

FE Limited (FEL)

Emerging Player in the Yilgarn Iron Ore Region

SPECULATIVE

16 December 2010

Share Trading Info

ASX Code	FEL
Current Share Price (per share)	9.0c
Trading Low /High (Rolling Year)	7.8c - 19c
Diluted Market Capitalisation \$m	12.1
Cash Balance (30 Sept 2010) \$m	1.3

Issued Capital (m)

Total Ordinary Shares	115.5
Unlisted Securities	18.4
Total Diluted Securities	133.9

Board of Directors*

Tony Sage	Non Executive Chairman
Mark Gwynne	Executive Director
Paul Kelly	Non Executive Director

* Further details on Page 16

Top 5 Shareholders

Buka Minerals Ltd*	14.4%
Cauldron Energy	9.2%
HSBC Custody Nominees	4.7%
Triumph Mining P/L	4.4%
Grand Enterprises P/L	4.0%

*A subsidiary of Cape Lambert



SUMMARY

Fe Limited ("FEL", or the "company") (ASX Code: FEL) is an emerging player in the Yilgarn Iron Ore Province in WA. Its flagship project, Mt Elvire Iron Ore Project has recently completed a 31-hole drilling program at the Iron Crescent Prospect.

The Mt Elvire iron ore project benefits significantly from proximity to existing rail leading to port infrastructure, which should allow for a relatively rapid development at a moderate capital cost.

The company's strategy in the Yilgarn Province is to firstly, develop its existing Mt Elvire Iron Ore Project and secondly, pursue iron ore acquisitions in the Yilgarn and the Mid West in order to build critical mass for further development of the iron ore assets and the associated infrastructure, made possible by the concentration of projects in the Yilgarn Province in particular.

In this regard, the presence of Cape Lambert on the share register as the major shareholder provides FEL with significant project flow.

Drilling at Mt Elvire

The 31-hole drilling program returned results comparable to other magnetite deposits in the Yilgarn region, with a high majority of drill holes intersecting broad zones of mineralisation (up to 120 metres in thickness). Of the 29 holes, two reported Direct Shipping Ore (DSO)-type grades (i.e. >60% Fe).

In addition to drilling at Iron Crescent, FEL has announced a 1,200 metre RC drilling program, targeting extensions to the Iron Crescent prospect, and first-pass drilling of the Camelback prospect, where sampling has reported rock chip assay results up to 55-60% Fe. FEL also intend to shortly commence detailed metallurgical work to determine the metallurgical characteristics of the Fe mineralisation, including recovery and beneficiation parameters and the possible impact of silicates and other contaminants.

Quality of Yilgarn Ore

Yilgarn hematite is older (formed in the Archean) and more altered than Pilbara hematite. Yilgarn hematite is concentrated in localised areas where the BIF has been subject to faulting and folding. Enrichment is less developed and therefore the Yilgarn Fe grades are lower.

The best type of hematite ore is the Pilbara BIFs (due to its hardness and low phosphorous content), followed by the Yilgarn BIFs (those ores classified as DSO). These offer desirable ore specifications (high iron content (>60%), low levels of contaminants, cost advantages and simplicity). In particular, hematite BIFs are classified as DSO in that downstream processing is not required (other than lump ore requiring crushing and screening) to achieve buyers' specifications.

Infrastructure

The infrastructure within the Yilgarn province compares favourably with the Central West, where the railway and port facilities are yet to be put in place, and even with the Pilbara, where access to railways has to be negotiated with competitors. In the Yilgarn, by comparison, a major commercial railway exists and two existing port options are in place connected to this rail network - Esperance and Kwinana.

Transport and infrastructure plans recently announced by Macarthur Minerals for its Lake Giles Project (iron ore), which is in close proximity to the Mt Elvire Project, have implications for the future development of Mt Elvire, given the similarity in location within the Yilgarn region and ore transport requirements.

Macarthur are considering building a rail spur from Lake Giles to the Goldfield Rail at an estimated capital cost of \$1 million per 100 kilometres. Alternatively, Macarthur are also considering road haulage (to the rail at Menzies) or slurry pipeline options.

Funding

The company's cash balance as at 30 September 2010 was \$1.29 million, with quarterly cash burn over the preceding three quarters increasing from ~\$0.55 million to ~\$0.8 million.

Cash levels have been boosted by the sale of one freehold land at the closed Gympie mine. The sale has generated \$0.9 million in cash (after costs) and the completion of the second block is due this month, delivering a further \$1.1 million (after costs).

The full year accounts for the year to September 2010 showed net assets of \$6.8 million and a debt-free balance sheet.

Capital Structure

Shares/Options on Issue	Million	Expiry
Issued Ordinary Shares	115.5	
Unlisted Options		
- Exercise Price 12c	18.0	31-Dec-12
- Exercise Price 15c	0.375	23-Mar-14
Total Unlisted Options	18.4	
Total Issued Securities	133.9	

1. COMPANY OVERVIEW

1.1 Background

The company listed on the ASX as Buka Gold Ltd on 13 October 2005, with the Gympie Goldfield as its major asset.

In October 2009, Buka Gold acquired a number of assets from Jackson Minerals Ltd, following the merger of that company with Scimitar Resources Ltd. The merged entity is now called Cauldron Energy Ltd (ASX Code: CXU)¹. The company also acquired three assets from Cauldron Energy, including the Mt Elvire Iron Ore Project, following Cauldron's decision to sell its non-uranium assets.

The assets acquired from Jacksons include:

- Kalgoorlie Regional Gold Project
- Crossroads Gold Project
- Kalgoorlie Nickel Project
- Peak Hill Project
- Northcote Gold Project

Each of these assets is discussed in further detail in Section 4 of this report.

The subsequent name change to Fe Limited, approved at the AGM in February 2010, reflects the company's current focus on iron ore assets, in particular the Mt Elvire Iron Ore Project in the Yilgarn region of WA.

FEL are finalising the sale and disposal of the assets and infrastructure at the Gympie operations, with wind-up expected by the end of 2010.

Table 1: Summary of FEL Assets

Project	Core Iron Ore Assets		Other Assets				
	Mt Elvire Iron	Mooloogool Iron & Manganese	Kalgoorlie Regional Gold (KRGF)	Crossroads Gold	Kalgoorlie Nickel	Peak Hill	Northcote
Region	Yilgarn Province, WA	Midwest Region, WA	Kalgoorlie, WA	Kalgoorlie, WA	Scotia Dome, Kalgoorlie, WA	Peak Hill, ~850km N of Perth	Far Nth Qld
FEL Interest	100%	100%	70-100%	2% Nett Smelter Royalty	70-100%	20% (free carried to DTM)	15% (free carried to DTM)
Product/s	Hematite ore	Iron ore	Gold, Nickel	Gold	Nickel	Gold	Gold
Work Completed/ in progress (by FEL)	31-hole RC Drilling program	Mapping & reconnaissance exploration	-	-	In discussions for possible farm-out	-	Resource upgrade (9.42mt @ 1.7g/t Au)
Upcoming Activities	Metallurgical Studies; 2nd drill program	-	-	-	-	Future Uncertain	-

¹ Under the terms of the Share Sale Agreement, Buka paid \$0.5 million in two instalments over 6 months and issued 10,458,935 ordinary shares to Cauldron Energy.

2. FLAGSHIP PROJECT – MT ELVIRE IRON ORE

2.1 Overview

The Mt Elvire Iron Ore Project, covering 120km² of tenure, is located in the Yilgarn Iron Ore Province in WA, a region that is emerging as a significant future producer of both hematite and magnetite ore. Infrastructure is already in place and there are a number of mines currently operating.

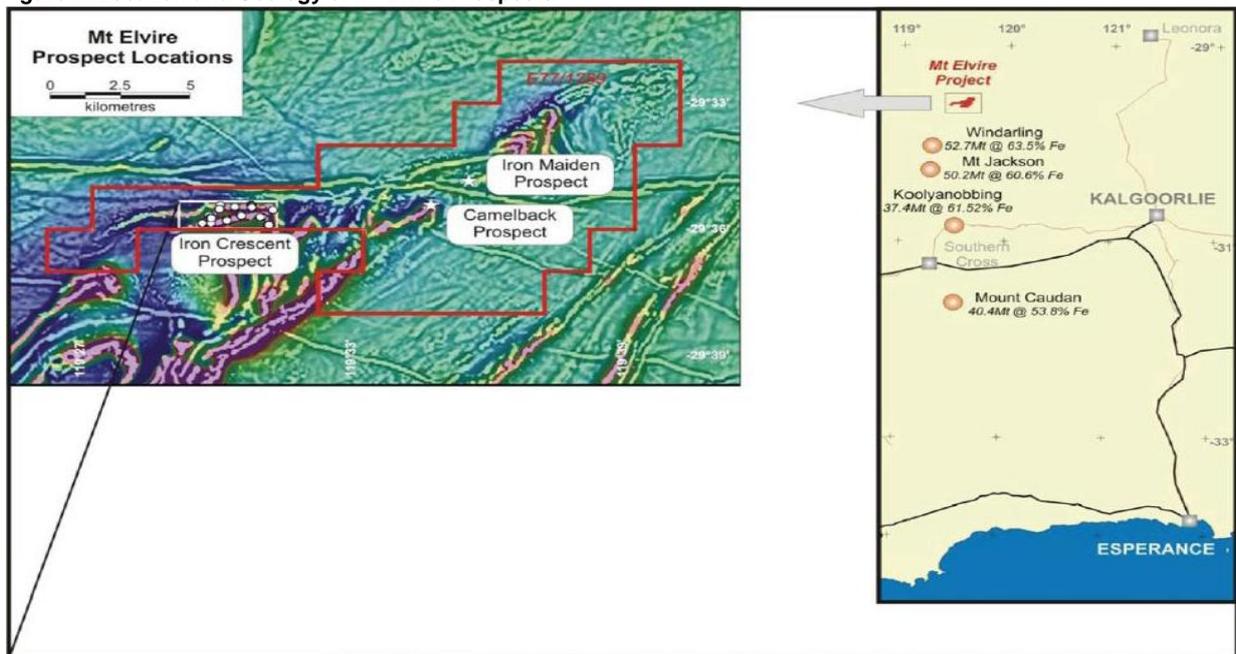
The project is located 50 kilometres north of the Mt Jackson/Windarling DSO iron ore mines (Cliff Natural Resources) and 30 kilometres WNW of the Lake Giles Project (Macarthur Minerals), both located in the Yilgarn Province.

On 29 March 2010, FEL announced an exploration target of 180-200mt for Mt Elvire, based on interpretation and geophysical & geological data that suggests extensive 40-kilometre Banded Iron Formation (BIF) inferred to a depth of 50 metres below surface, supported by outcrop previously mapped and sampled.

Rock chip sampling (49 samples) returned very high results, with better than 30% of all samples reporting higher than 47.9% Fe. One-third of samples returned results >55% Fe. The best results from rock chip samples were 63.25%, 61.95%, 60.83%, 64.46%, 52.48% and 51.94% Fe.

Outcrop is limited along the interpreted strike of the BIF mineralisation units and the RC drilling program, which commenced in August 2010, also targeted the extensions of the mineralisation beneath shallow cover, where aeromagnetic data indicate extensions to the highly magnetic units.

Figure 1: Location and Geology of Mt Elvire Prospects



2.2 Recent Drilling

Two mineralisation zones were mapped within the project area, at the Iron Crescent Prospect, (which represents less than 30% of the targets geologically mapped and rock-chip sampled and less than 15% of all geophysical targets at the Mt Elvire Project):

1. Around 5.8 kilometre strike to the north of the prospect and
2. Around 3.5 kilometre strike to the south of the prospect,

with mineralisation width of up to 50 metres. Rock chip samples from these zones range from 63.5% Fe to 66.3% Fe.

The 31-hole RC drilling program for 2,461 metres at Iron Crescent received results from the first 23 holes on 1 October, with the results from the remaining 8 holes announced on 11 October 2010. Drilling focused on the centre of the Iron Crescent Project area (which covers a strike length of 5 kilometres) and targeted broad zones of magnetite - with potential for high-grade hematite enrichment, located undercover and along strike from the outcropping mineralisation.

Figure 2: Outcropping BIF Mineralisation



Figure 3: Rock Chip Sample (Grade up to 63% Fe)



In the first phase of drilling, 22 of the 23 holes intersected broad zones of iron mineralisation. Preliminary laboratory assay results of the first 23 holes confirmed the high-grade nature and lateral extents to the iron mineralisation.

Overall, 29 of the 31 drill holes intersected broad zones of mineralisation (up to 120 metres in thickness). Of the 29 holes, two reported Direct Shipping Ore (DSO)-type grades (i.e. >60% Fe) for goethitic and hematite enrichment, with down-hole intercept widths up to 20 metres, while the remaining 27 holes reported down-hole intercept widths up to 120 metres and grades ranging from 25.2% to 41.1%.

Table 2 highlights the best results from the 31-hole drilling program. The results for SiO_2 and Al_2O_3 are considered comparable to other magnetite deposits in the Yilgarn region. Further work is required in order to determine the metallurgical association of Fe with silicates.

Table 2: Best Results from 31-Hole RC Drilling Program at Mt Elvire

Drill Hole	Down Hole Intercept		Grade (%)					
	From	Width	Fe	SiO ₃	Al ₂ O ₃	S	P	LOI
ICRC1	12m	16m	61.3	4.39	3.15	0.076	0.093	4.05
ICRC2	4m	20m	61.0	4.63	3.03	0.063	0.091	4.27
ICRC17	surface	48m	41.1	30.97	3.84	0.045	0.038	5.06
ICRC26	surface	52m	40.5	20.84	9.67	0.037	0.050	9.38
ICRC15	surface	68m	39.1	37.19	2.75	0.044	0.047	2.76
ICRC24	92m	72m	33.7	44.09	0.94	0.054	0.036	2.36
ICRC27	surface	96m	33.4	44.75	3.46	0.052	0.040	8.48
ICRC21	surface	100m	32.5	46.92	2.31	0.029	0.011	3.14
ICRC28	36m	120m	32.0	47.65	1.97	0.055	0.039	0.97

Source: FEL Data; Shaded Area represents DSO High Grade

Key: SiO₂: Silica; Al₂O₃: Alumina; S: Sulphur, P: Phosphorous; LOI: Loss on Ignition

Table 3: Summary of Resources & Grades for Selected Yilgarn Iron Projects

Advanced Exploration Projects							
Project	Tonnes (mt)	Grade (%)					
		Fe	SiO ₃	Al ₂ O ₃	S	P	LOI
Lake Giles	1050.7	64.5	8.3	0.1	0.3	0.03	2.6
YIOP	42.6	58.6	4.2	0.33	n/a	0.13	9.6

Exploration Projects							
Down Hole Intercept	Grade (%)						
	From	Width	Fe	SiO ₃	Al ₂ O ₃	S	P
Mt Elvire (DSO Grade results only)							
12m	16m	61.3	4.39	3.15	0.076	0.093	4.05
4m	20m	61.0	4.63	3.03	0.063	0.091	4.27
Johnson Range							
9m	3m	55.3	13.9	1.97	0.041	0.054	4.5
28m	3m	53.4	12.20	3.67	0.065	0.161	6.8
surface	11m	41.9	30.20	4.83	0.040	0.051	4.2
surface	100m	32.5	46.92	2.31	0.029	0.011	3.14
36m	120m	32.0	47.65	1.97	0.055	0.039	0.97

Source: Company Reports

2.3 Planned Work – Follow-up Drilling Commenced

There are two key areas of focus for FEL in the immediate future:

1. In addition to drilling at Iron Crescent, FEL has announced a 1,200 metre RC drilling program, targeting extensions to the Iron Crescent prospect, and first-pass drilling of the Camelback prospect (located approximately 7 kilometres east of Iron Crescent – see Figure 1). Sampling at Camelback has reported rock chip assay results up to 55-60% Fe. Outcropping mineralisation is over a strike length of 2.5 kilometres, with SW extensions apparent from geophysical interpretation. FEL have yet to determine the number of holes to be drilled, as limited rig availability has impacted on the company's initial drilling plans.
2. FEL intend to shortly commence detailed metallurgical work to determine the metallurgical characteristics of the Fe mineralisation, including recovery and beneficiation parameters and the possible impact of silicates and other contaminants.

3. THE YILGARN PROVINCE

3.1 Outline

Highly endowed in gold, nickel sulphides and iron ore mineralisation, the Yilgarn Province is an established iron producer with 9-12btpa of Direct Shipping Ore (DSO) being exported and a potential aggregate iron endowment of over 10bt of potentially beneficiable magnetite and 1bt of DSO hematite ores. The Province is already an established iron producer with 12mtpa of DSO being exported through the Port of Esperance in 2010.

The Yilgarn Province extends from Wiluna to Koolyanobbing near Southern Cross and 150 kilometres west of the Leonora-Kalgoorlie-Esperance Port infrastructure corridor.

3.1.1 Infrastructure

The infrastructure within the Yilgarn province compares favourably with the Central West, where the railway and port facilities are yet to be put in place, and even with the Pilbara, where access to railways has to be negotiated with competitors. In the Yilgarn, by comparison, a major commercial railway exists and two existing port options are in place connected to this rail network - Esperance and Kwinana. Existing railway line and private haul roads traverse the region.

The further development of rail and other infrastructure in a concentrated area of prospective mines could result in a number of new mines being serviced by ~160 kilometres of new track plus spurs.

The major surrounding Port is the Esperance Port, with options for the Kwinana Port at Fremantle or the Oakajee Port (when constructed) to be used. WestNet Rail is partnering with Cliffs Natural Resources to upgrade rail between Kalgoorlie and Esperance to support the 12 mtpa iron ore operation from Koolyanobbing through Esperance Port. The \$200 million investment involves the rerail and resleeper of around 380 kilometres of track, building new and extend existing crossing loops and the redevelopment of Esperance yard.

As strategic plan for an upgrade of the Esperance Port will see the Port develop in three distinct stages: stage one (current) delivers a trade volume of 12.9mtpa from 200 ships berthing at the Port's three existing berths; stage two delivers a conservative 35.8mtpa by 2014-15; and stage three delivers 43.5mtpa from 700 ships.

3.2 Iron Ore Projects in the Yilgarn

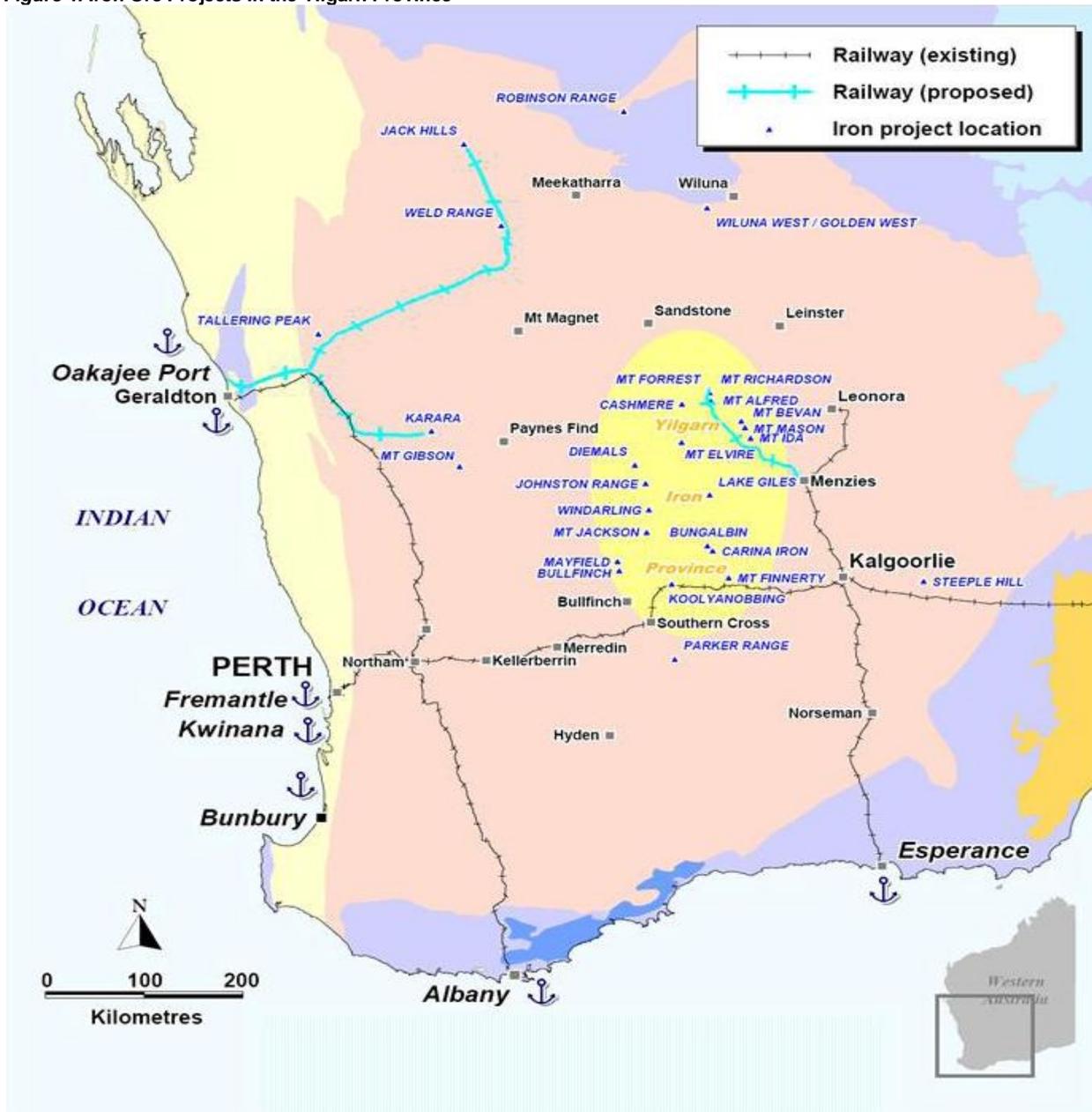
At present, the region has one iron ore exporter, Cliffs Natural Resources Inc (Cliff's), an international mining and natural resources company listed on the S&P 500 Index and the largest producer of iron ore pellets in North America, a major supplier of direct-shipping lump and fines iron ore out of Australia and a significant producer of metallurgical coal. Cliff's has 100% ownership of Koolyanobbing and covers the mining operations at Koolyanobbing, Mt Jackson and Windarling.

Koolyanobbing is located approximately 420 kilometres north east of Perth and 50 kilometres north of Southern Cross. Mt Jackson is located approximately 80 kilometres north of Koolyanobbing and Windarling is

100 kilometres north of Koolyanobbing. Lump and fine products are railed 575 kilometres to the Port of Esperance.

There are also a number of advanced exploration projects² for DSO in the Yilgarn, including the Lake Giles (Macarthur Minerals) and the Yilgarn Iron Ore Project (Polaris Metals P/L), as well as exploration projects (without a resource base), such as the Johnston Range and Jackson projects (Southern Cross Goldfields Ltd). Each of these is discussed in further detail below.

Figure 4: Iron Ore Projects in the Yilgarn Province



Source: Yilgarn Iron Producers Association

² i.e. with a resource base

3.2.1 Lake Giles Project

The Lake Giles Project is located about 450 kilometres NE of Perth and approximately 150 kilometres NW of Kalgoorlie. Geologically, the project is situated in the Southern Cross Province within the Yilgarn region. The project area covers a total area of 1155 km² and comprises 12 contiguous exploration licenses and 13 mining leases, all held by Macarthur Minerals, an Australian public company listed on the Toronto Stock Exchange.

Macarthur has previously focused its exploration activities on testing for iron ore mineralisation, including geological mapping, geophysical surveying, auger sampling as well as RC and diamond core drilling of magnetite iron ore targets. These activities were undertaken between 2005 and July 2009.

The iron mineralisation styles identified at Lake Giles include secondary pisolite mineralisation, primary magnetite mineralisation associated with unoxidised BIF & ultramafic rocks, and goethite-hematite mineralisation associated with oxidized BIF. The company has focused of BIF-associated magnetite mineralisation at a number of mineralised zones, including Snark, Clark Hill North, Clark Hill South, Sandalwood and Moonshine.

Macarthur have progressed their exploration activities in 2010, including 293 RD holes drilled for 21,684 metres, as well as six diamond holes drilled for geological and metallurgical testing of 2,013 samples.

Macarthur have a target hematite resource of 10mt and are targeting commencement of mining operations in October 2012. The company has also commenced a study into the commerciality of a magnetite mining and processing facility (up to 10mtpa) near Lake Giles.

A summary of the hematite DSO potential and inferred resource estimate (1,050.7mt @ 28.3% Fe) are included below.

Table 4: Hematite (DSO) Potential – Lake Giles

Project	Mapped Strike Length (km)	Outcrop Hematite	BIF
Banjo	2	56%	44%
South Central	1	N/A	N/A
Central	6	66%	34%
North Central	2	N/A	N/A
Snark	2	54%	46%
Woodcutters	0.5	N/A	N/A
Lost World	0.5	25%	75%
Moonshine North	0.5	12%	88%
Sandalwood	0.5	3%	97%
Total	15		

Source: Macarthur Minerals Presentation, October 2010

Table 5: Inferred Mineral Resource Estimate - Lake Giles

Project	Tonnes (Mt)	Recovery	Grade (%)					
			Fe	SiO ₃	Al ₂ O ₃	S	P	LOI
Snark	26.3	22.5%	64.3	9.6	0.15	0.270	0.027	-2.50
Clark Hill North	130.0	33.2%	62.1	12.5	0.16	0.230	0.040	2.58
Sandalwood	335.0	33.1%	64.0	9.6	0.07	0.160	0.031	2.77
Moonshine	510.9	25.5%	65.7	6.0	0.09	0.442	0.017	2.50
Clark Hill South	48.5	20.8%	61.8	10.7	0.18	0.220	0.020	2.20
Total	1050.7	28.6%	64.5	8.3	0.10	0.311	0.025	2.58

Source: Lake Giles Iron Ore Technical Report (December 2009)

Key: SiO₂: Silica; Al₂O₃: Alumina; S: Sulphur, P: Phosphorous; LOI: Loss on Ignition

3.2.1.1 Transport & Infrastructure Plans: Implications for Mt Elvire Project

The Lake Giles Project is located approximately 90 kilometres south of FEL's Mt Elvire Iron project. Macarthur Minerals have stated infrastructure plans that would have implications for Mt Elvire, given:

- i) The similarity in location within the Yilgarn region relative to the nearest town (Menzies) and
- ii) Ore transport requirements (for both projects) from mine site to Menzies and beyond, to Kalgoorlie, then a further ~392 kilometres to the Port of Esperance.

Access & Infrastructure

The Lake Giles Project is accessible from Kalgoorlie via the Menzies Highway north for around 130 kilometres, and then west from the Menzies for 115 kilometres along the Diemals-Menzies Road³. Access within the project area itself is via a number of tracks cleared by previous explorers and, more recently, by Macarthur Minerals.

There are some limited facilities available in Menzies, including fuel, accommodation and meals. A railway line passes through, and road freight lines deliver to the town. Other infrastructure that is already available (to both projects) include the Goldfields gas transmission and a mining workforce at Kalgoorlie.

Transport Options

Macarthur are considering building a rail spur from Lake Giles to the Goldfield Rail Line (shown in Figure 4 between Menzies and Kalgoorlie), at an estimated capital cost of \$1 million per 100 kilometres. In essence, the overall capital cost will be dependent upon the resource size delineated, as well as the forecast volume of DSO to be exported.

Alternatively, Macarthur are considering road haulage (to the rail at Menzies) or slurry pipeline options.

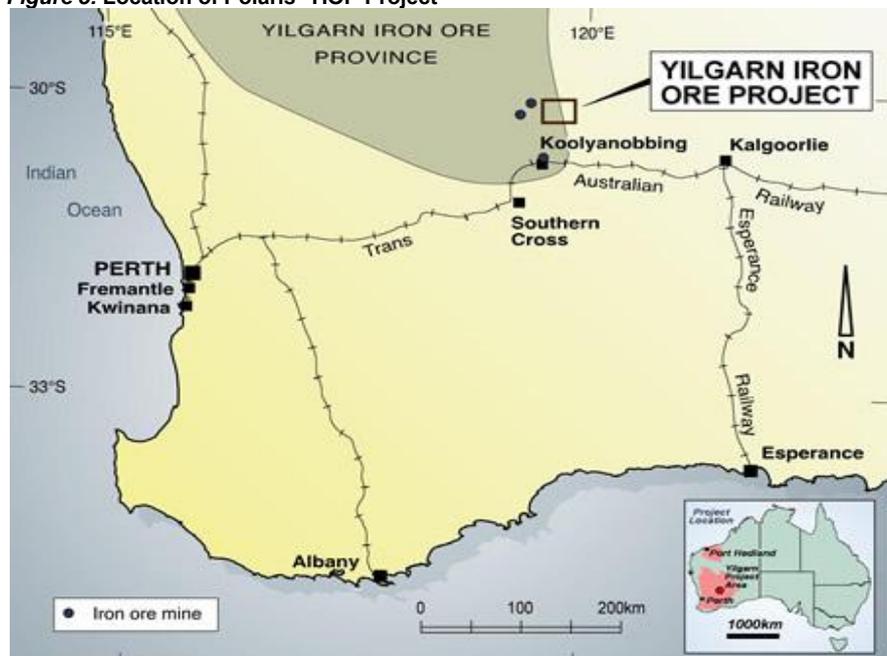
³ Mt Elvire is approximately 150 kilometres West of Menzies.

3.2.2 Yilgarn Iron Ore Project

The Yilgarn Iron Ore Project (YIOP) encompasses approximately 1,000km² of mining tenements 50kilometres north of Koolyanobbing in WA, most of the tenements are held 100% by Polaris Metals P/L.

Polaris Metals P/L holds iron ore tenements spanning over 6,000 km² across the Pilbara and the Yilgarn regions. YIOP is the company's most advanced project, with a target resource potential of over 100mt of DSO grade mineralisation, all in close proximity to an established rail link to Kwinana and Esperance Ports. Significant iron ore mineralisation potential has also been identified at the company's Weelumurra Project (350mt target potential) and the Mayfield Prospect (100mt target potential).

Figure 5: Location of Polaris' YIOP Project



Source: Polaris Metals

YIOP consists of five prospects spread over 50 kilometres, with significant DSO grade iron mineralisation. Some 80-90mt were established by previous explorers' drilling (e.g. Bungalbin East, J4 and J5), with new prospects (Carina, and Chamaeleon) found by Polaris.

The table below highlights the Inferred resource statement for YIOP.

Table 6: YIOP Inferred Mineral Resource Statement (Cut-off 55% Fe)

Project	Tonnes (Mt)	Grade (%)				
		Fe	SiO ₃	Al ₂ O ₃	P	LOI
Carina	27.8	58.6	3.7	1.30	0.09	10.1
J4	4.8	57.4	3.9	1.80	0.14	10.9
J5	10.0	59.0	5.8	1.20	0.24	7.5
Total	42.6	58.6	4.2	0.33	0.13	9.6

Source: Polaris Metals

With a target potential of 100-150mt, Polaris believes YIOP is capable of sustaining exports of 5mtpa of iron ore for up to 20 years, subject to securing environmental approvals.

The 12 kilometre-long corridor between the Carina and Chamaeleon prospects is planned to form the basis for YIOP Stage 1, which will focus on the Carina deposit, with a target potential of 30-40mt at 58-59% Fe. The Carina deposit is extensively drilled and the current JORC resource stands at 28mt at 58.6% Fe⁴. The Chamaeleon deposit is less well defined and although no JORC compliant resource has been completed as yet for this deposit drilling to date indicates the potential for 2-5mt of mineralisation.

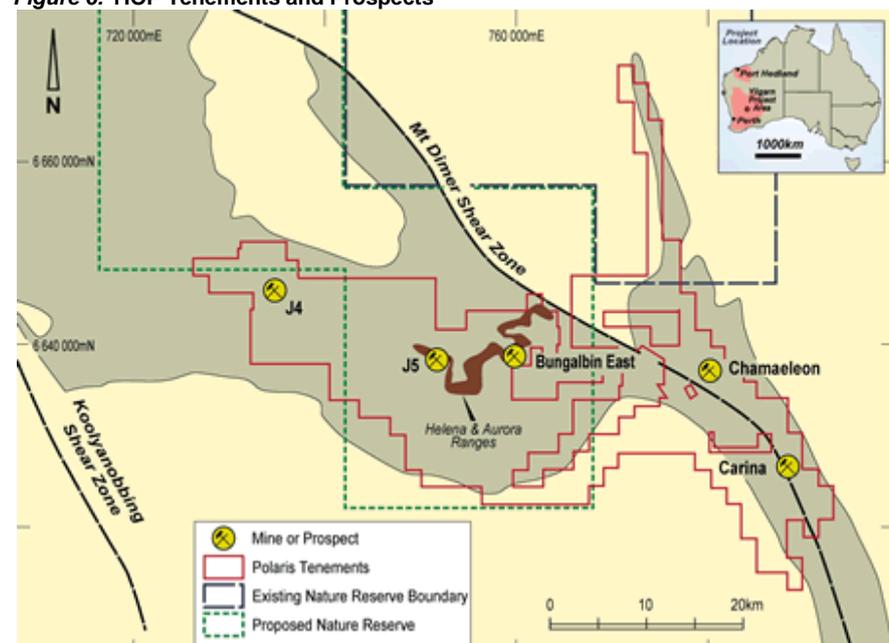
Reconnaissance mapping between the two key prospects has revealed surface outcrop of goethite haematite ores and there is strong potential for an additional 5-10mt of mineralisation. The mineralisation defined to date is goethite-hematite outcropping as a low ridge. Drilling to date has not yet fully defined the depth extent of the mineralisation.

An external Prefeasibility Study (PFS) completed in mid 2008 indicated the viability of the project and projected strong cash flows. The study assumed as a base case mining the deposit at 2.5mtpa, trucking to a rail heading 60 kilometres south and then raiing to Kwinana.

No further formal feasibility studies have been completed to update the existing PFS but it is likely that the capital and operating costs to either port will be similar. Further work suggests that the Port of Esperance is a better option for export given the existence of a suitable berth, a larger ship capacity and more rapid land side infrastructure development.

The potential mineralisation for the Stage 2 development (J4 and J5) exceeds 80mt and Polaris is working towards gaining access for exploration and subsequently extraction. Once approval is obtained the region could potentially support production of 5-10mtpa. Subject to environmental and regulatory issues, mining is planned in 2012.

Figure 6: YIOP Tenements and Prospects



Source: Polaris Metals

⁴ A total of 182 holes for 22,400m of drilling was completed at Carina with analyses for only 72 holes returned at the time of resource estimation.

3.2.3 Southern Cross Goldfields Ltd

3.2.3.1 Overview

Southern Cross Goldfields (ASX Code: SXG) has two tenements – Johnson Range and Jackson – that contain about 50 kilometres of iron formation within the Marda Greenstone belt – the host belt for most of the known DSO in the province. The acquisition of these tenements (and the acquisition rights over these tenements) was announced on 1 October 2010.

The **Johnston Range** project is located in the northern part of the Marda greenstone belt, approximately 35 kilometres NNE of Cliffs' operating Windarling DSO iron ore mine.

Approximately 30 kilometres strike of iron formation is interpreted within the tenement based on airborne magnetic data, satellite imagery and reconnaissance geological mapping. Reconnaissance geological mapping and rock chip sampling (67 samples) has been conducted over about 15 kilometres of strike of the iron formation to date. This work outlined at least six areas of bedded haematite-goethite mineralisation which returned assay results of better than 55% Fe, each ranging from 200m to >800 metre strike.

The **Jackson** project is located in the southwest of the Marda greenstone belt and consists of two granted tenements. These are located 5-15 kilometres NW of Cliffs' operating Mt Jackson DSO iron ore mine.

Approximately 20 kilometres strike of iron formation is interpreted within the project area based on airborne magnetic data, satellite imagery and reconnaissance geological mapping. Reconnaissance geological mapping and rock chip sampling (104 samples) has been conducted over about 8 kilometres strike of this iron formation to date.

Systematic rock chip sampling of an outcropping hill of magnetite bearing banded iron formation (BIF) at 160 metre centres over about 5 kilometre strike has returned an average of 37.2% Fe with low deleterious elements at the Jackson North prospect.

Drilling of this target subsequent to year end has identified a wide zone of goethitic BIF beneath this zone but iron grades are sub-economic.

3.2.3.2 Recent Drilling Results

Final assays from RC drilling at Johnston Range have identified iron-rich units, potential for both high-grade hematite and magnetite mineralisation. Instructively, none of the results indicate high DSO grade (i.e. >60% Fe). Table 7 below shows the better Intersections:

Table 7: Best Results from 12-Hole RC Drilling Program at Johnston Range

Down Hole Intercept		Grade (%)					
From	Width	Fe	SiO ₃	Al ₂ O ₃	S	P	LOI
9m	3m	55.3	13.9	1.97	0.041	0.054	4.5
28m	3m	53.4	12.20	3.67	0.065	0.161	6.8
surface	11m	41.9	30.20	4.83	0.040	0.051	4.2

Source: SXG Data

4. OTHER ASSETS

4.1 Kalgoorlie Regional Gold Project, WA (FEL: 70-100%)

The Kalgoorlie Regional Gold Project (KRGP) comprises a portfolio of tenements (either wholly or majority owned by FEL) that are located in the golden triangle between the Golden Mile, Paddington Gold Project and Kanowna Belle gold mine, near Kalgoorlie, WA. KRGP is prospective for gold and nickel mineralisation.

The Kanowna Belle gold mine also surrounds the Crossroads gold deposit, which is currently being developed by Barrick. Under a separate agreement, Barrick also retains the right to earn-in any gold discovery made by KRGP.

4.2 Crossroads Gold Project, WA

The Crossroads gold deposit (73,000 oz gold) is located immediately west of the Kanowna Belle Gold plant, operated by Barrick. Barrick and FEL were under a previous joint venture arrangement whereby Barrick has the right to earn 75% of the tenement if it commits to mining, with FEL to retain a 20% beneficial interest.

Following receipt of a mining proposal, FEL decided to revert its 20% participating equity to a 2% Nett Smelter Royalty for future mining operations, which are expected to commence in the near term.

4.3 Kalgoorlie Nickel Project, WA (FEL: 70-100%)

The Kalgoorlie Nickel Project spans ~700km² and covers a significant part of the Scotia Dome, host of the Silver Swan/Black Swan and Scotia nickel mines. The project comprises a portfolio of tenements either wholly or majority owned by FEL and holds several nickel targets within favourable geological sequences that have remained largely untested to date.

There is over 180 kilometres of strike length of ultramafic rocks, hence the scope for further nickel sulphide discoveries is significant as the nickel belt is underexplored.

FEL is continuing discussions with nickel producers for a possible farm-out of the project.

4.4 Peak Hill Project, WA (FEL: 20% free carried to DTM)

The joint venture, in which Pepinnini Minerals Ltd acquired from Eagle Gold Mines 50% iron ore rights over four leases, includes an area of ~1000km² of mineral leases.

The project is centred on the Fortnum gold mine and processing plant in Peak Hill (~850 kilometres north of Perth) and in addition to high-potential exploration tenements, consists of a refurbished 1.2mtpa gold processing plant as well as established infrastructure, including accommodation, power, water and airstrip.

The project also has established gold inventories of 12.8mt @2.5g/t Au, representing over 1m oz, most of which are within 30 kilometres of the Fortnum gold processing plant.

Eagle Gold (London based) subsequently went into receivership in 2008, with the future of this project currently uncertain.

4.5 Northcote Project, QLD (FEL: 15% free carried to DTM)

The Northcote Project, located in far north Queensland, is a joint venture between the Republic Gold P/L (75%), FEL and International Goldfields Limited. Republic Gold is the sole funder of exploration for the project up to the point where it commits to a mine development.

Recent work has focussed on testing and expanding resources defined by WMC previously. After a recent upgrade, total resources stand at 9.42mt at 1.7g/t Au containing 573,000 ounces Au.

4.6 Mooloogool Iron Ore & Manganese Project (FEL: 100%)

On 20 January 2010, FEL (prior to its name change) announced the conditional acquisition of a private company called Mooloogool Ltd, who was the owner of iron and manganese rights to a 2,023km² tenement application.

The project is located 100 kilometres north of Meekatharra, in the Mid West region of WA, and adjacent to the Peak Hill tenements. The Mid West is an emerging iron ore province considered to have extensive iron ore enrichment, developing infrastructure and high exploration potential for further large-scale discoveries.

Following shareholder approval at the AGM in February 2010 and the granting of all of the tenements including the Mooloogool Iron Ore & Manganese Project, FEL issued ~20.46 million shares and ~12.5 million options (exercisable at 12c, with a 31 December 2012 expiry) as consideration for the transaction.

FEL is presently undertaking further mapping and reconnaissance exploration at Mooloogool.

5. BOARD OF DIRECTORS

DIRECTOR	INTEREST IN FEL	BACKGROUND
<p>Tony Sage <i>Non Executive Chairman</i></p>	<p>~2.07m ord shares; 2.5m unlisted options @ 12c, exp 31 Dec 2012</p>	<p>Mr Sage has in excess of 26 years experience in corporate advisory, funds management (Growth Equities Mutual for 13 years) and capital raisings. Over the last 14 years, he has been involved in the management and financing of listed exploration mining companies globally.</p> <p>He was instrumental in the successful listing of Gabriel Resources Ltd, which operates in the Golden Quadrilateral in Romania. Since listing, Gabriel has accumulated a total reserve of over 13 million oz of gold and 60 million oz of silver.</p> <p>Mr Sage is currently director of ASX-listed companies International Petroleum Ltd, African Petroleum Corporation Ltd, Corvette Resources Corporation Ltd, Cauldron Energy Ltd and Cape Lambert Resources Ltd.</p>
<p>Mark Gwynne <i>Executive Director</i></p>	<p>1.5m unlisted options @ 12c, exp 31 Dec 2012</p>	<p>Mr Gwynne has been involved in minerals exploration and mining for over 16 years, predominantly in WA. He has held management positions mine sites and in the private sector of the mining industry, including general manager of an exploration consultancy.</p> <p>Mr Gwynne was previously a director of ASX-listed company Jackson Gold Ltd, which merged with ASX-listed Scimitar Resources Ltd by Scheme of Arrangement.</p>
<p>Paul Kelly <i>Non Executive Director</i></p>	<p>NIL</p>	<p>Mr Kelly was appointed to the board on 9 April 2010 and has more than 20 years experience in the finance, banking and investments fields. He is currently the CEO of the Perth Glory Football Club and a director of Football West Ltd, a non-for-profit organization.</p> <p>Mr Kelly is the former Non Executive Chairman of Tianshan Goldfields Ltd and was previously National Manager of Advertising and Sponsorship with Members Equity Bank, where he held a number of senior roles over a 15-year period.</p>

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