3,916

(c) Market Risk

i. *Interest rate risk* – Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. At 30 June 2012, approximately 98.2% of cash at bank is held in higher yielding short term bank accounts and term deposits to maximise the return to the Group.

ii. *Foreign exchange risk* – Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the US$ the functional currency of the Group.

The Group's year-end statement of financial position exposure to foreign currency risk was as follows, based on notional amounts. The following are financial assets and liabilities in currencies other than the functional currencies of the entity in which they are recorded:

As at 30 June 2012 (US$'000)	AUD	HKD	MNT
Cash and cash equivalents	20,664	5	-
Receivables	-	-	1,084
Payables	(58)	(5)	(260)
Gross statement of financial position exposure	20,606	-	824

A 10% weakening of the US dollar against the following currencies at 30 June 2012 would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Consolidated 2012	
Effect in US$'000	**Equity**	**Profit**
AUD	-	(2,061)
HKD	-	-
MNT	-	(82)

A 10% strengthening of the US dollar against the above currencies at 30 June 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The following significant exchange rates applied during the financial year:

	Average exchange rate	Spot rate as at the end of the period
AUD	0.97	1.02
HKD	0.13	0.13
MNT	1,312	1,327

iii. *Commodity price risk* – Commodity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group has no exposure to commodity price risk as it is not yet in production.

Sensitivity Analysis

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonable possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Period ended 30 June 2012	Increase in interest rate by 1%		Decrease in interest rate by 1%	
	Profit US$'000	Equity US$'000	Profit US$'000	Equity US$'000
Cash and cash equivalents	274	-	(274)	-

Net Fair Value

Fair values are those amounts at which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair values of financial assets and financial liabilities presented in the financial statements are not material different to the carrying value of these assets and liabilities.

NOTE 21 – KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation of Key Management Personnel

	2012 US$'000
Short-term employee benefits (Salary/fee)	422
	422

Mr. Bruce Higgins had a consulting agreement for work on initial public offering in addition to his non-executive Director services. The gross fees paid in 2012 were $151,500 for the reporting period. This expense is included in the amount of short term employee benefits.

Ms. Christina (Jun) Mu and Mr. Quintus Roux performed work on initial public offering in addition to their non-executive Director services. The gross fees paid to each of them in 2012 were $7,000 for the reporting period. This expense is included in the amount of short term employee benefits.

Shareholdings of Key Management Personnel

The Group issued US$100,000 convertible note to Bruce Higgins and Ruth Janine Higgins ATF Higgins Family Superannuation fund. The note was converted to 708,000 shares of FeOre as a part of pre-IPO shares issued. No other shares were held by KMP as at or during the period ended 30 June 2012.

Option Holdings of Key Management Personnel

Name	Balance 01.08.11 (number)	Granted during the period (number)	Option expiry (number)	Balance 30.06.12 (number)	Vested at 30 June 2012	
					Total (number)	Exercisable %
Mr. Tim Sun	-	2,272,163	-	2,272,163	2,272,163	0%
Mr. Bruce Higgins	-	-	-	-	-	-
Ms. Christina (Jun) Mu	-	2,272,163	-	2,272,163	2,272,163	0%
Mr. Quintus Roux	-	3,408,245	-	3,408,245	3,408,245	0%
Total	**-**	**7,952,571**	**-**	**7,952,571**	**7,952,571**	**0%**

There have been no transactions involving key management personnel.

NOTE 22 – PARENT ENTITY

The following information has been extracted from the books and records of the parent, FeOre Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, FeOre Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	US$'000
Statement of Financial Position	
Assets	
Current assets	28,017
Non-current assets	47,152
Total assets	**75,169**
Liabilities	
Current liabilities	14,313
Total liabilities	**14,313**
Equity	
Issued capital	52,600
Reserves	13,184
Accumulated losses	(4,928)
Total equity	**60,856**
Statement of Comprehensive Income	
Total loss for the period	(4,928)
Total comprehensive income	(4,928)

Details of contractual commitments have been included at Note 19.

NOTE 23 – SUBSEQUENT EVENTS

Tai Sheng is the beneficial owner of exploration licence 5930X which covers 907.49 hectares in Dartsagt Mongolia. The licence was granted on 13 June 2003 and expired on 13 June 2012. The application of the mining licence for the project has been made and all required submission has been provided to the relevant authorities before the period end. The mining licence MV-017120 for the project has been granted on 6 September 2012.

NOTE 24 – RECONCILIATION OF CASH FLOW TO THE OPERATING LOSS

	2012 US$'000
Operating loss	(5,212)
Depreciation	13
Share-based employee remuneration	776
Interest on financial liability	1,808
Acquisition costs	533
IPO related costs	1,126
Increase in receivables and other assets*	(1,541)
Decrease in creditors*	1,734
	(763)

*Reconciliation is presented after adjustments for balances acquired through business combination and balances related to exploration activity.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of FeOre Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes, as set out on pages 21 to 43, are in accordance with the Corporations Act 2001 including:

(i) complying with Australian Accounting Standard (including the Australian Accounting Interpretations) the Corporations Regulations 2001; and

(ii) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the period ended on that date of the Company and consolidated group;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) this declaration has been made after receiving the declaration required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2012.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

Tim Sun
Chairman & Non-executive Director

Dated this 28th day of September, 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FEORE LIMITED

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Independent auditor's report to the members of Feore Limited

We have audited the accompanying financial report of Feore Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 August 2011 to 30 June 2012, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' responsibility for the financial report

The directors of the Group 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 1a, 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 of the financial report that gives a true and fair view 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.

ERNST & YOUNG

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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 Group 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 Feore Limited and its subsidiaries is in accordance with the *Corporations Act 2001*, including:
   i giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the period from 1 August 2011 to 30 June 2012; and
   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1a.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which describes the principal conditions that raise doubt about the entity's ability to continue as a going concern. As a result of these matters there is significant uncertainty whether the company will continue as a going concern 12 months from the date of the report, 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 company not continue as a going concern.

Ernst & Young

Ernst & Young

A. Iyanyi

Anton Iyanyi
Partner
Sydney

28 September 2012

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF FEORE LIMITED

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Auditor's Independence Declaration to the Directors of Feore Limited

In relation to our audit of the financial report of Feore Limited for the period from 1 August 2011 to 30 June 2012, 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

Anton Ivanyi
Partner
Sydney

28 September 2012


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