



FeOre Limited

Interim Financial Report

ARBN 152 971 821

13 March 2015

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DIRECTORS' REPORT

Your Directors submit the Interim Financial Report of the consolidated Group for the 6 months ended 31 December 2014.

DIRECTORS

The names of the Directors of FeOre Limited (**FeOre** or the **Company**) in office during the 6 months ended 31 December 2014 and until the date of this report are as below. Directors were in office for the entire period unless otherwise stated.

Name	Position	Date of appointment
Mr. Harry King Hap Lee*	Chairman & Non-executive Director	9 July 2014
Dr. Louis Yang Luwu*	Executive director & CEO	9 July 2014
Mr. Steven Hodgson	Non-executive director	5 August 2013
Mr. He Chuan	Non-executive director	1 June 2014
Dr. Tim Sun*	Chairman & Non-executive Director*	20 September 2011

***Note*:** Dr. Tim Sun has resigned from his capacity as a Director of the Company on 9 July 2014, and on the same day Mr. Harry King Hap Lee and Dr. Louis Yang Luwu have joined as a Director of the Company.*

PRINCIPAL ACTIVITIES

FeOre Limited and its controlled entities (the **Group**) are currently undergoing the change of nature and scale of activities for the purpose of Listing Rules 11.1.2 and for all other purposes and approval has been sought from the shareholders of FeOre through a special general meeting which took place on 13 February 2015 (the **SGM**).

REVIEW OF OPERATIONS

Set out below is a review of significant activity for FeOre Limited for the 6 months ended 31 December 2014.

SHARE BUYBACK

Following the sale of its iron projects in early 2014, the Company undertook a share buyback in July 2014, under which the Company bought back a total of 416,753,871 fully-paid ordinary shares of the Company at US\$0.0709 (A\$0.075) per share at a total cost of approximately US\$29,551,850 (A\$31,464,917).

MOU IN RELATION TO 3 KYRGYZSTAN OIL PROJECTS

On 23 July 2014 the Company announced that it had entered into a binding memorandum of understanding (**MoU**) with Gain Diligence Limited (**Seller**) to acquire 100% of Quangas Poly Ltd (**Quangas Poly**), an entity incorporated in the British Virgin Islands. Through a wholly owned subsidiary, PEI LLC (**PEI**) (an entity incorporated in Kyrgyzstan), Quangas Poly has rights under a co-investment agreement over 3 oil projects in the Kyrgyz Republic (the **Acquisition** or the **Transaction**).

On 20 January 2015, the Company and Seller renegotiated certain terms of the Acquisition and the assignment of all shareholder loans owed by Quangas Poly and its subsidiaries to the Seller.

The Company was advised that the Transaction amounts to a change of nature and scale of activities that requires shareholder approval and re-compliance with the admission requirements of the Listing Rules.

Since the announcement of the Transaction, the Company has been focused on the due diligence investigation of Quangas Poly as well as the satisfaction of the re-compliance with the admission requirements.

DIRECTORS' REPORT

The Company held a SGM on 13 February 2015, during which approval was sought from the shareholders of the Company for the change of nature and scale of activities of the Company through the acquisition of Quangas Poly on terms as set out in the notice of SGM dated 20 January 2015.

For further details regarding the Transaction and the SGM, please refer to the Company's notice of SGM dated 20 January 2015 and the Company's prospectus dated 12 February 2015, both available on the ASX website and the Company's website.

RESULTS OF OPERATIONS

The Group has reported a net loss for the period of US\$1.07 million for the period ended 31 December 2014.

Net cash used in operations and net cash used in investing activities over the period amounted to US\$0.73 million and US\$39.55 million respectively. Cash on hand is US\$2.73 million as at 31 December 2014.

CAPITAL STRUCTURE

A total number of 529,110,001 ordinary shares were on issue as at 1 July 2014. A share buyback in July 2014 was undertaken which the Company bought back total of 416,753,871 fully-paid ordinary shares of the Company at US\$0.0709 (A\$0.075) per share at a total cost of approximately US\$29,551,850 (A\$31,464,917). After the share buyback and as at 31 December 2014, the number of total issued ordinary shares was 112,356,130 (excluding 416,753,871 shares held as treasury shares). As at 31 December 2014, there were 8,152,571 options at the exercise price of US\$0.19 (A\$0.25) per share remaining outstanding.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the activities described in the Directors' report above there were no other significant changes in the state of affairs of the Group for the 6 months period ended 31 December 2014.

SUBSEQUENT EVENTS

Since the entering of the MOU on 23 July 2014, the Company has renegotiated certain terms of the Acquisition and the assignment of all shareholder loans owed by Quangas Poly and its subsidiaries to the Seller, as detailed in the Company's notice of SGM dated 20 January 2015 and the Company's prospectus dated 12 February 2015.

On 7 January 2015, the Company has received the payment of approximately US\$4.74 million as settlement of a receivable owed by a third party to a subsidiary of the Company.

As described in the Company's prospectus dated 13 February 2015, in order to fund the Acquisition, development work on the Projects and working capital, the Company has sought to raise between US\$2.7 million (A\$3.5 million) and US\$3.85 million (A\$5 million) by either the issue or transfer (in the case of treasury shares) of up to 100,000,000 fully paid ordinary shares at an issue price of US\$0.04 (A\$0.05) per Share (**Placement**) and that the Directors proposed to participate in the Placement to subscribe for up to 50% of the shares issued under the Placement. Shareholders' approval regarding the Placement as well as the Directors' proposed participation in the Placement has been obtained on 13 February 2015.

Other than the abovementioned, no other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

An Auditor's Independence Declaration has been received from our auditors, Ernst & Young, which immediately follows this Directors' 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 thousand United States Dollars (US\$'000).

Signed in accordance with a resolution of the Directors.



Harry King Hap Lee
Chairman & Non-executive Director
13 March 2015

AUDITOR'S INDEPENDENCE DECLARATION



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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 financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Australian professional accounting bodies.

A handwritten signature in black ink that reads 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Scott Jarrett'.

Scott Jarrett
Partner
Sydney

13 March 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	31-Dec-14 US\$'000	31-Dec-13 US\$'000
Bank interest income		39	199
Exchange gain		-	-
Other income		1	38
Total income		40	237
Administration costs		(869)	(953)
Exchange loss		(243)	(497)
Depreciation		-	(27)
Total operating expenses		(1,112)	(1,477)
Loss before income tax from continuing operations		(1,072)	(1,240)
Income tax expense		-	-
Loss for the period from continuing operations		(1,072)	(1,240)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		-	(29)
Other comprehensive loss for the period		-	(29)
Total comprehensive loss for the period		(1,072)	(1,269)
Loss attributable to :			
Members of the parent entity		(1,072)	(1,106)
Non-controlling interest		-	(134)
Total comprehensive loss attributable to :		(1,072)	(1,240)
Members of the parent entity		(1,072)	(1,129)
Non-controlling interest		-	(140)
Earnings per share from continuing operations			
Basic and diluted loss per share (US cent per share)	2	(0.81)	(0.23)

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Note	31-Dec-14 US\$'000	30-Jun-14 US\$'000
Current assets			
Cash and cash equivalents	3	2,731	43,255
Other receivable	5	4,742	-
Total current assets		7,473	43,255
Non-current assets			
Deposit	4	10,000	-
Other receivable	5	-	4,742
Restricted cash	6	5,670	5,670
Non-current assets		15,670	10,412
Total assets		23,143	53,667
Current liabilities			
Other payables		100	-
Total current liabilities		100	-
Total liabilities		100	-
Net assets		23,043	53,667
Equity			
Contributed equity	7	23,048	52,600
Reserves	8	776	776
Accumulated gains/(losses)		(781)	291
Parent entity interest		23,043	53,667
Total equity		23,043	53,667

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2014**

	Note	31-Dec-14 US\$'000	31-Dec-13 US\$'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES			
Payments to suppliers and employees		(769)	(478)
Interest and other items of a similar nature received		40	198
NET OPERATING CASH FLOWS	10	(729)	(280)
CASHFLOWS RELATED TO INVESTING ACTIVITIES			
Payments for exploration and evaluation activities		-	(45)
Proceeds from disposal of assets		-	23
Deposit for acquisition of oil project		(10,000)	-
Repurchase of shares		(29,552)	-
NET INVESTING CASH FLOWS		(39,552)	(22)
CASH FLOWS RELATED TO FINANCING ACTIVITIES			
NET FINANCING CASH FLOWS		-	-
NET (DECREASE) IN CASH HELD		(40,281)	(302)
Foreign Currency Translation		(243)	(285)
Cash and cash equivalents at beginning of period		43,255	22,139
CASH AND CASH EQUIVALENTS AT END OF PERIOD		2,731	21,552

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 JULY 2014 TO 31 DECEMBER 2014**

	Issued Capital	Accumulated earnings/ (losses)	Share based payment reserve	Foreign currency translation reserve	Owners of Parent	Non-controlling interest	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 30 June 2013	52,600	(7,194)	776	(10)	46,172	11,129	57,301
Loss for the period	-	(1,106)	-	-	(1,106)	(134)	(1,240)
Exchange Translation	-	-	-	(23)	(23)	(6)	(29)
Total Comprehensive loss for the period	-	(1,106)	-	(23)	(1,129)	(140)	(1,269)
Balance at 31 December 2013	52,600	(8,300)	776	(33)	45,043	10,989	56,032

Balance at 30 June 2014	52,600	291	776	-	53,667	-	53,667
Loss for the period	-	(1,072)	-	-	(1,072)	-	(1,072)
Repurchase of shares	(29,552)	-	-	-	(29,552)	-	(29,552)
Total Comprehensive loss for the period	(29,552)	(1,072)	-	-	(30,624)	-	(30,624)
Balance at 31 December 2014	23,048	(781)	-	-	23,043	-	23,043

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

NOTES TO THE FINANCIAL INFORMATION

General 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 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 13 March 2015. The Company was listed on the Australian Stock Exchange (ASX) on 15 December 2011. The statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows have been prepared for the period from 1 July 2014 to 31 December 2014.

The financial statements are presented in thousands of United States Dollars.

Note 1 – Summary of Significant Accounting Policies

(a) Basis of preparation

The Consolidated financial statements of FeOre Limited have been prepared in accordance with AASB 134 "Interim Financial Reporting". They have been prepared under the historical cost accounting convention.

The interim financial report does not include all the information required for a full annual financial report, and should be read in conjunction with the annual financial report of the Group as at and for the year ended 30 June 2014 as well as in conjunction with public announcements made by the Group during the interim period.

The Company is seen as a single segment as management reporting is performed on a single segment basis and the financial results of this segment are equivalent to those of the consolidated financial statements.

(b) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the mandatory adoption of new and revised Standards and Interpretations issued by the AASB. The adoption of the new and revised Standards and Interpretations had no material impact on these financial statements or on the financial position and performance of the group.

Note 2 – Earnings Per Share

Reconciliation of earnings to profit or loss	31-Dec 2014 US\$'000	31-Dec 2013 US\$'000
Loss for the period	(1,072)	(1,106)
Loss attributable to non-controlling equity interest	-	(134)
Loss attributable to the owners of the Company	(1,072)	(1,240)
Basic and diluted earnings (loss) per share (US cent per share)	(0.81)	(0.23)

The weighted average number of ordinary shares outstanding during the period used in calculating basic earnings per share: 132,740,830 (2013: 529,110,001).

The weighted average number of ordinary shares to be issued with options was not included in the calculation of diluted earnings per share for the options are unlikely to be executed as the exercise price is higher than the average stock price for the period.

NOTES TO THE FINANCIAL INFORMATION

Note 3 – Cash and Cash Equivalents

	31-Dec 2014 US\$'000	30-Jun 2014 US\$'000
Cash at banks and on hand	2,731	1,222
Short-term deposits	-	42,033
	<u>2,731</u>	<u>43,255</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates (average annual deposit rate was approximately 1%). 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 4 – Deposit

	31-Dec 2014 US\$'000	30-Jun 2014 US\$'000
Deposit	10,000	-
	<u>10,000</u>	<u>-</u>

This is a refundable deposit paid to the Gain Diligence Limited, seller of oil projects in the Kyrgyz Republic (Quangas Poly Limited).

Note 5 – Non-Current receivable and Current receivable

	31-Dec 2014 US\$'000	30-Jun 2014 US\$'000
Non-Current receivable	-	4,742
Total non-current receivable	<u>-</u>	<u>4,742</u>
	31-Dec 2014 US\$'000	30-Jun 2014 US\$'000
Current receivable	4,742	-
Total current receivable	<u>4,742</u>	<u>-</u>

The receivable was being an advancement to Taisheng Development LLC issued on 22 April 2014, which matures on 30 September 2015. The amount has been fully settled and announced on 7 January 2015.

NOTES TO THE FINANCIAL INFORMATION

Note 6 – Restricted Cash

The restricted cash of \$5.67m relates to the final payment made on the sale of Topone Star Investment Limited (Ereeny Iron Ore Project and Dartsagt Iron Ore Project) during the period to China Energy (Cayman) Ltd ('Buyer'). The cash is being reserved in an escrow account. The withdrawal of these funds by the Group are contingent upon a successful listing on the Hong Kong Stock Exchange by an affiliate of the Buyer no later than 30 September 2015. If the affiliate is unsuccessful in listing, the funds in the escrow account shall be converted into 6.3% of the initial share capital of the Buyer's affiliate by the earlier of three months after the unsuccessful listing or 30 September 2015.

Note 7 – 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 on 1 August 2011	283,200,001	-
Pre IPO shares issued (A\$0.14 per share) on 15 December 2011	53,100,000	7,325
Issue of shares for purchase of TSI on 15 December 2011 (A\$0.25 per share)	22,800,000	5,844
Placement to wholesale and institutional investors (A\$0.25 per share) on 15 December 2011	100,000,000	25,631
IPO shares issued on 15 December 2011 (A\$0.25 per share)	70,010,000	17,944
Costs of Offer	-	(4,144)
As at 30 June 2014	529,110,001	52,600
Repurchase of shares on 9 July 2014 (Held as treasury shares)	(416,753,871)	(29,552)
Quoted as at 31 December 2014	112,356,130	23,048

Note 8 – Reserves

	31-Dec 2014 US\$'000	30-Jun 2014 US\$'000
Share based payment reserve	(a) 776	776
Consolidated balance	776	776

NOTES TO THE FINANCIAL INFORMATION

Note 8 – Reserves (Continued)

(a) 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.

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

Market value of shares on grant date	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\$0.095
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.

Note 9 – 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	31 Dec 14 % interest	30 June 14 % interest
Aspiration Global Limited	BVI	100%	100%
Resource Depot Holdings Limited	BVI	100%	100%
*Resource Depot Limited	Hong Kong	-	100%
Total Dynamic Investments Limited	BVI	100%	100%
Total Dynamic Investments LLC	Mongolia	100%	100%
Sino Edge Ventures Limited	BVI	100%	100%
Sino Edge Power Limited	Hong Kong	100%	100%
Sino Edge Management Limited	Hong Kong	100%	100%

* Resource Depot Limited has been disposed on 27 Oct 2014. The disposal did not have a material impact on the financial statements of the Company.

NOTES TO THE FINANCIAL INFORMATION

Note 10 – Reconciliation of Cash Flow to the Operating Loss

	31-Dec 2014 US\$'000	31-Dec 2013 US\$'000
Operating loss	(1,072)	(1,269)
Depreciation	-	27
Exchange re-alignment	243	497
(Increase)/decrease in receivables and other assets	-	492
Increase/(decrease) in creditors	100	(27)
	<u>(729)</u>	<u>(280)</u>

Note 11 – Subsequent Events

Since the entering of the MOU on 23 July 2014, the Company has renegotiated certain terms of the Acquisition and the assignment of all shareholder loans owed by Quangas Poly and its subsidiaries to the Seller, as detailed in the Company's notice of SGM dated 20 January 2015 and the Company's prospectus dated 12 February 2015.

On 7 January 2015, the Company has received the payment of approximately US\$4.74 million as settlement of a receivable owed by a third party to a subsidiary of the Company.

As described in the Company's prospectus dated 13 February 2015, in order to fund the Acquisition, development work on the Projects and working capital, the Company has sought to raise between US\$2.7 million (A\$3.5 million) and US\$3.85 million (A\$5 million) by either the issue or transfer (in the case of treasury shares) of up to 100,000,000 fully paid ordinary shares at an issue price of US\$0.04 (A\$0.05) per Share (**Placement**) and that the Directors proposed to participate in the Placement to subscribe for up to 50% of the shares issued under the Placement. Shareholders' approval regarding the Placement as well as the Directors' proposed participation in the Placement has been obtained on 13 February 2015.

Note 12 – Dividends

No dividends were declared or paid during the half-year ended 31 December 2014.

INTERIM FINANCIAL STATEMENTS

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 of the Group:
 - (i) present fairly the Group's financial position as at 31 December 2014 and of its performance for the half year ended on that date; and
 - (ii) comply with Australian Accounting Standards;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

On behalf of the Board



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Louis Yang
Executive Director & CEO
Dated: 13 March 2015



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Independent review report to the members of FeOre Limited

Report on the Half-Year Financial report

We have reviewed the accompanying half-year financial report of FeOre Limited which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year then ended or from time to time during the half-year.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the half-year financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying financial report is not presented fairly, in all material respects, in accordance with the accounting policies described in Note 1 to the financial statements. As the auditor of FeOre Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review we have complied with the independence requirements of the Australian professional accounting bodies.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of FeOre Limited does not:

- a) give a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b) comply with Accounting Standard AASB 134 *Interim Financial Reporting*

A handwritten signature in black ink, appearing to read 'Ernst + Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Scott Jarrett'.

Scott Jarrett
Partner
Sydney
13 March 2015