FEORE LIMITED

EXEMPT COMPANY NO. 45631

NOTICE OF SPECIAL GENERAL MEETING

TIME: **2:00pm (HKT)**

DATE: **25 April 2014**

PLACE: **Taichi Room, Unit 3810, 38/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong**

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

Should you wish to discuss the matters in this Notice of Meeting, please do not hesitate to contact the Company Secretary at (612) 8298 2008.

CONTENTS PAGE

TIME AND PLACE OF MEETING AND HOW TO VOTE

TIME, DATE AND VENUE

The Special General Meeting of the Company to which this Notice of Meeting relates will be held at 2:00pm (HKT) on 25 April 2014 at:

Taichi Room, Unit 3810, 38/F
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

YOUR VOTE IS IMPORTANT

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

VOTING ENTITLEMENT

For the purposes of determining voting entitlements at the Special General Meeting, a Share will be taken to be held by the person who is registered as holding the Share at 7:00pm (AEST) two days before the date of the Special General Meeting. Accordingly, transactions in the Shares registered after that time will be disregarded in determining entitlements to attend and vote at the Special General Meeting.

VOTING IN PERSON

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

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

NOTICE OF SPECIAL GENERAL MEETING

Notice is given that a Special General Meeting of the Company will be held at 2:00pm (HKT) on 25 April 2014 at Taichi Room, Unit 3810, 38/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

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

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

AGENDA

1. RESOLUTION 1 – APPROVAL OF SALE OF TOPONE STAR INVESTMENTS LIMITED

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

> *"That, for the purposes of ASX Listing Rules 11.2 and 11.4, and for all other purposes, approval is given for the Company to dispose of all of the issued shares held by it in Topone Star Investments Limited on the terms and conditions set out in the share purchase agreement dated 18 January 2014 and entered into between the Company as seller and China Energy (Cayman) Limited as purchaser, as described in the Explanatory Statement."*

Independent Expert's Report: Shareholders should carefully consider the report prepared by BDO Corporate Finance (WA) Pty Ltd for the purposes of the Shareholders' approving Resolution 1. BDO Corporate Finance (WA) Pty Ltd considers the disposal to be not fair but reasonable to Shareholders.

Board's recommendation: The Board makes no recommendation on the resolution. Rather it considers it appropriate that the Shareholders should be given an opportunity to consider the Transaction in the context of the proposed Buy-back. Shareholders should have regard to their own personal circumstances and seek their own advices before deciding how to vote on the above resolution.

Voting Exclusion: The Company will disregard any votes cast on Resolution 1 by a party to the transaction and a person who might obtain a benefit, or their associates, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed. However the Company need not disregard a vote if (a) it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – EQUAL ACCESS SHARE BUY BACK

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

> *"That, contingent on the passing of Resolution 1 and subject to the transaction disposing of its principal asset (Topone Star Investments Limited) completing, and for the purposes of Bye-law 3(2) of the Company's Bye-laws and for all other purposes, the exercise by the Board of Directors of the Company (the "Board") of all the powers of the Company to purchase or otherwise acquire shares in the capital of the Company which are fully paid for a consideration not exceeding an aggregate of A$42.2 million on an equal access basis and on the other terms and conditions described in the Explanatory Statement, and otherwise in accordance with the Company's Bye-laws, applicable laws and the rules of the ASX, be and is hereby authorised and approved generally and unconditionally and that such shares shall be held as treasury shares for such period as the Board sees fit and may be cancelled, disposed of or transferred by the Board as the Board sees fit."*

Upon completion of the Transaction, this equal access off market Share Buy-back offer will be made available to all Shareholders.

DATED: 3 April 2014

BY ORDER OF THE BOARD

TIM SUN
CHAIRMAN

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be considered at the Special General Meeting to be held at 2:00pm (HKT) on 25 April 2014 at Taichi Room, Unit 3810, 38/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

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

1. INTRODUCTION

On 22 January 2013 the Company announced to ASX that the Company had entered into a conditional agreement (***Agreement*** or ***Transaction***) with China Energy (Cayman) Limited (***Purchaser***), an unrelated private company, for the sale of all of the issued shares held by it in Topone Star Investments Limited (***TSI***), which indirectly holds 80% of the Projects.

The total consideration for the sale is US$56.7 million, including a conditional final deferred payment of US$5.67 million. It is noted that the Transaction values the Company at a lower price than the Company's initial public offering price.

A summary of the Agreement is set out in section 1.2 of this Explanatory Statement. Completion of the sale is subject to certain conditions, which are detailed below. The Company and Purchaser are working towards satisfying these conditions.

Following completion of the Transaction and redemption of its outstanding Convertible Bonds, the Company intends to undertake an equal access share buy-back program (***Buy-back***). The Buy-back will give Shareholders who wish to exit their investment in the Company the opportunity to do so.

ASX Listing Rule 11.2 provides that an entity must seek the approval of its Shareholders before disposing of its main undertaking. ASX Listing Rule 11.4 provides that an entity may not, without shareholder approval, dispose of a major asset if, at the time of the disposal, the person acquiring the asset intends to issue or offer securities with a view to becoming listed.

As the proposed Transaction represents the disposal of the Company's main undertaking, and the Purchaser has foreshadowed that they will seek to list the Project in the future, Shareholder approval is sought under Resolution 1 for the sale of its shares in TSI.

Under its Bye-Laws, the Company may undertake a share buy-back without shareholder approval. However, and as a matter of good corporate governance, the Company's Board seeks shareholder approval for the Buy-back.

1.1 Background

The Company owns 100% of the issued shares in TSI, which holds 80% of the Project Company.

Since listing on ASX in December 2011, the Company's focus has been on developing its Projects, with a total of approximately US$5.4 million spent on the Projects, including capital and technical expenditures and expenses.

Development of the Flagship Project included:

- Announcing an updated JORC-standard resource estimate (see the Company's announcement dated 14 February 2013) based on the results of further exploration and geological work by the Company;
- Completing and obtaining the approval for the MFS;
- Progressing the mine plan design;
- Completing metallurgical test work;
- Developing processing design;
- Obtaining regulatory approvals (including completing an environmental impact assessment report);
- Conducting additional exploration, technical surveying and mapping work;
- Design and development of living-use water source;
- Exploration and application for the usage of industrial-use water source;
- Entering into agreement with the relevant authority for the usage of industrial-use water source;
- Obtaining approvals for the design and the construction of high voltage (industrial-use) and living-use power lines to the project location;
- Commencing of construction of high voltage (industrial-use) power lines to the project location;
- Completing the construction of living-use power lines to the project location (pending relevant authority's approval);
- Completing an archaeological survey and relocating all ancient tombs and cultural findings;
- Completing geotechnical investigations; and
- Obtaining several land-usage right approvals, and acquisitions in the Flagship Project area for the living quarters, tailing yards and high-voltage power line.

Development of the Junior Project included:

- Obtaining a mining license and conducting the exploration work in relation to the application of the mining license; and
- The submission of an MFS to the relevant authority for approval.

Further information on the development of the Projects is set out in on the Company's announcements to ASX.

Since incorporation in August 2011, the Company's operating and listing expenses incurred include:

- Listing expenses of approximately US$5.7 million;
- Professional fees after listing (including legal, accounting, auditing and share registrar, etc.) and ASX recurring expenses of approximately US$1.5 million; and
- Total Directors' fees of approximately US$0.7 million.

The Company has issued non-interest bearing convertible bonds maturing on 6 December 2014 with a face value of US$25 million (***Convertible Bonds***). The holders of the Convertible Bonds have been granted security over the shares in TSI held by the Company, and have an option to put the Convertible Bonds back to the Company on 6 June 2014. The Company negotiated and obtained a waiver from the Convertible Bond holders in December 2013 when the first put option date of the Convertible Bonds was reached. Further, the Company has negotiated and obtained a conditional waiver from holders of Convertible Bonds for the execution and the performance of the Agreement and waiver of the 15% annual rate (the "Letter of Waiver"), subject to satisfying certain conditions which are customary. These include, among others, the Company's undertaking to apply the proceeds from the Transaction to complete the repurchase the Convertible Bonds, which shall take place on or before 30 April 2014 (or such other date as the parties agree).

The Company's Board and management has, since the Company's initial public offering in late 2011, been actively identifying financing solutions for the Company's Projects, including extensive meetings and negotiations with financing brokers and agents, commercial banks and potential investors. Extensive due diligence processes and negotiations have been undertaken with multiple international and local interested parties, which was undertaken in the midst of falling iron ore prices and changes of the investment environment and appetite where the Projects are located.

Whilst the Board believes the Transaction undervalues the Company, it is currently the only proposal capable of being put to Shareholders.

If completed, the Transaction will realize a value for the Company's investment in the Projects and the proceeds from the Transaction can be used for the purposes described under section 1.3.

1.2 Material terms of the Agreement

Under the Agreement, the Company has agreed to sell, and the Purchaser has agreed to acquire, 100% of the issued and fully paid share capital of TSI on the following material terms and conditions:

1. **Conditions precedent –** completion is conditional upon the following being satisfied by 28 April 2014:

    a. The incorporation of the List Co (an entity to be associated with the Purchaser);

    b. Each party to the Transaction obtaining or being issued all necessary permits, consents or approvals for the Transaction;

    c. All documents, materials and representations provided by each party to the Transaction being true, correct, complete and sufficient;

    d. The Purchaser completing all financial, legal, technical, business, environmental and social due diligence investigations of the Company, TSI and the Project Company;

    e. The Purchaser obtaining all necessary internal and external consents, permits, approvals of any kind as required by the Transaction and completing all relevant filings with corresponding supervising authorities;

    f. Each party to the Transaction duly and validly executing all related transaction documents;

g. The representations and warranties of each party under the Agreement and other transaction documents continuously remaining true, correct and complete;

h. The holders of the Convertible Bonds legally and validly discharging, releasing, or waiving all relevant mortgages, pledges, liens, encumbrances, security interests or charges of any kind over the Company's shares in TSI and TSI's share in the Project Company;

i. Mortgages/charges/pledges established or any other security or encumbrances (if any) over the Company's, TSI's or the Project Company's equities and/or assets being legally and validly released, discharged or waived;

j. The Project Company providing the Purchaser with all relevant consents, permits, approvals of any kind, filings and relevant legal documents;

k. The Purchaser completing its further resource verification on the Project Company's resources and being satisfied with the results;

l. The Company, TSI and the Project Company disclosing all the material risks (including but not limited to those risks causing material adverse effects) related to the Purchaser's (or its affiliate's) investment in TSI and the Project Company and undertaking that after the completion of the Purchaser's (or its affiliate's) investigation, no circumstances or events or changes have taken place which will or may result in material adverse effects causing the Purchaser (or its affiliate) to suffer losses;

m. None of the Company, TSI or the Project Company suffering a material adverse effect (as defined in the Agreement);

n. No dividend or other distribution being paid directly or indirectly to any shareholder of TSI and the Project Company, unless with prior written approval from the Purchaser;

o. Gleneagle Securities (Aust) Pty Ltd agreeing in writing to waive all the past service fees and the service fees and compensation relating to this Transaction from the Company, TSI and the Project Company.

2. **Consideration** – The Purchaser will pay the Company up to US$56.7 million, as follows:

   a. US$5.67 million upon satisfaction of the conditions precedent.

   b. US$45.36 million within 5 business days thereafter; and

   c. US$5.67 million to be held in escrow jointly owned by the Purchaser and the Company immediately after the second payment, and to be paid to the Company (less any deductions due to any breach of representations and warranties given by the Company) upon the listing of an entity designated by the Purchaser which at that time holds the legal title of TSI (the List Co). If the Purchaser fails to list the List Co by 30 September 2015, the final deferred consideration (less any deductions as aforesaid) will be released to the Purchaser's designated bank account and the Purchaser will issue or transfer 6.3%

of its share capital to the Company.

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

3. **Representations and warranties** – The Company has provided certain warranties to the Purchaser, including the following, and has agreed to indemnify it for any breach or losses flowing from such warranties:

   a. Corporate status and structure;

   b. Assets, business, liabilities, encumbrances and litigation; and

   c. Accuracy of disclosures.

4. **Governing law** – the Agreement is governed by the laws of Hong Kong.

The Company has obtained a conditional waiver from holders of Convertible Bonds for the execution and the performance of the Agreement (the "Letter of Waiver"), subject to the satisfying of certain conditions set forth in the Letter of Waiver. The conditions are customary and include, among others, the Company's undertaking to apply the proceeds from the Transaction to complete the repurchase the Convertible Bonds, which shall take place on or before 30 April 2014 (or such other date as the parties agree).

The parties continue to work towards obtaining of all relevant consents and approvals and satisfying the outstanding conditions, including on-site due diligence work.

1.3 Use of proceeds

The Company intends to use the proceeds of the first and second payments and existing cash balances (approximately US$20.6 million as at 22 January 2014) as follows:

1. Undertake the Buy-back for up to A$42.2million (assuming the US$/A$ exchange rate of 0.88; the actual Buy-back amount will be adjusted based on the actual US$/A$ exchange rate at the time of the dispatch of the Buy-back offer letter and the Company's circumstances at the time).

2. Redemption of Convertible Bonds – US$25 million.

3. Provision for contingent payment – US$4.5 million.

4. The estimated cost of the Transaction (including payments to legal advisors, other advisors, execution agents, third party valuers etc.) – US$2.4 million.

5. Working capital and to fund potential future project acquisition costs of no less than US$2 million.

1.4 Buy-back

If Resolution 1 is passed, the approval of the Shareholders will be sought for the Buy-back pursuant to Resolution 2.

The Board intends, following completion of the Transaction, for all Shareholders holding shares on a record date (to be determined) to be given an opportunity to participate in the Buy-back, namely an equal access off market share buy-back at a proposed price of A$0.08 per Share, with the final price to be determined having regard to the prevailing US$/A$ currency exchange rates and the Company's circumstances at the time. The Board is of the view that the Company is, and after the Buy-back would be, able to pay its liabilities as they become due.

Under the Buy-back:

1. The Company will offer to purchase from all Shareholders all of their Shares in the Company held on the record date (to be determined) at a purchase price to be determined. The Board's current intention is that the purchase price will be $A0.08 per Share, with the final price to be determined having regard to the prevailing US$/A$ exchange rates and the Company's circumstances at the time.

2. A letter containing the Buy-back offer and personalized acceptance form will be sent to all Shareholders.

3. Shareholders will have a period of at least 12 business days to accept the offer (in whole or in part) under the Buy-back. Offers may be accepted by completing and returning the personalized acceptance form to the Company.

4. The Board is yet to determine the record date and timing of the acceptance period for the Buy-back. However it is likely that these matters will be determined shortly after completion of the Transaction.

5. Shareholders who accept the offer under the Buy-back for more than the number of Shares held on the record date will be deemed to have accepted the Buy-back for the number of Shares held on the record date.

There is no requirement under the Company's Bye-Laws, the Companies Act or the ASX Listing Rules for Shareholders to approve the Buy-back. Nevertheless, the Board considers it appropriate for good corporate governance that Shareholders be asked to approve the Buy-back.

The Board will consider alternative capital management measures in the event Shareholders do not approve the Buy-back or it otherwise is not proceeded with.

1.5 Independent Expert's Report and value of the Transaction

The Directors have retained BDO Corporate Finance (WA) Pty Ltd. (**BDO**) to provide an opinion on whether the Transaction is fair and reasonable for Shareholders. BDO have considered the Transaction to be not fair but reasonable for Shareholders. Accompanying this Explanatory Statement is a report prepared by BDO.

BDO has retained Agricola Mining Consultants Pty Ltd, led by Mr. Malcolm Castle, to independently value the Company's projects. Mr. Castle has opined a market value of the

Flagship Project is in the range of US$77 million to US$101 million with a preferred value of US$89 million, with the Company's 80% interest valued at between US$61.6 million to US$80.8 million with a preferred value of US$71.2 million.

Malcolm Castle has over 45 years' experience in exploration geology and property evaluation, working for major companies, including Fortescue Metals Group, for 20 years as an exploration geologist. He established a consulting company over 25 years ago and specializes in exploration management, technical audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries. He has completed numerous Independent Geologist's Reports and mineral asset valuations over the last decade as part of his consulting business.

Mr. Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc. (Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Shareholders are urged to read BDO's report in full and seek their own advice if they have any queries.

1.6 Advantages, disadvantages and risks of the Transaction

The Transaction values the Company at a lower price than the value of the Company at its initial public offering. However, substantial funds are required to continue defining the resources and to develop the Projects. It is noted that following announcement of the Transaction, though much lower than the initial public offering price, the Share price has increased. The intended Buy-back price represents a premium of approximately 122.2% to the Company's 3 months average closing Share price immediately prior to the announcement (the 3 month average closing price from 22 October 2013 to 21 January 2014 is A$0.036). Having regard to the Company's current financial position and the Company's investment environment, the Board considers it appropriate to convene a Special General Meeting for Shareholders to consider the Transaction and the proposed Buy-back.

The Transaction has a number of advantages, disadvantages and risks which may affect Shareholders in different ways depending upon their individual circumstances. If in any doubt, shareholders should seek professional advice regarding their particular circumstances.

Reasons to vote in favour of the Transaction and Buy-back include (but are not limited to):

- ✓ The Company's exposure to the risks of the Projects will be substantially reduced or eliminated, which includes further equity and debt capital raisings to fund the development of the Projects, as well as the exposure to regulatory, developmental, operational and market related risks, and a comprehensive process to source funding for the Projects.
- ✓ The Transaction will allow the Company to meet its financial obligation to repay US$25 million of Convertible Bonds on 6 June 2014 or 6 December 2014.
- ✓ Recognizes a value for the Company's Projects.
- ✓ After repaying the Convertible Bonds, the Company will have cash available for other business purposes, which include but are not limited to proceeding with the Buy-back

and subsequently seeking new projects to enhance Shareholders' wealth.

- ✓ The Transaction will strengthen the Company's balance sheet.
- ✓ The Buy-back gives Shareholders an opportunity to exit their investment in the Company for cash.
- ✓ The Independent Expert has concluded that the Transaction is not fair but reasonable to Shareholders.
- ✓ The Company's Share price may be higher or lower than the proposed Buy-back price if the Transaction is not approved or otherwise does not complete.
- ✓ Future fund raising may dilute existing Shareholders' interest in the Company, or may increase the gearing of the Company.

Reasons to vote against the Transaction and Buy-back include (but are not limited to):

- ✗ If the final deferred consideration is paid in cash, the Company will no longer have any interest in the Projects and will not share in any upside in their development.
- ✗ The Company will dispose of its major asset, which changes the nature of the Company's activities.
- ✗ There are risks and uncertainty associated with acquiring a substantial undertaking.
- ✗ The Shareholders who choose to sell some or all of their Shares will reduce or no longer have any participation in the Company's future development, including any potential upside.
- ✗ The Company's substantial Shareholders may, depending upon the extent to which other Shareholders participate in the Buy-back, increase their interest in the Company with a corresponding dilution for minority Shareholders who do not participate in the Buy-back.
- ✗ The Company's Share price may be higher or lower than the proposed Buy-back price if the Transaction is not approved or otherwise does not complete.

Risks include (but are not limited to):

- Following the Transaction, the Company will consider possible acquisitions, which have the potential to add shareholders' value. Any acquisition carries risks.
- The Company's Shares may be suspended from trading in the event an acquisition of a substantial undertaking is not made within 6 months of completion of the Transaction.
- Participating in the Buy-back may have tax implications, depending on a Shareholder's personal circumstances.
- The iron ore prices may recover in the future and the value of iron ore related companies may appreciate in the future.
- Investment in Northern Asia emerging countries may become very attractive to investors in the future.
- The passing of Resolution 1 does not guarantee the completion of the Transaction as there are other conditions precedents described under the Agreement to be satisfied.
- Completion of the Transaction is due to occur by no later than 28 April 2014, unless extended by agreement between the parties to the Agreement.
- If the Transaction is not approved or otherwise does not complete and the holders of the Convertible Bonds exercise their put option on 6 June 2014, the Company may not have sufficient cash to redeem the Convertible Bonds or retain for working capital and for future development use.

The factors to be considered may not be limited to the above lists. Shareholders should have regard to their own personal circumstances and seek their own advice before deciding how to vote on the Resolutions and, if necessary, seek their own professional advices.

1.7 Intentions of the Company if the Transaction is approved and implemented

The proceeds of the Transaction will allow the Company to redeem the Convertible Bonds, undertake the Buy-back and actively pursue other investment opportunities in the resources industry or any other industries.

Shareholders should note that, if the Company disposes of its main undertaking as proposed, any future business or asset acquisition will be subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules, as required by ASX Listing Rule 11.1.3.

1.8 Intentions of the Company if the Transaction is not approved and implemented

The Company will not proceed with the Buy-back as Resolution 2 is contingent on the passing of Resolution 1 and the completion of the Transaction.

The Company will continue to actively explore the Projects and possible ways to finance its development. The Company will also be required to raise further capital to redeem the Convertible Bonds. Any fund raising may be dilutive for existing Shareholders.

Any alternatives which result in a binding agreement will be put to Shareholders to consider.

1.9 Intentions of the Company if the Buy-back is approved and implemented

The Company will actively pursue other investment opportunities in the resources industry or any other industries.

1.10 Intentions of the Company if the Buy-back is not approved and implemented

The Company will consider alternative capital management measures in the event Shareholders do not approve the Buy-back or it otherwise is not proceeded with.

Shareholders should note that the Company's Shares may be suspended from trading in the event a substantial undertaking is not acquired within 6 months following completion of the Transaction. As such, Shareholders may not be able to acquire or dispose of the Company's Shares during the suspension period.

1.11 Indicative timetable

Completion of the Transaction is due to occur by no later than 28 April 2014, unless extended by agreement between the parties.

The Company has obtained a conditional waiver from holders of Convertible Bonds for the execution and the performance of the Agreement (the "Letter of Waiver"), subject to the satisfying of certain conditions set forth in the Letter of Waiver. The conditions are customary and include, among others, the Company's undertaking to apply the proceeds from the Transaction to complete the repurchase the Convertible Bonds, which shall take place on or before 30 April 2014 (or such other date as the parties agree).

The parties continue to work towards obtaining of all relevant consents and approvals and satisfying the outstanding conditions, including on-site due diligence work.

It is intended that the acceptance period under the Buy-back will be shortly thereafter, with payments made to accepting Shareholders shortly thereafter.

1.12 Effect of the Transaction and Buy-back on the Company, Shareholders and holders of Convertible Bonds

Completing the Transaction will require the Company to redeem the Convertible Bonds and result in its only asset being cash and receivables. The Company may also need to re-comply with the admission requirements for ASX in relation to any future acquisitions.

The holders of the Convertible Bonds will have their Convertible Bonds redeemed for their face value, or a total of US$25 million.

The number of Shares on issue will remain the same following completion of the Transaction. In the event the Company proceeds with the Buy-back, Shareholders accepting the Buy-back will transfer their Shares to the Company in consideration for a cash payment, which is intended to be A$0.08 per Share. The Shares transferred to the Company will be held as treasury shares (which may be cancelled later). The final price of any Buy-back is dependent upon the prevailing US$/A$ currency exchange rate and the Company's circumstances at the time.

1.13 Impact of the Transaction on the Company' financial position and pro-forma balance sheet

Set out in Schedule 1 to this Explanatory Statement are copies of the unaudited consolidated statement of financial position of the Company and the unaudited consolidated pro-forma statement of financial position, as at 31 December 2013 on the basis of the following assumptions:

1. the Transaction was completed on 31 December 2013;

2. Transaction costs of US$2.4 million;

3. Contingent payment of US$4.5 million;

4. All Convertible Bonds are redeemed.

The significant accounting policies upon which the statement of financial position and the consolidated pro-forma statement of financial position are made are contained in the unaudited financial report for the half year ended 31 December 2013.

1.14 Other

There is no other information being material to a decision by Shareholders whether or not to vote in favour of the Resolutions (being information that is known to the Directors which has not previously been disclosed to Shareholders) other than as set out in this document.

2. AUSTRALIAN INCOME TAX IMPLICATIONS OF THE BUY-BACK

The Company has retained BDO Corporate Tax (WA) Pty Ltd for the provision of an independent tax advice with regards to the Australian income tax implications of the Buy-back for the Shareholders. This section 2 is prepared by BDO Corporate Tax (WA) Pty Ltd.

2.1 Introduction

This summary outlines the Australian income tax implications of the Buy-back for the following classes of Shareholders who hold their Shares on capital account and have not made an election under the taxation of financial arrangements (**TOFA**) provisions that affects the recognition of gains and losses on the Shares:

- Australian resident individuals;
- Australian complying superannuation funds;
- Australian resident companies; and
- Non-Australian residents.

This summary does not address the Australian income tax implications for shareholders who:

- hold their Shares as trading stock, or otherwise on revenue account; or
- have made an election under the TOFA provisions that affects the recognition of gains and losses on the Shares.

Shares are generally regarded as being held on capital account when they were acquired for the purpose of deriving of dividends and obtaining long term appreciation of value. In contrast, shares acquired with the intention of resale at a profit in the short term are generally regarded as being held on revenue account.

This summary is based on Australian income tax legislation and administrative practices as at 2 April 2014.

This summary has been prepared as a general guide only and should not be viewed by Shareholders as an exhaustive analysis of all the potential tax implications in relation to the Buy-back. Shareholders should seek their own tax advice that is specific to their circumstances.

2.2 Treatment of the Buy-back price

The whole of the Buy-back price will be debited against the Company's share capital account. Accordingly, under the tax legislation specifically applicable to off-market share buy-backs:

- no part of the Buy-back price will be taken to be a dividend; and
- all of the Buy-back price will be taken to be the consideration received in respect of the sale of the Shares bought back.

It is noted that the tax legislation contains anti-avoidance provisions concerning the provision of capital benefits which can override the above treatment and deem capital benefits to be unfranked dividends.

The Company considers these provisions should not apply in relation to the Buy-back (please refer to 2.9).

2.3 Australian income tax implications for Australian resident individuals and companies and complying superannuation funds

Shareholders whose Shares are bought back will make a capital gain or loss on the disposal of their Shares:

- a capital gain will arise to the extent the sale consideration exceeds the cost base of those Shares; and
- a capital loss will arise to the extent that the sale consideration is less than the reduced cost base of those Shares.

The cost base and reduced cost base of the Shares will generally be equal to the cost paid to acquire the Shares, plus any incidental costs incurred in relation to their acquisition or disposal.

Capital losses can be used to offset any capital gains Shareholders make either in the current or future years.

2.4 Australian resident individuals

An Australian resident individual, who has held the Shares bought back for at least 12 months, need only include one-half of any net capital gain made on those shares in his or her assessable income due to the 50% discount.

Any current or prior year capital losses that have not been offset against other capital gains must be applied to reduce the capital gain before it is discounted.

An Australian resident individual, who has held the Shares bought back for less than 12 months, must include all of any capital gain (net of capital losses) in his or her assessable income.

2.5 Complying superannuation funds

The Australian income tax implications for a complying superannuation fund will depend upon whether or not it has current pension liabilities.

A complying superannuation fund without current pension liabilities that participates in the Buy-back will generally be treated the same as a resident individual, except that the discount on capital gains on Shares held for at least 12 months is one third, rather than one-half, of any capital gain (net of capital losses). Accordingly, such a complying superannuation fund only needs to include two-thirds of any net capital gain in its assessable income.

The consequences for a complying superannuation fund with current pension liabilities will be different due to the "current pension liability" exemption.

2.6 Australian resident companies

An Australian resident company is not entitled to discount a capital gain. Accordingly, an Australian resident company must include all of any capital gain (net of capital losses) in its assessable income.

2.7 Non-Australian residents

The Company considers that its Shares are not "indirect Australian real property interests". Accordingly, a non-Australian resident will not make a capital gain or a capital loss for Australian tax purposes on the sale of Shares under the Buy-back unless:

- the Shares have been used by the non-Australian resident at any time in carrying on a business through a permanent establishment in Australia; or
- the non-Australian resident is an individual who has previously resided in Australia and elected to treat his or her Shares as taxable Australian property.

2.8 Market value rule

The tax legislation specifically applicable to off-market share buy-backs provides that if the buy-back price is less than the amount that would have been the market value of a share at the time of the buy-back assuming the buy-back did not occur and was never proposed to occur, then the sales consideration each participating shareholder is taken to have received is equal to the above noted market value.

Currently, the intended Buy-back price is higher than the market value of the Company's Shares. However, the above rule may or may not apply depending on the market value of the Company's Shares at the time when the Buy-back offer letter is dispatched to the Shareholders.

2.9 Capital benefits: anti-avoidance provisions

The tax legislation contains anti-avoidance provisions concerning the provision of capital benefits which apply, broadly, where:

- capital benefits are streamed to Shareholders who derive a greater benefit from them than other Shareholders who receive dividends; or
- capital benefits are provided to Shareholders in substitution for dividends.

In either of these cases the Commissioner of Taxation can determine that the whole or part of the capital benefits be treated as an unfranked dividend.

The Company considers these provisions should not apply in relation to the Buy-back as it will have net accumulated losses when the Buy-back is conducted.

3. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (612) 8298 2008 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

AEST means Australian Eastern Standard Time.

Agreement means the share purchase agreement between the Company and the Purchaser, an independent private company, for the sale of all of the Company's interest in TSI.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

BDO means BDO Corporate Finance (WA) Pty Ltd.

Board means the current board of directors of the Company.

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

Buy-back has the meaning given in section 1.

Bye-Laws means the Company's Bye-Laws.

Company means FeOre Limited (ARBN 152 971 821).

Companies Act means the Companies Act 1981 of Bermuda.

Completion means completion of the Transaction.

Convertible Bonds has the meaning given in section 1.1.

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Flagship Project means the Ereeny iron project.

HKT means Hong Kong time as observed in the Hong Kong SAR.

Junior Project means the Dartsagt iron project.

MFS means Mongolian-standard feasibility study

Notice or **Notice of Meeting** or **Notice of Special General Meeting** means this notice of Special General Meeting including the Explanatory Statement and the Proxy Form.

Projects means the Flagship Project and the Junior Project.

Project Company means Tai Sheng Development LLC, which owns the Projects.

Purchaser means China Energy (Cayman) Limited, an independent private company.

Proxy Form means the proxy form accompanying the Notice.

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

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

Shareholder means a holder of a Share.

Special General Meeting or **Meeting** means the meeting convened by the Notice.

Transaction means the transaction contemplated under the Agreement.

TSI means Topone Star Investments Limited.

SCHEDULE 1 – UNAUDITED CONSOLIDATED PRO-FORMA STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

AS AT 31 December 2013

USD('000)	**Historical Financial Information as at 31/12/2013**	**Disposal of TSI (Adjustment 1)**	**Payment of Transaction Cost & Contingent Payment (Adjustment 2 & 3)**	**Repayment of Convertible Bonds (Adjustment 4)**	**Balance After Adjustments as at 31/12/2013**
Current assets					
Cash and cash equivalents	1,298	51,030	(6,900)	(25,000)	20,428
Fixed deposits	20,000	-	-	-	20,000
Other receivables	-	5,670	-	-	5,670
Prepaid & Deposit	508	(508)	-	-	-
Total current assets	**21,806**	**56,192**	**(6,900)**	**(25,000)**	**45,098**
Non-current assets					
Investments in a subsidiary	45,295	(45,295)	-	-	-
Amount due from subsidiary	4,025	(4,025)	-	-	-
Trade and other receivables		4,025	-	-	4,025
Deferred Exploration	397	(397)	-	-	-
Non-current assets	**49,717**	**(45,692)**	**-**	**-**	**4,025**
Total assets	**71,523**	**10,500**	**(6,900)**	**(25,000)**	**50,123**
Current liabilities					-
Trade and other creditors	54	-	-		54
Financial liability	24,848	-	-	(24,848)	-
Total current liabilities	**24,902**	**-**	**-**	**(24,848)**	**54**
Total liabilities	**24,902**	**-**	**-**	**(24,848)**	**54**
Net assets	**46,621**	**10,500**	**(6,900)**	**(152)**	**50,069**
Equity					
Contributed equity	52,601	-	-	-	52,601
Reserves	776	-	-	-	776
Exchange Reserves	-	-	-	-	-
Accumulated gains/ (losses)	(6,757)	10,500	(6,900)	(152)	(3,308)
Total parent entity equity	**46,620**	**10,500**	**(6,900)**	**(152)**	**50,069**
Non-controlling interest	-				-
Total equity	**46,620**	**10,500**	**(6,900)**	**(152)**	**50,069**

PROXY FORM

FeOre Limited
ARBN 152 971 82

Lodge your vote:

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

⊢ 000001 000 FEO
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 2:00pm Hong Kong Time (HKT) on Wednesday 23 April 2014

How to Vote on Items of Business
All your securities will be voted in accordance with your directions.

Appointment of Proxy
Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions
Individual: Where the holding is in one name, the securityholder must sign.
Joint Holding: Where the holding is in more than one name, any one of such joint securityholders may vote and each such person may sign a proxy form. However, if more than one of such joint securityholders is present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint securityholders.
Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
Companies: In the case of a proxy form purporting to be signed on behalf of a corporation it should be executed either under its seal or under the hand of an officer, attorney or other person authorised to sign the same and if signed by an officer it shall be assumed, unless the contrary appears, that such officer is duly authorised to sign on behalf of the corporation.

Attending the Meeting
Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →

View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

☑ **Review your securityholding**

☑ **Update your securityholding**

Your secure access information is:

SRN/HIN: I9999999999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of FeOre Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ____________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Special General Meeting of FeOre Limited to be held at the Taichi Room, Unit 3810, 38/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong on Friday, 25 April 2014 at 2.00pm (HKT) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

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

		For	Against	Abstain
RESOLUTION 1	APPROVAL OF SALE OF TOPONE STAR INVESTMENTS LIMITED	☐	☐	☐
RESOLUTION 2	EQUAL ACCESS SHARE BUY BACK	☐	☐	☐

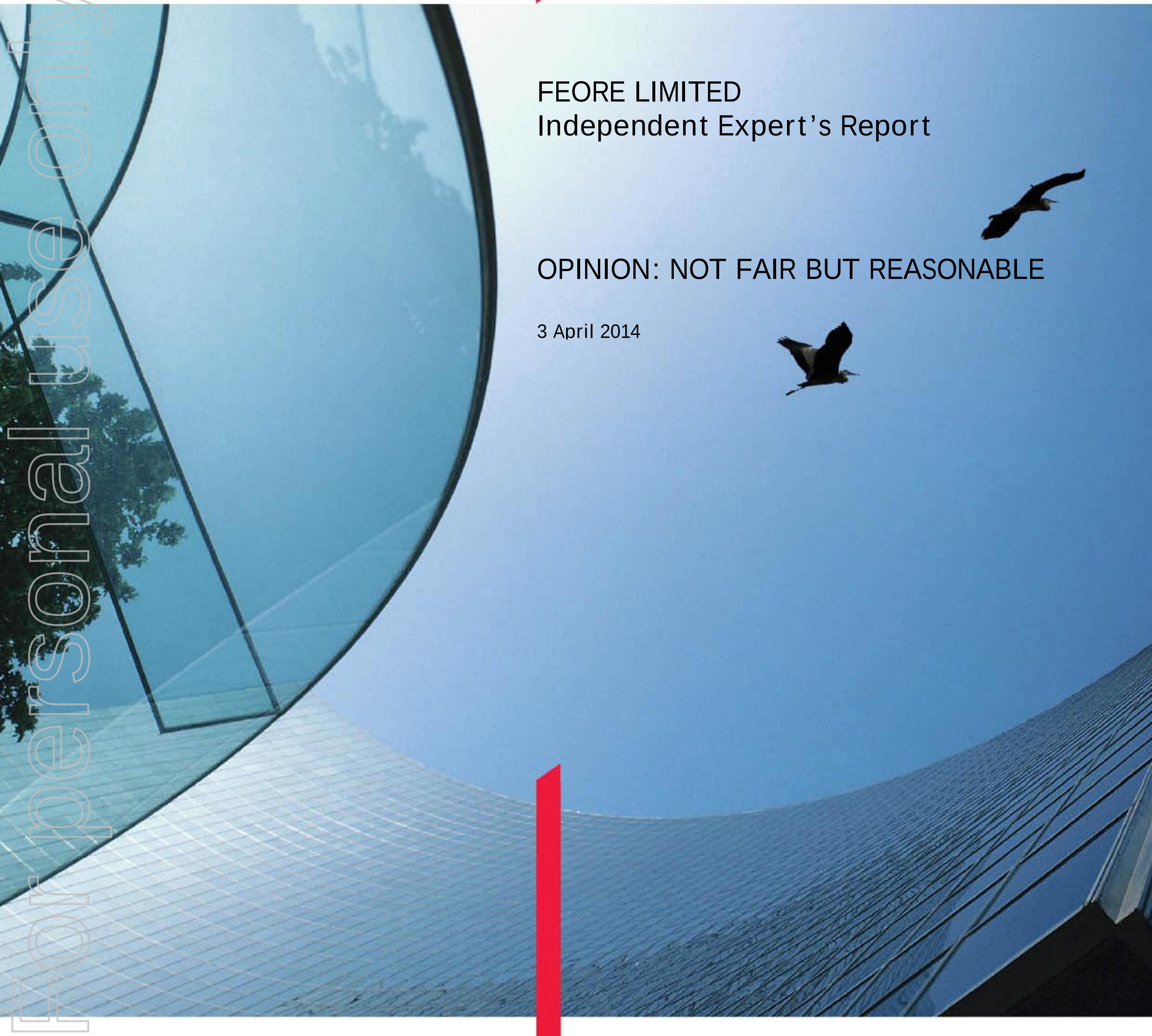
The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ____________________ Contact Daytime Telephone ____________________ Date ___ / ___ / ___

INDEPENDENT EXPERT REPORT BY BDO CORPORATE FINANCE (WA) PTY LTD



FEORE LIMITED
Independent Expert's Report

OPINION: NOT FAIR BUT REASONABLE

3 April 2014

Financial Services Guide

3 April 2014

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by FeOre Limited ('FeOre') to provide an independent expert's report on the proposal to dispose its interest in Topone Star Investments Limited ('TSI') for upfront cash consideration of US$51.03 million and a deferred consideration of US$5.67 million. You will be provided with a copy of our report as a retail client because you are a shareholder of FeOre Limited.

Financial Services Guide

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

This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive
We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately $22,000.

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

Remuneration or other benefits received by our employees
All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from FeOre for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

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

Complaints resolution
Internal complaints resolution process
As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

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

Referral to External Dispute Resolution Scheme
A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact details
You may contact us using the details set out on page 1 of the accompanying report.

TABLE OF CONTENTS

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

3 April 2014

The Directors
FeOre Limited
Clarendon House, 2 Church Street
Hamilton,
Bermuda, 11

Dear Sirs

INDEPENDENT EXPERT'S REPORT

1. Introduction

On 22 January 2014, FeOre Limited ('FeOre' or 'the Company') announced it had entered into a conditional share purchase agreement with China Energy (Cayman) Limited ('China Energy' or 'the Purchaser') for the sale of the Company's interest in Topone Star Investments Limited ('TSI') for upfront cash consideration of US$51.03 million and deferred consideration of US$5.67 million, totalling US$56.7 million ('the Transaction').

2. Summary and Opinion

2.1 Purpose of the report

The directors of FeOre have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Transaction, being the proposed sale of FeOre's interest in TSI, is fair and reasonable to the non associated shareholders of FeOre ('Shareholders').

Our Report is prepared to be included in the Explanatory Memorandum for FeOre in order to assist the Shareholders in their decision whether to approve the Transaction.

2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC'), Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Transaction as outlined in the body of this report. We have considered:

- How the value of the Company's interest in TSI compares to the value of the consideration to be received;

- The likelihood of a superior alternative offer being available to FeOre;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Transaction; and
- The position of Shareholders should the Transaction not proceed.

2.3 Opinion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that, in the absence of a superior offer, the Transaction is not fair but reasonable to Shareholders.

In our opinion, the Transaction is not fair because the value of FeOre's interest in TSI is greater than the cash consideration to be received by the Company. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the Transaction will provide the Company with the required funding to repay the US$25 million of convertible bonds which are repayable on 6 June 2014 or at the latest 6 December 2014.

2.4 Fairness

In section 12 we determined that the cash consideration to be received compares to the value of the Company's interest in TSI as detailed below.

	Ref	Low $USm	Preferred $USm	High $USm
Value of cash consideration to be received by FeOre*	11	56.7	56.7	56.7
Value of FeOre's interest in TSI	10	67.2	76.7	86.0

Source: BDO analysis

*cash consideration comprises US$51.03 million in upfront consideration with US$5.67 million being deferred cash consideration

The above pricing indicates that, in the absence of any other relevant information, and a superior offer, the Transaction is not fair for Shareholders.

2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of the Transaction; and
- other considerations, including the position of Shareholders if the Transaction does not proceed and the consequences of not approving the Transaction.

In our opinion, the position of Shareholders if the Transaction is approved is more advantageous than the position if the Transaction is not approved. Accordingly, in the absence of any other relevant information and/or a superior proposal we believe that the Transaction is reasonable for Shareholders.

The respective advantages and disadvantages considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
13.1	The Transaction will allow the Company to meet its financial obligation to repay US$25 million of Convertible Bonds	13.2	The Company will dispose of its major project, which changes the nature of the Company's activities
13.1	Lack of viable alternatives to repay the Convertible Bonds	13.2	The Company will also dispose of its other iron project
13.1	After repaying the Convertible Bonds, the Company will have cash available for other purposes	13.2	May reduce the likelihood of a takeover offer
13.1	The Transaction will strengthen the Company's balance sheet	13.2	Potential suspension of the Company's shares
13.1	Potential return to Shareholders		

Other key matters we have considered include:

Section	Description
13.3	Alternative proposal
13.4	Consequences of not approving the Transaction

3. Scope of the Report

3.1 Purpose of the Report

There is no requirement under ASX Listing Rules or Corporations Act for FeOre to engage an independent expert in relation to the Transaction. However the Company has commissioned an Independent Expert for the purpose of sound corporate governance and to assist Shareholders in deciding whether to accept or reject the Transaction.

3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Transaction is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that, where an expert assesses whether a related party transaction is 'fair and reasonable' for the purposes of ASX Listing Rule 10.1, this should not be applied as a composite test—that is, there should be a separate assessment of whether the transaction is 'fair' and 'reasonable', as in a control transaction. An expert should not assess whether the transaction is 'fair and reasonable' based simply on a consideration of the advantages and disadvantages of the transaction.

We do not consider the Transaction to be a control transaction. As such, we have used RG 111 as a guide for our analysis but have considered the Transaction as if it were not a control transaction.

3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the asset being disposed is greater than the value of the financial benefit received. In the case of FeOre the financial benefit is the cash consideration to be received by the Company for the disposal of its interest in TSI. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if despite being 'not fair' the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of the Company's interest in TSI being disposed and the value of the cash consideration (fairness – see Section 12 "Is the Transaction fair?"); and
- An investigation into other significant factors to which Shareholders might give consideration, prior to approving the resolution, after reference to the value derived above (reasonableness – see Section 13 "Is the Transaction reasonable?").

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

"an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a

reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time."

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4. Outline of the Transaction

On 22 January 2014, FeOre announced it had entered into a conditional share purchase agreement with China Energy for the sale of the Company's interest in TSI. The total cash consideration payable by China Energy is US$56.7 million payable in the following three tranches;

- 'Tranche One': US$5.67 million payable upon satisfaction of the conditions precedent (see "Conditions Precedent" below);
- 'Tranche Two': A payment of $US45.36 million within five days of the payment of the Tranche One consideration; and
- 'Tranche Three': Final deferred consideration of US$5.67 million is to be held in escrow, jointly owned by FeOre and China Energy, immediately after the Tranche Two payment, and to be paid to FeOre upon the listing of an entity to be associated with China Energy ('List Co'). China Energy intends to purchase the asset and seek listing on the Hong Kong Stock Exchange. If China Energy fails to list List Co by 30 September 2015, the final deferred consideration will be released to China Energy's bank account and will instead transfer or issue 6.3% of its share capital to FeOre.

Conditions precedent

The following conditions must be satisfied in order for Tranche One to be payable:

- The incorporation of List Co;
- Each party to the Transaction obtaining or being issued the all necessary permit, consent or approval for the Transaction;
- All documents, materials and representation provided by each party being true, correct, complete and sufficient;
- China Energy completing all due diligence investigations;
- China Energy obtaining all necessary internal and external consents;
- Each party to the Transaction validly executing all related transaction documents;
- The representations and warranties of each party under the Share Purchase Agreement and other transaction documents remaining true, complete and correct;
- The holders of the convertible bonds legally and validly discharging, releasing or waiving any entitlement to the Company's share in TSI;
- Any security or encumbrance over TSI's or Taisheng Development LLC ('Taisheng')'s other assets or equities (if any) being discharged;
- Taisheng providing the Purchaser with all relevant consents, permits and any legal documents required;
- The Purchaser completing its further resource verification on Taisheng's resources and being satisfied with the results;
- All parties disclosing all material risks;
- None of FeOre, TSI or Taisheng suffering a material adverse effect;

- No dividend or other distribution being paid to any shareholder of TSI or Taisheng, without prior written approval from China Energy; and
- Gleneagle Securities (Aust) Pty Ltd agreeing in writing to waive all the past service fees in relation to this Transaction.

FeOre's intended use of funds

The Company intends on using the cash consideration to redeem US$25 million of convertible bonds which were issued on 6 December 2011 ('Convertible Bonds'). The Convertible Bonds are convertible at A$0.204 per share, with the US Dollar principal converted at a fixed exchange rate of A$1=$US0.9939. The Convertible Bonds are repayable on 6 June 2014 or if the holder of the Convertible Bonds elects to hold until maturity they will be repayable on 6 December 2014. If the Convertible Bonds are converted to shares, the Company is required to issue 123,301,156 shares as detailed below.

Convertible Bonds	
Principal of Convertible Bonds ($US)	25,000,000
Conversion to AUD at A$1=$US0.9939 per the terms	25,153,436
Conversion price per the terms ($A)	0.204
Number of shares to be issued on conversion	123,301,156

The capital structure of the Company prior to and following conversion is set out in the table below.

Capital structure	Bondholders	Existing Shareholders	Total
Issued Shares as at date of this report	-	529,110,001	529,110,001
% holdings as at date of this report	*0.0%*	*100.0%*	*100.0%*
Shares Issued under conversion of convertible bonds	123,301,156	529,110,001	652,411,157
% holdings after conversion of convertible bonds	18.9%	81.1%	100.0%

Source: Company Prospectus dated 1 November 2011

We note that it is unlikely that the Convertible Bonds will be converted given that the conversion price is $0.204 and the closing share price on 20 January 2014 was $0.041. We note that if the Convertible Bonds are converted, the shares will be escrowed for a period of twelve months.

If the Transaction is approved the Company intends to undertake a capital distribution through a share buy-back program. FeOre intends to keep a minimum of US$6.5 million to pay for any contingent liabilities, fund due diligence for potential acquisitions and for working capital. The Company indicated the expected price for the buy-back to be approximately $0.08 per share. This is an indicative price provided by the Directors per the ASX announcement dated 22 January 2014 and is subject to change.

5. Profile of FeOre Limited

5.1 History

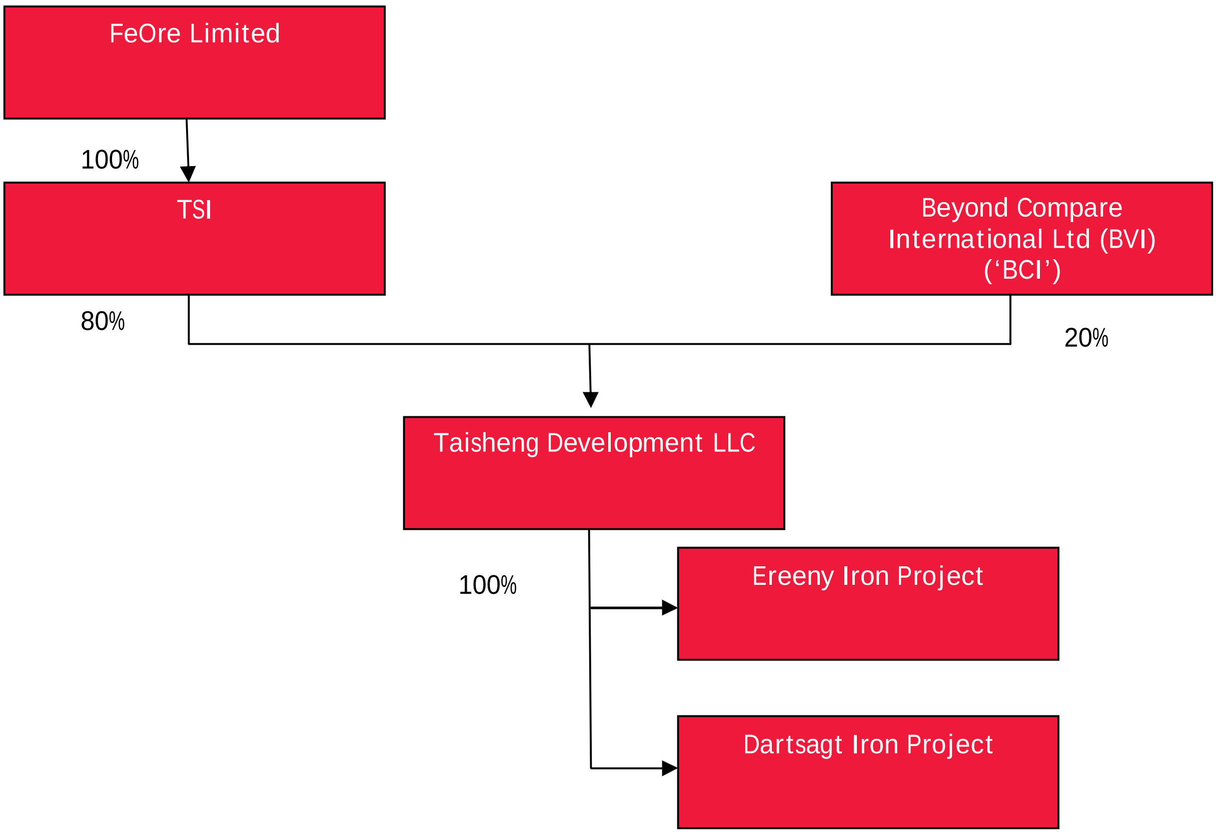
FeOre was incorporated on 1 August 2011 and listed on the ASX on 15 December 2011.The Company's current board members and senior management comprise:

- Mr Tim Sum, Chairman & Non-executive Director;
- Mr Steven Hodgson, Non-executive Director;
- Ms Christina Mu, Non-executive Director;
- Mr George Wang, CEO; and
- Mr Dion Cohen, Company Secretary.

Set out below is a short description of the Company's projects.

5.2 Corporate Structure

The corporate structure of FeOre is illustrated below.



5.3 Company's Projects

FeOre Limited is an ASX- listed company focused on iron ore exploration and mine development in Mongolia. The Company's two iron ore projects are detailed below.

a) Ereeny Iron Project

FeOre currently owns 80% of the Ereeny Iron Project which is located in the Mandalgovi Province of Mongolia. The Project covers approximately 3.26km^2 and contains mineralised ore bodies reaching a maximum depth of 400m. It 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. FeOre has signed a 10-year Offtake Agreement and Logistics Agreement with CRMI. CRMI has agreed to both transport and purchase the Company's iron product.

During the 1940's preliminary exploration of the area involving drilling and trench sampling was undertaken by Russian geologists. Further trenching work was completed in the 1980's by a Russian geology institute leading to a preliminary resource estimate.

In October 2011, Minarco-Mine Consult ('MMC') completed a comprehensive compilation and assessment of recent and historical geological and exploration data. A total of 23 drill holes and 20 trench samples were extracted. MMC has stated that the deposit demonstrates reasonable expectation for economic extraction. The Company has since conducted additional drilling since listing and revised its JORC resource estimate in 2013.

The Company has since engaged a hydrology specialist to determine the optimal bore-hole locations within the identified water source area. A substation has been constructed and the site has been prepared for well construction.

Further details can be found in Appendix Three.

b) Dartsagt Iron Project

The Dartsagt Iron Project is an iron project owned by Taisheng Development LLC, a majority (80%) owned subsidiary of FeOre. The Dartsagt Iron Project is located in the Dalanjargalan of Dornogovi Province of Mongolia approximately 50km east of the Company's Ereeny Iron Project and approximately 12 km from the main rail link between Ulaanbaatar, the capital of Mongolia and the Mongolian/Chinese border station and city of Erenhot. On 28 September 2012, FeOre announced that the Dartsagt Project, which the Company had previously held under an exploration license, was granted with a mining license.

5.4 Historical Balance Sheet

Statement of Financial Position	Reviewed as at 31-Dec-13 US$'000	Audited as at 30-Jun-13 US$'000	Audited as at 30-Jun-12 US$'000
CURRENT ASSETS			
Cash and cash equivalents	21,552	22,139	27,426
Other receivables	1,141	1,159	1,750
Other current assets	-	207	-
TOTAL CURRENT ASSETS	22,693	23,505	29,176
NON-CURRENT ASSETS			
Property, plant and equipment	1,120	1,310	636
Exploration and evaluation assets	75,158	75,452	74,655
TOTAL NON-CURRENT ASSETS	76,278	76,762	75,291
TOTAL ASSETS	98,971	100,267	104,467
CURRENT LIABILITIES			
Other payables	76	103	260
Financial liability	24,849	24,849	24,849
TOTAL CURRENT LIABILITIES	24,925	24,952	25,109
NON-CURRENT LIABILITIES			
Deferred tax liability	18,014	18,014	18,014
TOTAL NON-CURRENT LIABILITIES	18,014	18,014	18,014
TOTAL LIABILITES	42,939	42,966	43,123
NET ASSETS	56,032	57,301	61,344
EQUITY			
Contributed equity	52,600	52,600	52,600
Reserves	743	766	814
Accumulated losses	(8,300)	(7,194)	(3,347)
Parent entity interest	45,043	46,172	50,067
Non-controlling interest	10,989	11,129	11,277
TOTAL EQUITY	56,032	57,301	61,344

Source: Audited Financial Statements for the years ended 30 June 2012 and 30 June 2013 and Reviewed Financial Statements for the half year ended 31 December 2013

We note that for the half year ended 31 December 2013, the auditors, without qualifying their opinion, raised a material uncertainty regarding the Company's continuation as a going concern. The review report as at 12 March 2014 refers to the following note:

The holders of the convertible bonds have the right to require the Company to repay the convertible bonds 30 months or 36 months, the maturity date, after 6 December 2011 or upon the occurrence of a "Relevant Event" as described in Note 8 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 the Company has entered into a conditional sale and purchase agreement with China Energy (Cayman) Limited, an independent private company, for the sale of all of the Company's interest in Topone Star Investments Limited at a cash consideration which includes US$51.03 million plus a conditional final deferred consideration of US$5.67 million, which is sufficient to cover the repayment of the convertible bonds of US$25 million. In the event that a settlement in cash is required and the sale of all of the Company's interest in Topone Star Investments Limited has not been completed, the Company would seek alternative funding arrangements through equity or alternative debt.

A note to similar effect was also raised in the 2013 Audit Report dated 27 September 2013.

The auditors also noted that the financial report does not include any adjustments relating to the recoverability and classification of recorded amounts that might be necessary should the Company not continue as a going concern.

We note the key items in relation to the Company's balance sheet:

- Cash and cash equivalents decreased from US$27.43 million at 30 June 2012 to US$22.14 million at 30 June 2013 mainly as a result of its payments to suppliers and employees of US$1.76 million and its purchase of approximately US$0.91 million of property, plant and equipment. Cash decreased to US$21.55 million at 31 December 2013 mainly on the back of payments for administration costs of approximately US$0.61 million.
- The exploration and evaluation assets of US$75.16 million at 31 December 2013 comprises the following:

Exploration and Evaluation Assets	Unaudited as at 31-Dec-13 $US'000
Ereeny Project	2,457
Dartsagt Project	205
Intangibles arising from PPA	72,056
TSD intangibles	43
Feo	397
Exploration and Evaluation Asset	75,158

- The Feo exploration above mainly relates to water exploration expenditure and mining research conducted by the Company.
- The financial liability relates to a US$25 million Convertible Bond that was issued on 6 December 2011 and is putable 30 months after issue. The Convertible Bonds mature on 6 December 2014. Additional detail on the Convertible Bonds can be found in section 4.

- The deferred tax liability relates to the fair value adjustments arising from acquisition of its subsidiary in 2011. This liability has been recognised using the Mongolian tax rate of 25%.

5.5 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Reviewed for the half year ended 31-Dec-13 US$'000	Audited for the year ended 30-Jun-13 US$'000	Audited for the period* ended 30-Jun-12 US$'000
Revenue	-	-	-
Cost of goods sold	-	-	-
Gross Profit	-	-	-
Bank interest income	199	741	539
Other income	38	-	5
Total income	237	741	544
Administration costs	(953)	(2,305)	(1,082)
Exchange loss	(497)	(2,302)	(419)
Share listing expenses	-	-	(1,126)
Share based payments expense	-	-	(776)
Depreciation	(27)	(54)	(12)
Acquisition expenses	-	-	(533)
Others	-	(63)	-
Total operating expenses	(1,477)	(4,724)	(3,948)
Loss before income tax from continuing operations	(1,240)	(3,983)	(3,404)
Income tax expense	-	-	-
Loss for the period from continuing operations	(1,240)	(3,983)	(3,404)
Foreign currency translation differences	(29)	(60)	48
Total comprehensive loss for the period	(1,269)	(4,043)	(3,356)
*period covers 1 August 2011 to 30 June 2012			

Source: Audited Financial Statements for the years ended 30 June 2012 and 30 June 2013 and Reviewed Financial Statements for the half year ended 31 December 2013

We note that for the half year ended 31 December 2013, the auditors, without qualifying their opinion, raised a material uncertainty regarding the Company's continuation as a going concern. The financial report however does not include any adjustments relating to the recoverability and classification of recorded amounts that might be necessary should the Company not continue as a going concern. This material uncertainty was also raised in the Audit Report dated 27 September 2013.

We note the following key items in relation to the Company's statement of comprehensive income:

- Acquisition expenses of US$0.53 million were incurred by the Company in acquiring TSI on 6 December 2011. This amount represents the payment of the Company's pre-acquisition costs.

- Share based payments expense of US$0.78 million for the 2012 financial year comprises the value of the 8.15 million options issued to directors, staff and consultants as part of their remuneration.

5.6 Capital Structure

The share structure of FeOre as at 28 February 2014 is outlined below:

	Number
Total ordinary shares on issue	529,110,001
Top 20 shareholders	480,804,180
Top 20 shareholders - % of shares on issue	90.87%

Source: Share registry information

The range of shares held in FeOre as at 28 February 2014 is as follows:

Range of Shares Held	Number of Ordinary Shareholders	Number of Ordinary Shares	Percentage of Issued Shares (%)
1 - 1,000	5	113	0.00%
1,001 - 5,000	2	7,000	0.00%
5,001 - 10,000	32	259,100	0.05%
10,001 - 100,000	127	5,902,491	1.12%
100,001 - and over	102	522,941,297	98.83%
TOTAL	268	529,110,001	100.00%

Source: Share registry information

The ordinary shares held by the most significant shareholders as at FeOre are detailed below:

Name	Number of Ordinary Shares Held	Percentage of Issued Shares (%)
Gleneagle Securities Nominees Pty Limited	93,672,796	17.70%
Frountere Limited	34,380,801	6.50%
Colville Limited	31,574,205	5.97%
Craddock Worldwide Company Ltd	31,574,205	5.97%
Colfax Tradecorp Ltd	31,293,546	5.91%
Subtotal	222,495,553	42.05%
Others	306,614,448	57.95%
Total ordinary shares on Issue	529,110,001	100.00%

Source: Share registry information

6. Profile of TSI

TSI is 100% owned by FeOre and holds an 80% interest in Taisheng. The remaining 20% of Taisheng is held by BCI, an unrelated party. (The corporate structure of FeOre is presented diagrammatically in section 5.2 above).

Taisheng is a Mongolian incorporated entity that holds a 100% interest in both the Ereeny Iron Project and the Dartsagt Iron Project.

6.1 Historical Balance Sheet

Management of FeOre have provided us with the consolidated balance sheet of TSI as set out below.

Statement of Financial Position	Unaudited as at 31-Dec-13 US$'000
CURRENT ASSETS	
Cash and cash equivalents	253
Other receivables	609
TOTAL CURRENT ASSETS	862
NON-CURRENT ASSETS	
Property, plant and equipment	1,120
Exploration and evaluation assets	74,761
TOTAL NON-CURRENT ASSETS	75,881
TOTAL ASSETS	76,743
CURRENT LIABILITIES	
Other payables	22
TOTAL CURRENT LIABILITIES	22
NON-CURRENT LIABILITIES	
Trade and other creditors	(25)
Deferred tax liability	18,014
Amount due to holding company	49,319
TOTAL NON-CURRENT LIABILITIES	67,308
TOTAL LIABILITES	67,330
NET ASSETS	9,413
EQUITY	
Contributed equity	-
Reserves	(33)
Accumulated losses	(1,543)
Parent entity interest	(1,576)
Non-controlling interest	10,989
TOTAL EQUITY	9,413

Source: Unaudited Management Accounts of TSI as at 31 December 2013

We note the following key items in relation to TSI's balance sheet:

- Other receivables of US$0.61 million mainly comprises prepayments and a VAT reimbursement receivable from the Mongolian Tax Authority.
- Property, plant and equipment of US$1.12 million mainly comprises buildings for mine site of US$0.67 million which relates to the power lines and substation and site fence.
- The exploration and evaluation assets balance of US$74.76 million at 31 December 2013 comprises the following exploration and evaluation assets:

Exploration and Evaluation Assets	Unaudited as at 31-Dec-13 $US'000
Intangibles	72,056
Ereeny Iron Project	2,457
Dartsagt Iron Project	205
TSD intangibles	43
Exploration and Evaluation Asset	74,761

The intangibles balance relates to the excess of the market value of Taisheng over the purchase price at the date of the original purchase of Taisheng in December 2011.

7. Economic analysis

Growth in the global economy was a bit below trend in 2013, but there are reasonable prospects of a pick-up this year. The United States economy, while affected by adverse weather, continues its expansion and the euro area has begun a recovery from recession, albeit a fragile one. Japan has recorded a significant pick-up in growth, while China's growth remains in line with policymakers' objectives. Commodity prices have declined from their peaks but in historical terms remain high.

Financial conditions overall remain very accommodative. Long-term interest rates and most risk spreads remain low. Equity and credit markets are well placed to provide adequate funding, though for some emerging market countries conditions are considerably more challenging than they were a year ago.

In Australia, recent information suggests slightly firmer consumer demand and foreshadows a solid expansion in housing construction. Some indicators of business conditions and confidence have shown improvement and exports are rising. At the same time, resources sector investment spending is set to decline significantly and, at this stage, signs of improvement in investment intentions in other sectors are only tentative. Public spending is scheduled to be subdued.

The demand for labour has remained weak and, as a result, the rate of unemployment has continued to edge higher. Growth in wages has declined noticeably. If domestic costs remain contained, some moderation in the growth of prices for non-traded goods could be expected over time, which should keep inflation consistent with the target, even with lower levels of the exchange rate.

Monetary policy remains accommodative. Interest rates are very low and savers continue to look for higher returns in response to low rates on safe instruments. Credit growth remains low overall but is picking up gradually for households. Dwelling prices have increased significantly over the past year. The decline in the exchange rate seen to date will assist in achieving balanced growth in the economy, though the exchange rate remains high by historical standards.

Looking ahead, the Reserve Bank of Australia expects unemployment to rise further before it peaks. Over time, growth is expected to strengthen, helped by continued low interest rates and the lower exchange rate. Inflation is expected to be consistent with the 2–3 per cent target over the next two years.

Source: www.rba.gov.au *Statement by Glenn Stevens, Governor: Monetary Policy Decision 4 March 2014*

8. Industry analysis- Iron Ore

8.1 Overview

Iron ores are rocks from which metallic iron can be economically extracted. The principal iron ores are hematite (Fe_2O_3) and magnetite (Fe_3O_4).

Hematite is a pure iron oxide mineral, with pure hematite mineral containing 69.9 % iron. Hematite ores dominate the world production of iron ores with approximately 96% of Australia's iron ore exports being high grade hematite. High grade hematite ore involves a relatively simple crushing and screening process before being exported. Australia's hematite averages from 56% to 62% iron.

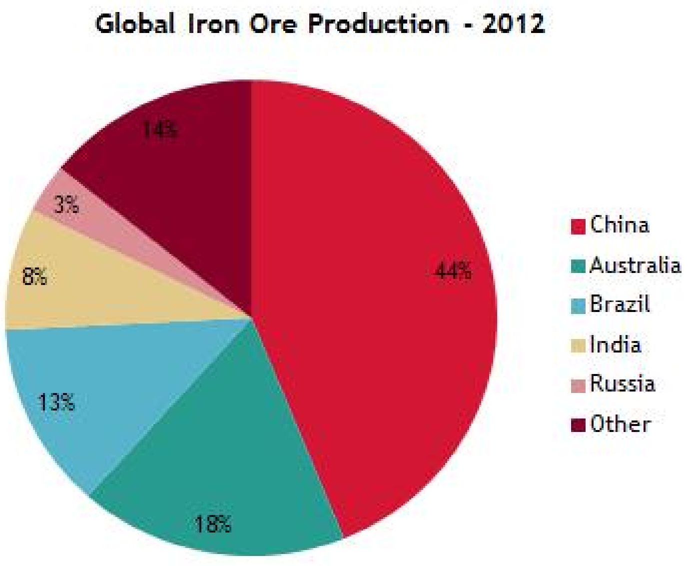
Magnetite is an iron oxide mineral containing 72.4% iron. While the iron ore content is higher than hematite, the presences of impurities results in a lower ore grade, making it more costly to produce the concentrates.

Iron is the world's most used metal with approximately 98% of world iron ore production being used to make steel. It is primarily used in structural engineering, automobiles and other general industrial applications. Commercial development of iron ore deposits are largely constrained by the position of the iron ore relative to its market and the cost of establishing proper transportation infrastructure such as ports and railways.

There are three main categories of iron ore exports:

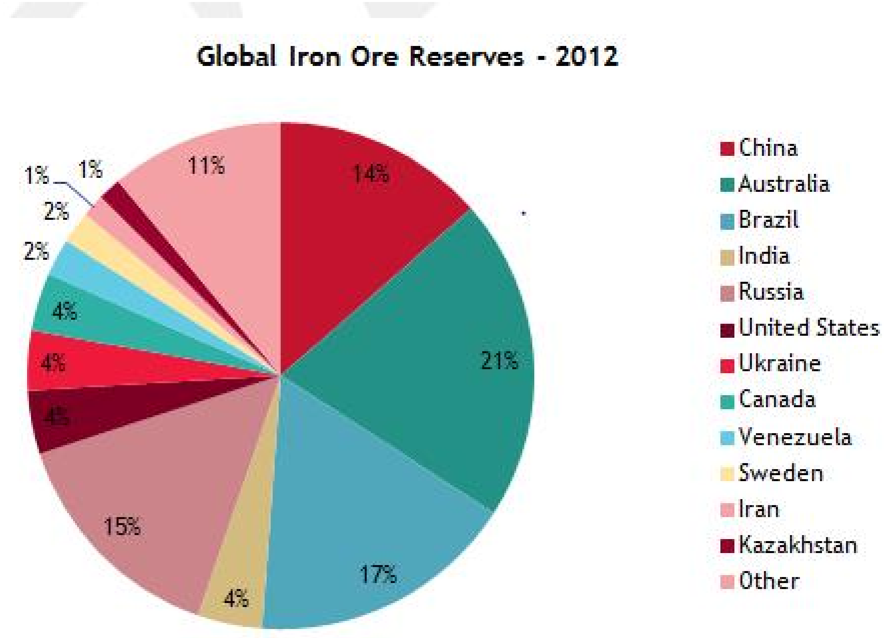
- Fines: fines are the smallest size category and typically have a granular size less than 9.50mm. They are the most heavily traded category of iron ore;
- Lump Ore: lump ore consists of golf ball sized pieces, and generally has a higher iron content than fines; and
- Pellets: particle sizes range from 9.50mm to 16.00mm. Pellets are made by agglomeration of finely ground and concentrated ore.

In 2012, an estimated 3 billion metric tonnes of iron ore was produced. The chart below shows the countries in which the majority of iron ore was produced in 2012:



Source: US Geological Survey

The chart below shows the location of the world's iron ore reserves, the majority of which are located in Australia:



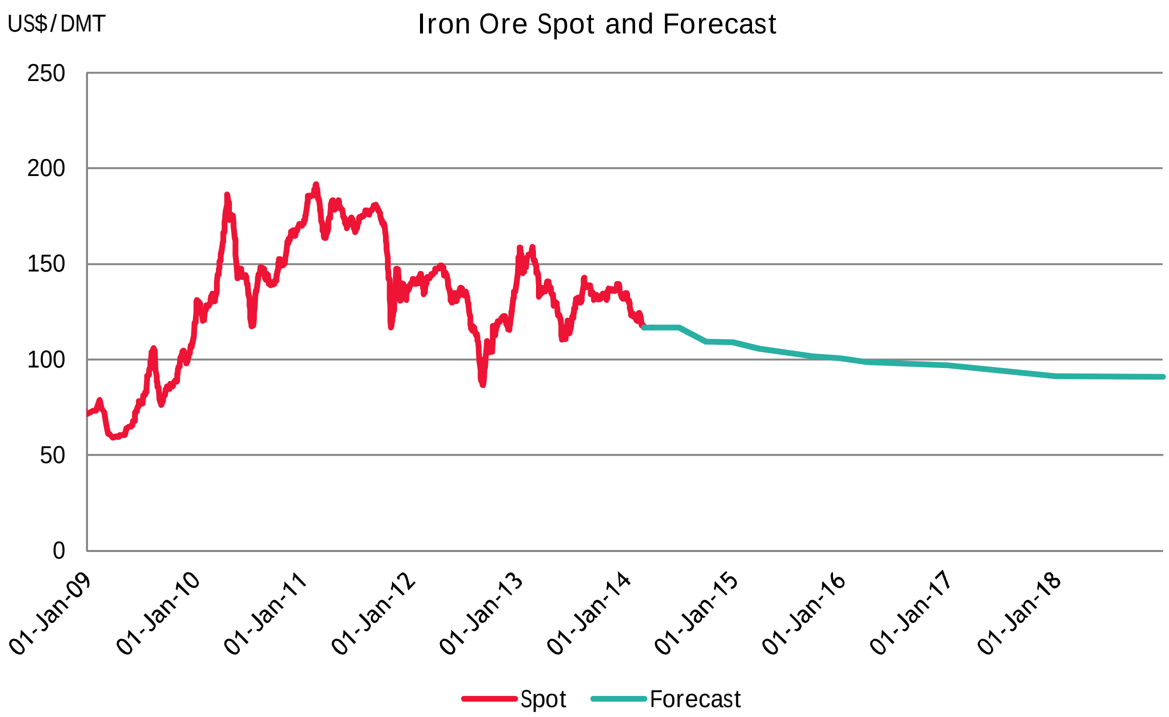
Source: US Geological Survey

8.2 Global Market

Recent trends show a majority of the demand for iron ore being sourced from China, which has led some analysts to believe that Chinese steel demand has peaked after reaching and exceeding levels experienced by some of the largest OECD countries. There is however, still considerable scope for an expansion in steel consumption in China's interior and more distant provinces albeit at a slower rate compared to the larger Chinese cities such as Beijing and Tianjin. The central government is focusing its attention on developing these outer parts of China, and with the expansion of business to these areas to take advantage of low cost labour, it is inevitable that Chinese demand for iron ore will continue to expand. Other countries such as Brazil, India and Indonesia are likely to follow on China's development path, albeit on a smaller scale.

8.3 Price Trends

Historical iron ore prices and forecasts to 2018 are illustrated in the chart below.



Source: Bloomberg, BDO Analysis and Consensus Economics

Historical prices

The sharp increase in iron ore price movements over the period from March 2008 to March 2009 was marked by a surge in Chinese, Japanese and Korean steel mill demand. During that period, annual iron ore price contracts increased by 65% to 97% compared to the previous year. Iron ore prices subsequently fell during the global financial crisis with a reduction in world market sentiment and hence demand for iron ore. April 2010 saw an increase in price as miners moved to quarterly pricing and global economies began to recover.

Additionally, iron ore experienced a sharp rise in price in mid-2010 when Indian state Karnataka banned all iron ore exports. India is currently the world's third largest iron ore supplier with approximately a quarter of its 100+ million tonnes of exports originating from Karnataka. The iron ore price increased in mid 2011 on the back of anticipated ore shortages which prompted restocking by the world's larger steel mills. The above observed decline in the iron ore price in late 2011 can be attributable to the slow in Chinese ore demand. Chinese imports decreased at the end 2011 which is reflective of falling steel prices over the same period.

In 2013, iron ore prices fluctuated between US$110.4 and US$158.9 in May 2013 and February 2013 respectively. After the decrease in prices in May, iron ore prices recovered in July 2013.The increase in the price of iron ore was driven by heavy steel re-stocking in China following improvements in the Chinese property sector and miscalculations from Chinese steel makers. Steel makers often run down their stockpiles in the hope that the price of steel will fall and they can buy at a cheaper rate, however when the price did not fall the steel makers were caught out and had to purchase significant amounts of steel. This increased demand caused the price to rise during July 2013. Adding to this increase in demand was a decrease in supply as bad weather in Brazil slowed production.

Forecast prices

The iron ore price closed at US$116.70 on 5 March 2014. Iron ore prices are forecast to trend downwards over the coming years and are expected to fall below US$100 per metric tonne in 2016. Despite the fact Indian iron ore production is expected to decrease due to restrictions on mining, the largest producers have all proceeded with a number of expansions. While Chinese steel smelting companies will continue to require high iron ore volumes to meet demand, higher production and output from Australian mines along with increases in output from Brazil and West Africa are expected to lead to oversupply and weakened prices.

9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment such as a Resource Multiple

A summary of each of these methodologies is outlined in Appendix Two. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information.

Approach to valuation of FeOre's interest in TSI

In our assessment of the value of FeOre's interest in TSI, we have chosen to employ the following methodology:

- Net assets value.

We have chosen this methodology for the following reasons:

- Being an exploration company, the core value of TSI is in the exploration assets it holds. We have instructed Agricola Mining Consultants Pty Ltd ('Agricola') to act as independent specialist and to provide an independent market valuation of the Ereeny Iron Project in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 ('the Valmin Code'). We are satisfied with the valuation methodologies adopted by Agricola which we believe are in accordance with industry practices and compliant with the requirements of the Valmin Code. Agricola's full report may be found in Appendix Three. The Dartsagt Project is a junior exploration project and does not have a JORC resource, therefore we do not consider the project to be advanced enough where it can be reliably valued. As such, we have not instructed Agricola to value this project. We consider the value of this project to be immaterial in relation to the Company's total exploration assets. We have considered Agricola's independent market valuation of the Ereeny Iron Project in the context of TSI's other assets and liabilities on a NAV basis;
- TSI does not generate regular trading income. Therefore there are no historic profits that could be used to represent future earnings. This means that the FME valuation approach is not appropriate;
- TSI's shares are not listed, therefore there is no regulated and observable market where TSI's shares can be traded. If FeOre's shares were to be used for a look through valuation of TSI, there would need to be a deep market for the Company's shares. As outlined in section 13.4.1, the Company's shares display a very low level of liquidity, therefore the QMP methodology would not be appropriate; and
- TSI has no foreseeable future net cash inflows and therefore the application of the DCF valuation approach is not appropriate. Under RG111, it is considered that it is only appropriate to use a DCF where Reserves are present. TSI is yet to delineate Reserves.

10. Valuation of FeOre's interest in TSI

Our valuation of FeOre's interest in TSI is calculated in two parts. Firstly, we considered the value of a 100% interest in TSI based on its net asset value. We then adjusted this value on a pro rata basis to reflect TSI's 80% interest in Taisheng.

The net asset value of TSI is set out in the table below:

Net Asset Value	Ref	Low US$'000	Preferred US$'000	High US$'000
Net assets per Management Accounts (100%)	6.1	9,413	9,413	9,413
Less: Book value of Ereeny Iron Project (100%)	5.4	(2,457)	(2,457)	(2,457)
Add: Market value of 100% of Ereeny Iron Project	Note a	77,000	88,800	100,600
Adjusted Net Asset Value (100%)		83,956	95,756	107,556
Less: 20% non-controlling interest in Taisheng held by BCI	Note b	16,791	19,151	21,511
Adjusted Net Asset Value of TSI		67,165	76,605	86,045

The table above indicates a range of values for TSI between US$67.2 million and US$86.0 million, with a preferred value of US$76.6 million.

Note a

As outlined in Section 9, we have engaged Agricola to provide an independent market valuation of the Ereeny Iron Project. Agricola considered a number of different valuation methods when valuing the exploration assets of FeOre and has applied the comparable transaction method. The comparable transaction method involves calculating a value per common attribute in a comparable transaction and applying that value to the subject asset. A common attribute could be the amount of resource or the size of a tenement. We consider this method to be appropriate given the pre feasibility stage of development for FeOre's exploration assets.

Set out below is a summary of the key inputs used in Agricola's valuation.

In February 2013, the Company announced an updated mineral resource estimate for the Ereeny Iron Project, the estimate was undertaken by independent geological consultants Runge Asia Limited, trading as Runge Pincock Minarco. Agricola's valuation is based on the mineral resources included in that announcement and which have not been updated subsequently. The breakdown of mineral resources is as set out in the tables below.

JORC Classification	Tonnes 000s	T Fe (%)	Tonnes Fe 000s
Indicated	66,125	36.8%	24,308
Inferred	58,040	35.3%	20,477
Total	124,166	36.1%	44,785

Source: FeOre announcement dated 14 February 2013

JORC Classification	Tonnes 000s	m Fe (%)	Tonnes Fe 000s
Indicated	62,735	27.8%	17,413
Inferred	61,431	25.8%	15,876
Total	124,166	26.8%	33,288

Source: FeOre announcement dated 14 February 2013

The range of values for the Ereeny Iron Project as assessed by Agricola is set out below:

Mineral Asset	Low Value US$m	Preferred Value US$m	High Value US$m
Value of the Ereeny Iron Project	77.0	88.8	100.6

Source: Independent Valuation Report prepared by Agricola

Agricola's full report can be found in Appendix Three.

Note b

We note that TSI holds no other material assets and liabilities other than its 80% interest in Taisheng. As such, we have eliminated the 20% non-controlling interest in Taisheng which is held by BCI, an unrelated third party to FeOre.

11. Valuation of consideration

The consideration is in the form of cash as set out in section 4.

We have valued the consideration at the total value of the three tranches, being US$56.7 million.

We note the following in relation to the cash consideration:

- We have not discounted the third tranche of cash to present value even though the terms of the Transaction mean that this tranche of US$5.67 million may be paid at any time up to 30 September 2015, with the timing being dependent on the successful listing of List Co.
- In the event that List Co is not listed by 30 September 2015, the third tranche of consideration will be in the form of shares (representing 6.3% of the share capital) in China Energy.
- We do not have sufficient information to value the shares at 30 September 2015; therefore our valuation of consideration assumes that List Co is listed prior to 30 September 2015. Therefore, the valuation of consideration comprises the US$51.03 upfront cash consideration and the US$5.67 million deferred cash consideration.

12. Is the Transaction fair?

The value of the cash consideration compares to the value of the Company's interest in TSI being disposed as detailed below:

	Ref	Low US$m	Preferred US$m	High US$m
Value of cash consideration to be received by FeOre	11	56.7	56.7	56.7
Value of FeOre's interest in TSI	10	67.2	76.7	86.0

We note from the table above that the value of FeOre's interest in TSI is greater than the value of the cash consideration. Therefore, we consider that the Transaction is not fair.

13. Is the Transaction reasonable?

13.1 Advantages of Approving the Transaction

We have considered the following advantages when assessing whether the Transaction is reasonable.

Advantage	Description
The Transaction will allow the Company to meet its financial obligation to repay US$25 million of Convertible Bonds	FeOre has a financial obligation to repay US$25 million of Convertible Bonds that were issued on 6 December 2011. The Convertible Bonds are redeemable at the sole discretion of the holder on 6 June 2014. If the holder does not redeem at this date, the Convertible Bonds must be redeemed at the maturity date of 6 December 2014. We note that that the bondholders may convert at any time, however given the pre-announcement share price of FeOre was $0.041 and the Convertible Bonds are convertible at a $0.204 (a 398% premium to the pre-announcement share price) it is unlikely the holders will convert. Therefore, the Company will most likely be required to repay the US$25 million principal on either 6 June 2014 or at maturity on 6 December 2014. The Company currently does not have sufficient cash to settle this liability. This matter was highlighted in FeOre's Review Report for the half year ended 31 December 2013 as a material uncertainty regarding the Company's ability to continue as a going concern. If the Transaction is approved then the cash consideration will allow the Company to meet this financial obligation.
Lack of viable alternatives to repay the Convertible Bonds	If the Transaction is not approved, the Company will need to obtain alternative funding. The alternatives available to FeOre and our assessment of the likelihood of success of these alternatives are set out below. Refer to section 13.4 "Consequences of not Approving the Transaction" for additional detail. **Debt Funding** • Typically junior exploration companies do not generate operating cash flows and therefore find it difficult to attract senior debt funding. • The Company may potentially be able to raise debt funding in the form of convertible securities. However, the terms of the convertible instrument are likely to much more favourable to the holder (and therefore detrimental to the Company) than the current tranche of Convertible Bonds. **Equity Funding** • Given the current state of equity capital markets, FeOre may find it difficult to raise the required level of equity to repay

	the Convertible Bonds and further advance its projects. • The very low level of liquidity of trading in FeOre shares, suggests that the Company may find it difficult to attract enough interest from the market to raise the required level of funding. • If the Company does raise the required level of funding from the market, it is likely to be at a significant discount to the current market price. This means that it is likely to result in a decrease in the Company's share price. • If the Company raises capital from the market, then the interest of existing shareholders (if they do not participate) will be diluted.
After repaying the Convertible Bonds, the Company will have cash available for other purposes	As at 22 January 2014, the Company had approximately US$20.6 million in cash and the Transaction will provide the Company with additional upfront cash of US$51.03 million so, even after repaying the Convertible Bonds with the first two tranches of the cash consideration, the Company will have substantial cash resources available to pursue other interests such as financing the acquisition of a new project, or funding a share buy-back (as outlined in section 4).
The Transaction will strengthen the Company's balance sheet	The cash consideration will allow FeOre to retire its debt, therefore strengthening its balance sheet. This may improve the Company's prospects of attracting other debt or equity funding in the future.
Potential return to Shareholders	In the announcement of the Transaction on 22 January 2014, the Directors of FeOre indicated that if it is approved they intend to return funds to Shareholders through a share buy-back. This allows Shareholders to realise a return on their investment.

13.2 Disadvantages of Approving the Transaction

If the Transaction is approved, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

Disadvantage	Description
The Company will dispose of its major project, which changes the nature of the Company's activities	The Ereeny Iron Project is the Company's most advanced project, with the value of its exploration assets being fully attributable to this project. If the Transaction is approved, the Company will be disposing of its major operating asset and therefore will no longer hold an exploration asset with significant value. The nature of the Company's activities will therefore change from an iron ore exploration company to a company with cash. This may impact on the investment profile of Shareholders.
The Company will also dispose of its other iron ore project	The Transaction for the sale of TSI will include not only the disposal of the Ereeny Iron Project but also the disposal of the Company's interest in the Dartsagt Iron Project, its other, less advanced iron project. This will result in the Company holding no active projects or mining licenses.
May reduce the likelihood of a takeover offer	If the Transaction is approved then without the Company's major project, it is less likely to attract potential takeover offers. This means that there is a reduced likelihood of Shareholders receiving a takeover premium in the future.
Potential suspension of the Company's shares	If the Transaction is approved, the Company's shares may be suspended from trading in the event a substantial undertaking is not acquired within six months of the disposal of TSI. As such, Shareholders may not be able to dispose of their shares in the Company.

13.3 Alternative proposal

We are unaware of any alternative proposal that might offer the Shareholders of FeOre a premium over the value ascribed to/ resulting from the Transaction.

13.4 Consequences of not Approving the Transaction

13.4.1 Availability of alternative funding

In the event of redemption of the Convertible Bonds, the Company will be required to repay the US$25 million principal. FeOre's cash balance as at 22 January 2014 was approximately US$20.6 million, leaving a shortfall, before considering ongoing funding requirements, of US$4.4 million. If the Transaction is not approved the Company will need to retain part of its cash balance to either fund further development of its projects or to seek potential acquisitions.

Based on FeOre's previous exploration expenditure incurred and advice from management we have assumed that the Company will need to retain approximately US$5 million for working capital purposes. As such, if the Transaction is not approved the Company will need to raise approximately US$9.4 million.

We consider that the two alternatives available to FeOre are to secure debt funding or to undertake an equity capital raising. These two alternatives are detailed below.

Debt funding

Given the material uncertainty regarding the Company's ability to continue as a going concern as highlighted in the Review Report for the half year ended 31 December 2013 (refer section 5.4), we consider it unlikely that the Company will be able to secure debt funding. Typically senior debt is not available to exploration companies due to their lack of operating revenues. The above factors suggest that FeOre is likely to find it difficult to secure senior debt funding. This means the only potential form of debt funding that may be available to FeOre is through the issue of another convertible debt facility.

If the Company issued a convertible note, the terms are likely to be a lot more favourable to the holder than that of the Convertible Bonds. The terms may be more favourable to the holder in terms of the debt component (through the charging of a higher interest rate) or the conversion feature (through a lower conversion price). If the conversion price is lower, and the convertible bonds are converted, it is likely to be more dilutive to existing Shareholder's interests. If the terms are more favourable to the holder through a higher interest rate then the servicing of the convertible debt will result in a reduction in the value of existing Shareholder's interests.

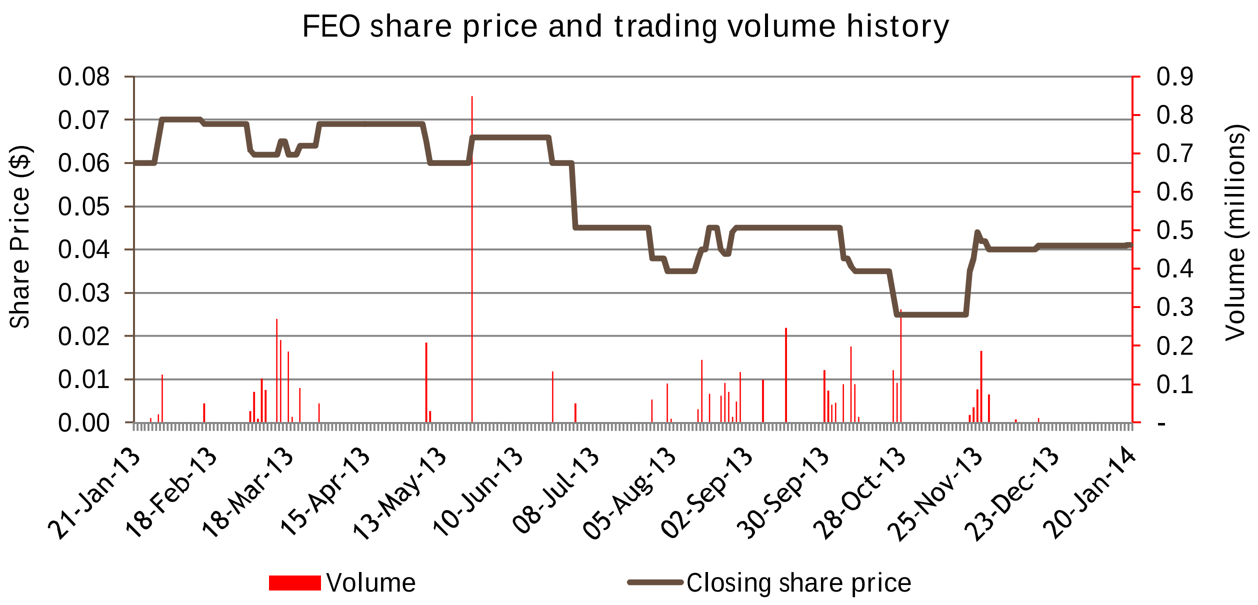
Equity funding

Given the current state of equity capital markets, FeOre may find it difficult to raise the US$9.4 million outlined above in the form of equity. We have considered various aspects of a potential capital raising:

- Appetite of the market for FeOre shares
- Share issue price for a placement of mining exploration company shares
- Impact on existing shareholders' interests.

Appetite of the market for FeOre shares

In assessing the ability of the Company to raise funds from the market we have considered the liquidity of trading in FeOre shares. The following chart provides a summary of the share price movement and trading volume history of FeOre shares over the twelve months to 20 January 2014, being the date a trading halt was imposed as a result of the impending announcement of the Transaction.



Source: Bloomberg

In conjunction with this share trading history, we have analysed the volume of trading in the Company's shares for the twelve months to 20 January 2014 as detailed in the table below:

Trading days	Share price low	Share price high	Cumulative volume traded	As a % of Issued capital
1 Day	$0.041	$0.041	-	0.00%
10 Days	$0.041	$0.041	-	0.00%
30 Days	$0.040	$0.041	12,000	0.00%
60 Days	$0.025	$0.044	426,102	0.08%
90 Days	$0.025	$0.050	1,692,114	0.32%
180 Days	$0.025	$0.066	3,983,221	0.75%
1 Year	$0.000	$0.070	5,578,063	1.05%

The analysis indicates that the Company's shares display a low level of liquidity, with only 1.05% of the Company's issued capital traded over a twelve month period. This provides support to the view that the Company is likely to find it difficult to raise funds from the market. Prior to the announcement of the Transaction, FeOre shares have not been traded since 17 December 2013.

Share issue price for a placement of mining exploration company shares

Our research indicates that if the Company was to be successful in raising the required capital funding from the market, it is likely that it would be at a discount to the current market price. The capital required represents approximately 50% of FeOre's market capitalisation prior to the announcement of the Transaction. We have performed an analysis of recent placements made by Australian listed mining exploration companies focusing on those where the placement is significant in relation to the Company's market capitalisation on the ASX. Our analysis indicates that these placements were conducted at an average discount in the range from 10% to 20% of the Company's share price (prior to capital raising costs). These placement details are shown at Appendix Four.

We have also applied an additional discount of 5% to reflect the capital raising costs that would likely be incurred by the Company in raising capital. Therefore if FeOre is able to raise equity capital, the price at which shares may be issued is detailed in the table below.

Capital raising price	
Pre-announcement share price	$0.041
Discount to the market price	15%
Capital raising costs	5%
Assumed capital raising price	$0.033

Given that FeOre would be raising capital at a discount to its current (pre announcement) market price, it is likely that the capital raising will result in a decrease in the Company's share price. Given the very low level of liquidity of the Company's shares, it is possible that the capital raising price may be even lower than the assumed capital raising price above.

Impact on existing Shareholders' interests

An equity capital raising may also dilute existing Shareholders' interests, depending on the extent to which existing Shareholders participate in such a capital raising. Our assessment of the likely dilution of Shareholders' interests is detailed below. As discussed above we have assumed that FeOre would be required to raise approximately US$9.4 million. We have converted the US$9.4 million to Australian Dollars at an assumed exchange rate of 1USD:0.886AUD, being the average exchange rate over the month to 17 February 2014. Therefore, in order to raise approximately $10.61 million, the Company would need to issue approximately 321.52 million shares at an assumed capital raising price of $0.033 per share.

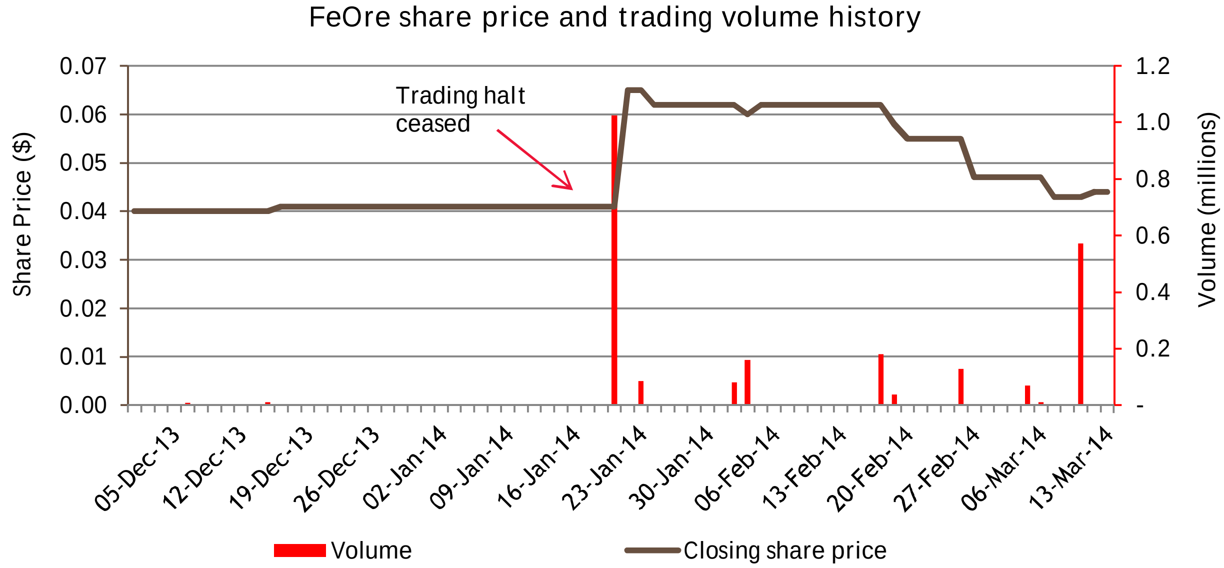
Capital structure	Existing Shareholders	New shareholders	Total
Issued shares as at date of this report	529,110,001	-	529,110,001
% holdings as at date of this report	*100.0%*	*0.0%*	*100.0%*
Shares issued to raise $10.61 million (US$9.4 million)	-	321,515,152	321,515,152
Issued shares following capital raising	529,110,001	321,515,152	850,625,153
% holdings after capital raising	*62.2%*	*37.8%*	*100.0%*

Source: BDO Analysis assuming existing shareholders do not participate in capital raising

This analysis indicates that if the Transaction is not approved and the Company elects to raise capital from the market then the interest of existing Shareholders (if they do not participate) may reduce from 100% to approximately 62.2%.

13.4.2 Potential decline in share price

We have analysed movements in FeOre's share price since the Transaction was announced. A graph of FeOre's share price since the announcement is set out below.



Source: Bloomberg

Given the above analysis it is possible that if the Transaction is not approved then FeOre's share price may decline to its pre-announcement level.

13.4.3 Intended use of funds

The Company announced its intention to use the funds to redeem the US$25 million convertible bonds issued in December 2011 and to retain approximately US$6.5 million to pay for any contingent liabilities, fund due diligence on potential acquisitions and for working capital purposes. The Company also intends to use an estimated maximum amount of US$42.2 million to fund a share buy-back. The implied price of the share buy-back has been calculated by the Company as approximately $0.08 per share, based on an exchange rate of 1USD:0.88AUD, however this is an indicative value and is subject to change, with the final price to be determined having regard to prevailing exchange rates and the Company's circumstances at the time.

14. Conclusion

We have considered the terms of the Transaction as outlined in the body of this report and have concluded that the Transaction is not fair but reasonable to the Shareholders of FeOre Limited.

In our opinion, the Transaction is not fair because the value of FeOre's interest in TSI is greater than the cash consideration to be received by the Company. However, we consider the Transaction to be reasonable because the advantages of the Transaction to Shareholders are greater than the disadvantages. In particular, the Transaction will provide the Company with the required funding to repay the US$25 million of convertible bonds which are repayable on either 6 June 2014 or 6 December 2014.

15. Sources of information

This report has been based on the following information:

- Draft Notice of General Meeting and Explanatory Statement on or about the date of this report;
- Audited financial statements of FeOre for the years ended 30 June 2012 and 30 June 2013;
- Reviewed financial statements of FeOre for the half year ended 31 December 2013;
- Independent Valuation Report of the Ereeny Iron Project dated 3 April 2014 prepared by Agricola Mining Consultants Pty Ltd;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of FeOre.

16. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of $22,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by FeOre Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by FeOre Limited, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to FeOre Limited and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of FeOre Limited and their respective associates.

Neither the two signatories to this report nor BDO Corporate Finance (WA) Pty Ltd, have had within the past two years any professional relationship with FeOre Limited, or their associates, other than in connection with the preparation of this report.

A draft of this report was provided to FeOre Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 15 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 200 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

18. Disclaimers and consents

This report has been prepared at the request of FeOre Limited for inclusion in the Explanatory Memorandum which will be sent to all FeOre Limited Shareholders. FeOre Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider the proposed sale of its interest in TSI to China Energy.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Explanatory Memorandum. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Explanatory Memorandum other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to FeOre Limited. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Transaction, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of FeOre Limited, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon an independent valuation for the Ereeny Iron Project held indirectly by FeOre Limited.

The valuer engaged for the mineral asset valuation, Agricola, possess the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and assumptions made in arriving at their valuation is appropriate for this report. We have received consent from the valuer for the use of their valuation report in the preparation of this report and to append a copy of their report to this report.

The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

BDO CORPORATE FINANCE (WA) PTY LTD

Adam Myers

Director

Sherif Andrawes

Director

Appendix 1 – Glossary of Terms

Reference	Definition
The Act	The Corporations Act
Agricola	Agricola Mining Consultants Pty Ltd
APES 225	Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BCI	Beyond Compare International Ltd
BDO	BDO Corporate Finance (WA) Pty Ltd
The Company	FeOre Limited
CRMI	China Railway Mongolia Investments LLC
DCF	Discounted Future Cash Flows
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FeOre	FeOre Limited
FME	Future Maintainable Earnings
MMC	Minarco-Mine Consult
NAV	Net Asset Value
Our Report	This Independent Expert's Report prepared by BDO
RG 111	Content of expert reports (March 2011)
RG 112	Independence of experts (March 2011)
Taisheng	Taisheng Development LLC
The Transaction	FeOre's proposal to dispose of its interest in Topone Star Investments Limited to China Energy (Cayman) Limited for total cash consideration of US$56.7 million.

TSI	Topone Star Investments Limited
Shareholders	Non-associated shareholders of FeOre Limited
VWAP	Volume Weighted Average Price
Valuation Engagement	An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.

Appendix 2 – Valuation Methodologies

Methodologies commonly used for valuing assets and businesses are as follows:

1 *Net asset value ("NAV")*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

2 *Quoted Market Price Basis ("QMP")*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

3 *Capitalisation of future maintainable earnings ("FME")*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax (“EBIT”) or earnings before interest, tax, depreciation and amortisation (“EBITDA”). The capitalisation rate or "earnings multiple" is adjusted to reflect which base is being used for FME.

4 *Discounted future cash flows (“DCF”)*

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

5 *Market Based Assessment*

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

Appendix 3 – Independent Valuation Report prepared by Agricola Mining Consultants Pty Ltd

Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Mobile: 61 (4) 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

3 April 2014

The Directors
BDO Corporate Finance (WA) Pty Ltd
38 Station Street
Subiaco, WA, 6008

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE EREENY IRON DEPOSIT in MONGOLIA

HELD BY FeOre LIMITED

We have been commissioned by the Directors of BDO Corporate Finance (WA) Pty Ltd ("BDO") to provide a Mineral Asset Valuation Report ("Report") of the Ereeny Iron Ore Deposit in Mongolia held by FeOre Limited (the "Company"). This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenement in Mongolia that hosts the deposit is based on information made available by the Company. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

DECLARATIONS

Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112, March 2011*).

Where mineral resources have been referred to in this report, the information was prepared and first disclosed under the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"),* prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2004. The information has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Under the definition provided by the VALMIN Code, the property is classified as an 'advanced exploration area' with identified mineral resources, which is inherently speculative in nature. The property is considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of its economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to BDO, along with a written request to identify any material errors or omissions prior to lodgement.

In compiling this report, I did not carry out a site visit to any of the Company's Project areas. Based on my professional knowledge and experience and the availability of extensive databases and technical reports made available by various Government Agencies, I consider that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

> Malcolm Castle has over 45 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 25 years ago and specialises in exploration management, technical AU$it, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical AU$its in many countries. He has completed numerous Independent Geologist's Reports and mineral asset valuations over the last decade as part of his consulting business.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Project or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully

Malcolm Castle

B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)

TENEMENT SCHEDULE

The special permit from the Mongolian Department of Mineral Resources has been provided by the Company for review. The document has been translated into English and I am satisfied that the Company holds legal title to the tenements.

PROJECT REVIEW – EREENY IRON ORE DEPOSIT

The Ereeny Project is located in Mandalgovi Province of Mongolia. The Project covers approximately 3.26km^2 and contains mineralised ore bodies reaching a maximum depth of 400m. The Project is located approximately 60km from the major trans-Mongolian railway line between Russia and China, and approximately 440km by rail to the point of sale at Erenhot which has been agreed with China Railway Mongolia Investments LLC ("CRMI"). CRMI is a subsidiary of China Railway Group Limited, one of the leading railway services and engineering companies in China. The Company has signed a 10-year Offtake Agreement and Logistics Agreement with CRMI. The Company currently owns 80% equity of the Ereeny Iron Project.

Preliminary exploration of the area in 1940's by Russian geologists included drilling and trench sampling. Further trenching work was completed in the 1980's by a Russian geology institute leading to a preliminary resource estimate.

In 2007, 2010 and 2011 Tai Sheng completed a total of 29 drill holes and compiled a resource statement. Six additional holes with a total length of 1,377m were drilled by the Company in 2011.

Interpretation reveals that the additional drill holes generally confirm the previous geologic interpretation in portions of the Resource, which were formerly of lesser confidence.

Recommendations on sampling and laboratory assaying procedure were provided by Minarco-MineConsult to ensure international-standard work has been instigated. Samples are assayed by international recognized Mongolian laboratory recommended by Minarco-MineConsult using XRF (X-Ray Fluorescence) and Davis Tube methodologies.

Long intervals of magnetite iron mineralization (up to 106m long) were intersected at an applied cut-off of 15% magnetic iron, including occasional below cut-off intervals of less than 2m long. Magnetite grain size varying from less than 0.05mm up to 0.15mm was encountered. Additional intersections have confirmed the generally synformal geometry of the iron mineralisation at Ereeny.

Test work was carried out on likely magnetite recoveries and concentrate grade and degree of rejection of undesirable elements. A total of 408 individual interval determinations from 6 drill holes were obtained from the DTR test work. Results from this work suggest that the Ereeny deposit includes significant zones where excellent DTR recoveries and concentrate grades will exist.

Drill core samples have been delivered to Changsha research Institute of Mining and Metallurgy Co Ltd, a subsidiary of China Minmetals Corporation and a leading metallurgic design institute in China, to conduct metallurgic studies and to optimise the mine process design. Its report concluded that a

62% Fe concentrate will result from the application of industry standard multi-stage grinding and staged magnetic separation process.

MCC Capital Engineering & Research Incorporation Qinhuangdao Co., Ltd, a top Chinese mine design institute, has commenced design work for the Ereeny project. Preliminary design (with piping and routing) for potable water supply suitable for human consumption to staff quarters in nearest Soum (the equivalent of a county-level division in Mongolia) has been completed (ASX Release "Satisfactory Completion of Process and Processing Facility Study", 14 September 2012).

Relevant Mongolia Authority's approval of Ereeny Project Feasibility Study to Mongolian-standards was obtained in March 2012. The construction of a 35KV / 1,250 KVA substation has been completed and hydrology specialists to determine the optimal bore-hole locations within the identified water source area for industrial-use water as well as to prepare for well construction have been engaged.

The Company has entered into a 10 year offtake agreement and a 10 year logistics agreement with China Railway Group subsidiary CRMI. Through these two agreements CRMI has agreed to both transport and purchase the Company's iron product.

The Company is now well placed to progress the Project to Full Feasibility Study level and estimate an Ore Reserve in accordance with the JORC code.

Mineral Resource Estimate

In February 2013 the Company announced an updated Mineral Resource Estimate in accordance with JORC Code for the Ereeny Iron Project in Mongolia. 29 drill holes and 20 trench samples were used to define the resource. The estimate was undertaken by independent geological consultants Runge Asia Limited, trading as Runge Pincock Minarco (RPM).

Statement of Total Fe Mineral Resources

JORC Classification	Tonnes	TFe	Tonnes Fe
Indicated	66,125,000	36.8%	24,308,000
Inferred	58,040,000	35.3%	20,477,000

Numbers quoted above are as stated in the ASX release

Magnetic Fe Mineral Resource:

The Mineral Resource Estimate also estimated the quantity of iron contained within magnetite (mFe) at 62.74 million tonnes at 27.8% Fe (17.44 million tonnes Fe metal) in the Indicated category and 61.43 million tonnes at 25.8%Fe (15.85 million tonnes Fe metal) in the Inferred category.

Details of the estimate and the parameters are included in the Company's ASX release of 14 February 2013 entitled "Updated Mineral Resource Estimate".

The information in the ASX Release of 14 February 2013 that relates to in-situ Mineral Resources is compiled by Mr Jeremy Clark, Competent Person, who is a Member of the Australian Institute of Geoscientists. Mr Jeremy Clark has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Mr Clark consents to the inclusion in the ASX Release dated 14 February 2013 of the matters based on the information compiled by him, in the form and context in which it appears.

The information contained in this Mineral Resource summary replicates information contained in the Company's Announcement "Updated Mineral Resource Estimate' released to the ASX on 14 February 2013.

The author of this Report is not aware of any new information or data that materially affects the information included in the ASX release dated 14 February 2013 and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the ASX release dated 14 February 2013 continue to apply and have not materially changed. The form and context in which the findings of RPM and Mr Clark are presented have not been materially modified.

Competent Persons Statement

The information in the Independent Geological Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

VALUATION ASSESSMENT

The Ereeny project has an estimated Mineral Resource in the Indicated and Inferred categories for Magnetite Iron. When a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve and full feasibility study) then a *Comparable Transactions* approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different categories.

With iron projects the method requires allocating a dollar value to the mineral resource in the ground. This may also apply to well-established zones of mineralisation that have not formally been categorised under the JORC code. An additional risk weighting may be appropriate in these circumstances.

There has been significant scoping study work completed on the project but the work is not advanced enough to provide a basis for an Ore Reserve estimate, mine design, mine schedule, firm cost estimates and capital estimate. Accordingly it is not considered appropriate to assess the value of the project by discounted cash flow methods and reliance is therefore placed on the comparable transactions valuation method.

COMPARABLE TRANSACTIONS – EREENY IRON DEPOSIT

MINERAL RESOURCE ESTIMATES

A resource estimate in accordance with the JORC code has been compiled for the Ereeny project and has been announced to the ASX in past releases and reports and is accepted here for the purpose of the valuation.

Statement of Total Fe Mineral Resources

JORC Classification	Tonnes	TFe	Tonnes Fe
Indicated	66,125,000	36.8%	24,308,000
Inferred	58,040,000	35.3%	20,477,000

Magnetic Fe Mineral Resource:

The Mineral Resource Estimate also estimated the quantity of iron contained within magnetite (mFe) at 62.74 million tonnes at 27.8% Fe (17.44 million tonnes Fe metal) in the Indicated category and 61.43 million tonnes at 25.8%Fe (15.85 million tonnes Fe metal) in the Inferred category. 74.3% of the iron is present as magnetite (33.29 tonnes as a percentage of 44.82 tonnes).

Contained Fe metal is calculated from the deposit tonnes and grade in the categories of the JORC code. This is estimated at 24.31 million tonnes of Total Fe in the Indicated category and 20.48 million tonnes in the Inferred category. The estimated contained value for the Resource is estimated based on current metal prices. The current Iron Price is estimated at approximately US$2.18 per dry metric tonne unit (dmtu) averaged over the last five months to December 2013.

Iron Ore Price		
Month	Price for 62% fines $US	Price per unit $US/dmtu
Aug-13	137.06	2.21
Sep-13	134.19	2.16
Oct-13	132.57	2.14
Nov-13	136.32	2.20
Dec-13	135.79	2.19

China import Iron Ore Fines 62% FE spot (CFR Tianjin port), US Dollars per Dry Metric Ton

The average grade of the ore in this deposit is 36.1% (being the average of 66.13 tonnes at 36.8% and 58.04 tonnes at 35.3%). Therefore the effective price is notionally US$ 78.60 (being 36.1 units at US$ 2.18).

Contained Value = [Resource Tonnes][Long Term Average Price for 36.1% product]*

Contained Value US$M	
Measured	
Indicated	5,198
Inferred	4,562
Exploration Target	-
Total	**9,760**

A discount factor is applied to the contained value to recognise the JORC category and allow for resource risk.

Resource Category Discounts	
Measured Resource	*80%*
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	*50%*

An allowance for mass recovery of iron contained in magnetite compared to total iron of 74.3% has been applied based in information available in the ASX release of 14 February 2013. Allowances for other operating factors are also included in the assessment

Operations Factors		*Discounts for Operation difficulty and cost structures*
Estimated Mass Recovery	**74.27%**	Ratio of mFe to tFe
Mining	90.00%	Deep pits in final years
Processing	70.00%	Magnetite - Fine grained, high power costs
Rail	90.00%	Road to existing Rail
Port	100.00%	No Port required
Capex	70.00%	Normal for Iron Ore (magnetite)
Marketing	90.00%	Offtake agreement in place - Terms unknown
Total Operating Discounts	**26.53%**	

The base value for the project is estimated by multiplying the contained value by the discount factors.

Base Value = [Contained Value][Resource Discount]*[Operating Discounts]*

Base Value US$M	
Measured	
Indicated	965
Inferred	726
Exploration Target	-
Total	**1,691**

Average Acquisition Cost

A range of average acquisition cost ("AAC") percentages are estimated based on a database of comparative transactions in the mineral industry over the last 20 years. The percentage represents the amount paid for deposits compared to the contained value and the current metal price. These data are supported by studies in the iron industry when the appropriate discounts are applied.

The AAC for projects lies in the range of 2% to 4.5%. The data set does not differentiate between resource categories and it is implicit that this has been taken into account with risk related discounts applied to the Base Value. Information on sales internationally has shown a pattern for the AAC as shown in the percentile table.

AAC Percentiles					
Percentile	10th	25th	50th	75th	90th
AAC	2.2%	2.6%	3.0%	3.4%	3.9%

For the purpose of this valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles. The Base Value is multiplied by AAC values at those percentiles to arrive at the estimated project technical value. The US$:AU$ exchange rate applied is 1:0.88.

Technical Value

Technical Value = [Base Value][Average Acquisition Cost%]*

Ereeny Deposit Technical Value, $M	US$ M	AU$ M
Low	44.0	49.5
High	57.5	64.8
Preferred	50.7	57.2
Preferred as % of Contained Value	0.5%	
Preferred per tonne of Resource	$1.13	

Market Value

In arriving at a fair market value for the Ereeny Iron Project, the advanced status of the project and in particular the following aspects have been considered]:

- Metallurgic studies to optimise the mine process design have been completed with satisfactory results.
- MCC Capital Engineering & Research Incorporation Qinhuangdao Co., Ltd has commenced design work for the Ereeny project.
- Completion of preliminary design (with piping and routing) for potable human use water supply to staff quarters.
- Relevant Mongolia Authority's approval of Ereeny Project Feasibility Study (Mongolian-standard) in March 2012.
- Completion of the construction of a 35KV / 1,250 KVA substation.
- Hydrology specialists have been engaged to determine the optimal bore-hole locations within the identified water source area for industrial-use water as well as to prepare for well construction
- A team has been dispatched to site location in preparation for construction of foundation work.
- The Company has entered into a 10-year off take agreement and a 10-year logistics agreement with China Railway Group subsidiary CRMI. Through these two agreements CRMI has agreed to both transport and purchase FeOre's iron ore product.

It is considered appropriate to apply a significant premium to the technical value of the Mineral Resources to recognise the uplift in value from initial resource estimation to Pre-Feasibility Study stage and preliminary design and development. The Company has signed an off take agreement for its production which is a significant advantage.

The current market value for advanced mineral projects is reasonably buoyant even though exploration projects remain in a depressed state. Mongolia has a county risk rating and business climate rating of 'C' but this is offset by the proximity and demand profile of the Chinese market. A Market Premium factor of 75% (expressed as an Adjusted Market Factor of 1.75) has been applied to the technical value for the Ereeny Deposit.

Market Value = [Technical Value][Adjusted Market Factor]*

Ereeny Deposit Market Value, $M	US$ M	AU$ M
Low	77.0	86.7
High	100.6	113.3
Preferred	88.8	100.0
Preferred as % of contained value	0.9%	
Preferred per tonne of Resource	$1.98	

Note that this valuation is for 100% of the Ereeny deposit. The effect of the 80% equity holding in the project by the Company is assessed below

Historical Iron Related Transactions

Paragraph 65 of RG 111 discusses a preference for the use of more than one valuation methodology.

The Company has compiled a summary of historical iron related transactions in the period 2007 to 2013 based on research work by UBS AG, Citibank and Macquarie Capital. The review included 52 transactions and estimates of US$ per tonne of resource for 44 of those. Four high estimates were considered to be statistical outliers and not directly comparable. The average US$/tonne of resource estimate for the remaining 40 estimates in the period 2007 to 2010 is US$2.08 and for the period 2011 to 2013 is US$1.84 with an average from 2007 to 2013 of US$1.93 per tonne of resource.

The estimates were reviewed on a percentile basis and were found to be in the range US$0.10 to US$8.30. The 25th percentile is US$0.50, the 50th percentile is US$1.25 and the 75th percentile is US$2.50.

The market value of the Ereeny deposit is assessed at US$1.98 per tonne of resource that falls at the 68th percentile. This is considered to be consistent with the technical aspects and stage of development of the project and provides backup information to the current valuation.

EQUITY POSITION

FeOre Limited holds 100% of subsidiary Topone Star Investment Ltd, which in turn holds 80% of Mongolian Company Taisheng Development LLC. The Mongolian company holds 100% of the Ereeny Project.

The market value of the Company's equity position has been assessed as:

Ereeny Deposit Market Value, $M	US$ M	AU$ M
Project Equity	80.00%	
Low	61.6	69.3
High	80.5	90.7
Preferred	71.0	80.0

VALUATION OPINION

Based on an assessment of the factors involved the estimate the market value of the Ereeny Iron Deposit is in the range of <u>US$77 million to US$101 million with a preferred value of US$89 million</u>.

This value represents a 100% interest in the Ereeny Iron Deposit, I note that FeOre holds an 80% interest, Therefore the value of the Company's interest would be 80% of the above market value.

This valuation is effective on 3 April 2014.

APPENDIX 1

MINERAL ASSETS VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

FAIR MARKET VALUE OF MINERAL ASSETS

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Exploration areas	Mineralization may or may not have been identified, but where a mineral resource has not been defined.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment.
Pre-development projects	A positive development decision has not been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles.
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels.
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production.

The fair market value of a mineral asset is the estimated amount of money or the cash equivalent or some other consideration for which the mineral asset should change hands between a willing buyer and a willing seller in an arm's length transaction. Each party is assumed to have acted knowledgeably, prudently and without compulsion.

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

REGULATORY AUTHORITIES

Mineral asset valuations are prepared in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112*).

Where mineral resources have been referred to in this report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"),* prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2004.

THE VALMIN CODE, 2005

The four main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study.

The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration. Selection of the appropriate valuation method will depend on, inter alia:

(a) the purpose of the Valuation;

(b) the development status of the Mineral or Petroleum Assets;

(c) the amount and reliability of relevant information;

(d) the risks involved in the venture; and

(e) the relevant market conditions for commodities and/or shares.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral or Petroleum Assets or Mineral or Petroleum Securities under consideration, stating the reasons why the particular valuation method(s) have been selected in relation to those factors set out in Paragraph 39 and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation method(s) used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reason(s) for selecting the Value adopted.

Australian Securities and Investment Commission – Regulatory Guides RG111 and RG112, 2011

It is not the ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

(a) the discounted cash flow method;

(b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

The ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the figures derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unAU$ited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

(a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or

(b) the current market value differs materially from that derived by the chosen method.

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the Tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Expert based on his experience.

The Independent Expert, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralization
- level of knowledge of the geometry of mineralization in the district
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralization
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralization identified on adjacent properties
- appropriate geological models

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a “market factor” unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified reserves it is appropriate to use financial analysis methods to estimate the net present value (“NPV”) of the properties. This technique has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified mineral resources or only inferred resources it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier ("PEM") is heavily based on the expenditure, while the Kilburn Geoscience Rating ("Kilburn") is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Kilburn assessment is high and the PEM is low it indicates effective well focussed exploration, if the Kilburn is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

PROSPECTIVITY ENHANCEMENT MULTIPLIER ("PEM") OR MULTIPLE OF EXPLORATION EXPENDITURE ("MEE")

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralization identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralization
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to

60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

GEO-FACTOR RATING METHOD (KILBURN)

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently. The Kilburn method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralization, geochemical, geological or geophysical anomaly within the property and the tenor of any mineralization known to exist on the property being valued;
- number and relative position of anomalies on the property being valued;
- geological models appropriate to the property being valued.

The Method systematically assesses and grades these four key technical attributes of a tenement to arrive at a series of multiplier factors. The Basic Acquisition Cost ("BAC") is the important input to the Kilburn Method and it is calculated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees.

The current BAC for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of $300 per square kilometre and annual rent of $43.50. A 10% administration fee is taken into account to imply a BAC of $400 to $450 per square kilometre. A similar approach based on expenditure commitments is taken for Prospecting Licences and Mining Leases

Licence Type	Expend.	Rent	Admin	Total	$/km^2	BAC - Low	BAC - High
Exploration Licence (E, $/km^2)	300.00	43.50	34.35	377.85	378	400	450
Prospecting Licences (P, $/Ha)	40.00	2.20	4.22	46.42	4,642	5,000	45,500
Mining Lease (M, $/Ha)	100.00	15.00	11.50	126.50	12,650	13,000	14,000

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

KILBURN GEO-FACTOR RATING CRITERIA - MODIFIED					
	Rating	Address - Off Property	Mineralization - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralization, Concept unsuitable to environment	Very little chance of mineralization, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Generally Unfavourable lithology
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered Generally favourable geology
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered Generally favourable geology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Driing after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of volume	Highly prospective geology (90 - 100%)
	3.5	Along strike or adjacent to known mineralization at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	
	4	Along strike or adjacent to Resources at Definitive Feasibility Stage	Along strike or adjacent to known mineralization at Pre-Feasibility Stage	Marginal economic targets of significant volume - advanced drilling	
	4.5	Along strike or adjacent to Development Stage Project	Along strike or adjacent to Resources at Definitive Feasibility Stage	Marginal economic targets of significant volume - well drilled at Inferred Resource srage	
Very High	5	Along strike or adjacent to Operating Mine	Along strike or adjacent to Development Stage Project	Several significant ore grade correlatable intersections with estimated resources	

Estimate of project value is carried out on a tenement by tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

Base Value = [Area][Grant Factor]*[Equity]*[Base Acquisition Cost]*

Prospectivity Index = [Off Site Factor][On Site Factor]*[Anomaly Factor]*[Geology Factor]*

Technical Value = [Base Value][Prospectivity Index]*

Market Value = [Technical Value][Market Premium Factor]*

VALUATION OF RESOURCES BY COMPARABLE TRANSACTIONS

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a Comparable Transactions approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different categories.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

With gold projects the method requires allocating a dollar value to resource ounces of gold in the ground. This may also apply to well established zones of mineralisation which have not formally been categorised under the JORC code. An additional risk weighting may be appropriate in these circumstances.

The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category).
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of toll treatment facilities, infrastructure, development and capital expenditure aspects

A similar approach can be taken with other metals including uranium or base metals sold on the spot market and benchmarks are similar to gold properties. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account. An example of appropriate discounts for Rare Earths, Iron Ore and Base Metals is included below but these must be considered on a case-by-case basis.

Operations Factors	Rare Earths	Iron Ore	Base Metals
Recovery	60%	88.00%	100%
Mining	100%	90.00%	100%
Processing	50%	80.00%	90%
Rail	75%	80.00%	90%
Port	90%	70.00%	90%
Capex	50%	70.00%	90%
Marketing	75%	85.00%	90%
Total Operating Discount	**7.6%**	**21.10%**	**59.0%**

The ‘Apparent Acquisition Cost’ (“AAC”) for gold projects lies in the range of 2% to 4%. The data set does not differentiate between resource categories and it is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

		AAC Percentiles			
Percentile	10th	25th	50th	75th	90th
Average Acquisition Cost	2.2%	2.5%	3.0%	3.4%	3.9%

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Appendix 4 – Analysis of placements for mining exploration companies

Placement discount

In order to determine an appropriate discount for a potential placement by FeOre, we have analysed recent placements by mining explorations companies as set out in the table below:

Issuing Company	Date	Nature of Operations	Market Cap ($m)	Market Price Immediately Prior to Announcement of Placement ($)	Total Value of Placement	Placement Price per Share ($)	% Premium / (Discount) to Pre Announcement Price
Gascoyne Resources Ltd	10/12/2012	Gold exploration	36.20	0.280	3,660,000	0.250	(11%)
Genesis Resources Ltd	10/12/2012	Exploration for gold, manganese and copper	16.47	0.180	1,800,000	0.100	(44%)
Fitzroy Resources Ltd	16/11/2012	Exploration for gold in Queensland	2.05	0.050	300,000	0.050	0%
Bannon Ltd	01/11/2012	Mineral exploration for gold, base and magmatic nickel-copper-platinum group metals in Western Australia and Zambia	3.15	0.240	1,000,000	0.200	(17%)
Bulletin Resources Ltd	23/10/2012	Exploration for gold	5.11	0.100	720,932	0.085	(15%)
Australian-American Mining Corp Ltd	09/10/2012	Uranium and gold exploration and development company focused on the USA	2.50	0.040	1,653,416	0.030	(25%)
Redstone Resources Ltd	04/10/2012	Exploration for nickel, copper and gold	15.18	0.120	2,000,000	0.100	(17%)
Mindax Ltd	07/09/2012	Exploration for iron, gold and uranium	16.17	0.070	680,000	0.085	21%
Australian-American Mining Corp Ltd	31/08/2012	Uranium and gold exploration and development company focused on the USA	2.50	0.030	1,260,000	0.030	0%

Issuing Company	Date	Nature of Operations	Market Cap ($m)	Market Price Immediately Prior to Announcement of Placement ($)	Total Value of Placement	Placement Price per Share ($)	% Premium / (Discount) to Pre Announcement Price
West African Resources Ltd	31/08/2012	Exploration for gold in Burkina Faso	50.63	0.250	4,400,000	0.200	(20%)
Australian-American Mining Corp Ltd	20/08/2011	Uranium and gold exploration and development company focused on the USA	2.50	0.040	318,415	0.030	(25%)
Genesis Resources Ltd	09/08/2012	Exploration for gold, manganese and copper	16.47	0.090	1,423,625	0.120	33%
Global Metals Exploration NL	20/07/2012	Exploration for nickel and gold	2.70	0.100	2,000,000	0.090	(10%)
Thundelarra Exploration Ltd	13/07/2012	Exploration for copper, nickel, base metals and uranium	7.74	0.070	1,110,000	0.050	(29%)
Aeon Metals Ltd	07/05/2012	Exploration for copper and molybdenum	10.70	0.150	700,000	0.125	(17%)
Global Metals Exploration NL	19/04/2012	Exploration for nickel and gold	2.70	0.010	250,000	0.010	0%
Prosperity Resources Ltd	10/04/2012	Exploration for copper/gold in Indonesia and Tennant Creek	6.89	0.070	2,000,000	0.100	43%
Gascoyne Resources Ltd	05/04/2012	Exploration for gold	36.20	0.220	2,100,000	0.210	(5%)
Beadell Resources Ltd	05/03/2012	Exploration for gold	762.9	0.750	42,340,000	0.730	(3%)
Excelsior Gold Ltd	22/02/2012	Exploration for gold in Kalgoorlie	91.58	0.140	4,800,000	0.120	(14%)
Mindax Ltd	21/02/2012	Exploration for iron, gold and uranium	16.17	0.140	1,750,000	0.100	(29%)
3D Resources Ltd	15/02/2012	Exploration for copper, zinc, gold and other metals	8.15	0.040	363,650	0.035	(13%)
Papillon Resources Ltd	03/02/2012	Exploration for gold	403.2	0.830	15,960,000	0.760	(8%)

Issuing Company	Date	Nature of Operations	Market Cap ($m)	Market Price Immediately Prior to Announcement of Placement ($)	Total Value of Placement	Placement Price per Share ($)	% Premium / (Discount) to Pre Announcement Price
Excelsior Gold Ltd	08/11/2011	Exploration for gold in Kalgoorlie	91.58	0.120	1,260,000	0.090	(25%)
Alloy Resources Ltd	13/10/2011	Gold exploration & mining	2.05	0.030	1,000,000	0.025	(17%)
3D Resources Ltd	29/09/2011	Exploration for copper, zinc, gold and other metals	8.15	0.050	463,321.25	0.045	(10%)
Aruma Resources Ltd	13/09/2011	Exploration for gold	5.08	0.100	863,500	0.075	(25%)
Excelsior Gold Ltd	25/08/2011	Exploration for gold in Kalgoorlie	91.58	0.070	1,000,000	0.058	(17%)
Papillon Resources Ltd	24/08/2011	Exploration for gold	403.2	0.490	2,250,000	0.100	(80%)
Atlantic Gold NL	25/07/2011	Exploration for gold	23.28	0.040	1,624,627	0.050	25%
Archer Exploration Ltd	04/07/2011	Mineral exploration for copper, gold and uranium	15.24	0.220	475,000	0.175	(20%)
Beadell Resources Ltd	24/06/2011	Exploration for gold	762.9	0.870	30,000,000	0.850	(2%)
Mindax Ltd	14/04/2011	Exploration for iron, gold and uranium	16.71	0.420	2,036,584	0.350	(17%)
Besra Gold Inc	01/04/2011	Gold exploration and production in Vietnam	378.8	0.400	5,600,000	0.400	0%
West African Resources Ltd	25/03/2011	Exploration for gold in Burkina Faso	50.6	0.520	7,000,000	0.450	(13%)
Besra Gold Inc	22/03/2011	Gold exploration and production in Vietnam	378.8	0.450	16,800,000	0.400	(11%)
Atlantic Gold NL	27/02/2011	Exploration for gold	23.3	0.050	25,000,000	0.030	(40%)
Gascoyne Resources Ltd	22/02/2011	Exploration for gold	36.2	0.140	4,000,000	0.100	(29%)

Issuing Company	Date	Nature of Operations	Market Cap ($m)	Market Price Immediately Prior to Announcement of Placement ($)	Total Value of Placement	Placement Price per Share ($)	% Premium / (Discount) to Pre Announcement Price
Alloy Resources Ltd	21/02/2011	Gold exploration & mining	2.05	0.040	608,000	0.032	(20%)
Athena Resources Ltd	16/02/2011	Exploration for iron ore, gold, nickel and copper	5.51	0.140	1,199,000	0.110	(21%)
Terrain Minerals Ltd	09/02/2011	Exploration for gold	2.77	0.030	563,500	0.023	(23%)
Australian Mines Ltd	31/01/2011	Exploration for gold and nickel	16.67	0.030	1,100,000	0.023	(23%)
Aeon Metals Ltd	19/01/2011	Exploration for copper and molybdenum	10.70	0.460	550,000	0.450	(2%)
Athena Resources Ltd	13/01/2011	Iron ore, gold, nickel and copper exploration	5.51	0.090	1,412,800	0.080	(11%)
Maximum							43% Premium
Minimum							(80%) Discount
Median							(16%) Discount
Average							(13%) Discount

On the basis of the above analysis we consider that the appropriate placement discount to be applied is in the range from 10% to 20%.