

FE LIMITED (FEL)

Acquisition of Mt Ida Iron Ore Project and Mt Elvire Exploration Target Upgrade

SPECULATIVE BUY

13 April 2011

Share Trading Info

ASX Code	FEL
Current Share Price (per share)	17c
12-Month Price Target	25c
Trading Low /High (Rolling Year)	7.8c - 26.5c
Diluted Market Capitalisation \$m	22.8
Cash Balance (31 Dec 2010) \$m	1.5

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
Kim Bischoff	Managing Director
Mark Gwynne	Executive Director
Paul Kelly	Non Executive Director

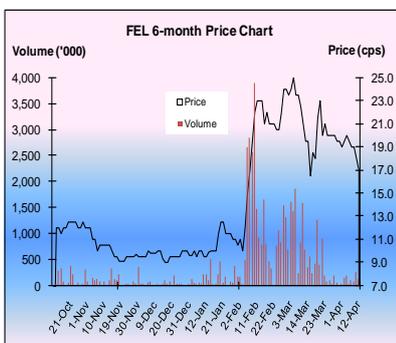
Top 5 Shareholders

Buka Minerals Ltd*	19.3%
Cauldron Energy	13.3%
Triumph Mining P/L	10.6%
Grand Enterprises P/L	9.8%
HSBC Custody Nominees	4.1%

*A subsidiary of Cape Lambert

Important Disclosure

Investors should be aware that FE Ltd is a corporate client of Alpha and that Alpha will receive a consultancy fee from FE Ltd for compiling this research report.



This report on FEL is an update to our Initiating Coverage report dated 16 December 2010.

KEY POINTS

- New acquisition strengthens presence in Yilgarn Province.** FEL has acquired the Mt Ida Iron Ore Project, located in the emerging Yilgarn Iron Ore Province. With the nearby Mt Elvire Iron Ore Project, both projects will benefit from access to existing nearby regional transport infrastructure and future development options.
- Mt Ida comprises a large undrilled banded iron formation (BIF) system in a known area of iron mineralisation.** The new project comprises a large 10-kilometre long magnetic anomaly with known banded iron formations to the north and southwest. FEL plan to carry out an initial drilling program in the second half of 2011 at Mt Ida once ground surveys are completed and regulatory approvals are obtained. Ground surveys have commenced.
- Mt Ida is close to existing infrastructure and adjacent to two other explorers with advanced projects and with potential future consolidation.** The Mt Ida Iron Ore Project is 80 kilometres from the rail way at Menzies giving access to Esperance Port. Other active projects in the district are the Mt Ida Magnetite and Mt Mason DSO Hematite Projects (Jupiter Mines) and the Mt Bevan Iron Ore Project (Legacy Iron Ore and Hawthorn Resources). Jupiter has recently announced both DSO and magnetite BIF Inferred resource estimates and positive results of a scoping study for a 10mtpa magnetite concentrate operation. Legacy has recently commenced drilling and announced it has intersected BIF from 70-110 metres thick to the north of FEL's new project.

Given the proximity of the Mt Ida Iron Ore Project to Jupiter Mines' projects and Legacy Iron Ore's Mt Bevan Project, The Mt Ida Iron Ore Project may become an integral part of any future consolidation of the district.

- New Management.** Mr. Kim Bischoff has been appointed as Managing Director, effective from 21 March 2011. Mr Bischoff's appointment is strategically significant for FEL given his experience in advancing early-stage iron ore assets towards development. His initial focus will be to advance both the Mt Ida and Mt Elvire Iron Projects.
- Exploration target at Mt Elvire upgraded.** FEL has upgraded its exploration target at Mt Elvire by over 200% from 180mt - 200mt to 515mt - 675mt @ 26-46% Fe. A total of 3,855 metres in 50 holes have been drilled to date, mainly at the Iron Crescent prospect. Follow-up drilling has commenced at Camelback, whilst environmental clearances required for further drilling at Iron

1. Acquisition of Iron Ore Project at Mt Ida

1.1 Background

On 22 March 2011, FEL announced the acquisition of a package of iron ore rights (referred to as the Mt Ida Iron Ore Project) from Dempsey Resources P/L, a wholly owned subsidiary of Cape Lambert Resources Ltd. The project's iron ore rights cover an area of 371km² located approximately 180 kilometres NW of Kalgoorlie in the Yilgarn Iron Ore Province (refer to Figure 1).

The iron rights on two of the licenses cover approximately 10 kilometres of undrilled strike of the eastern unit of the Mt Ida-Mt Bevan BIF units, which strike over 25 kilometres NW from Mt Ida in the south (refer to Figure 2).

1.2 Surrounding Infrastructure

The Mt Ida Iron Ore Project area is close to established infrastructure, including sealed road, gas pipeline and rail. The principal deep water bulk commodity port for the region is located at Esperance, with another option being the Kwinana Port at Fremantle. Both Mt Ida and Mt Elvire have road haulage, spur rail line, or concentrate pipeline options to the rail line located at Menzies.

In November 2010, Esperance Port announced a proposal to upgrade the 11.5mtpa iron ore export license capacity by 10 Mtpa within two years followed by another 10mtpa soon after bringing the total to about 32mtpa.

The Mt Ida Iron Ore Project is also in close proximity to the proposed rail upgrade between Kalgoorlie and Esperance to service nearby iron ore projects. The rail upgrade is being undertaken by WestNet Rail in partnership with Cliffs Natural Resources Pty Ltd in order support the 12mtpa of iron ore operation from Koolyanobbing through Esperance Port. At present, Cliffs are exporting ~8mtpa from Esperance Port.

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 and the Mt Ida Iron Ore Project, have implications for the future development of both of these projects, 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 head at Menzies) or slurry pipeline options.

1.3 Fe Prospectivity at Mt Ida

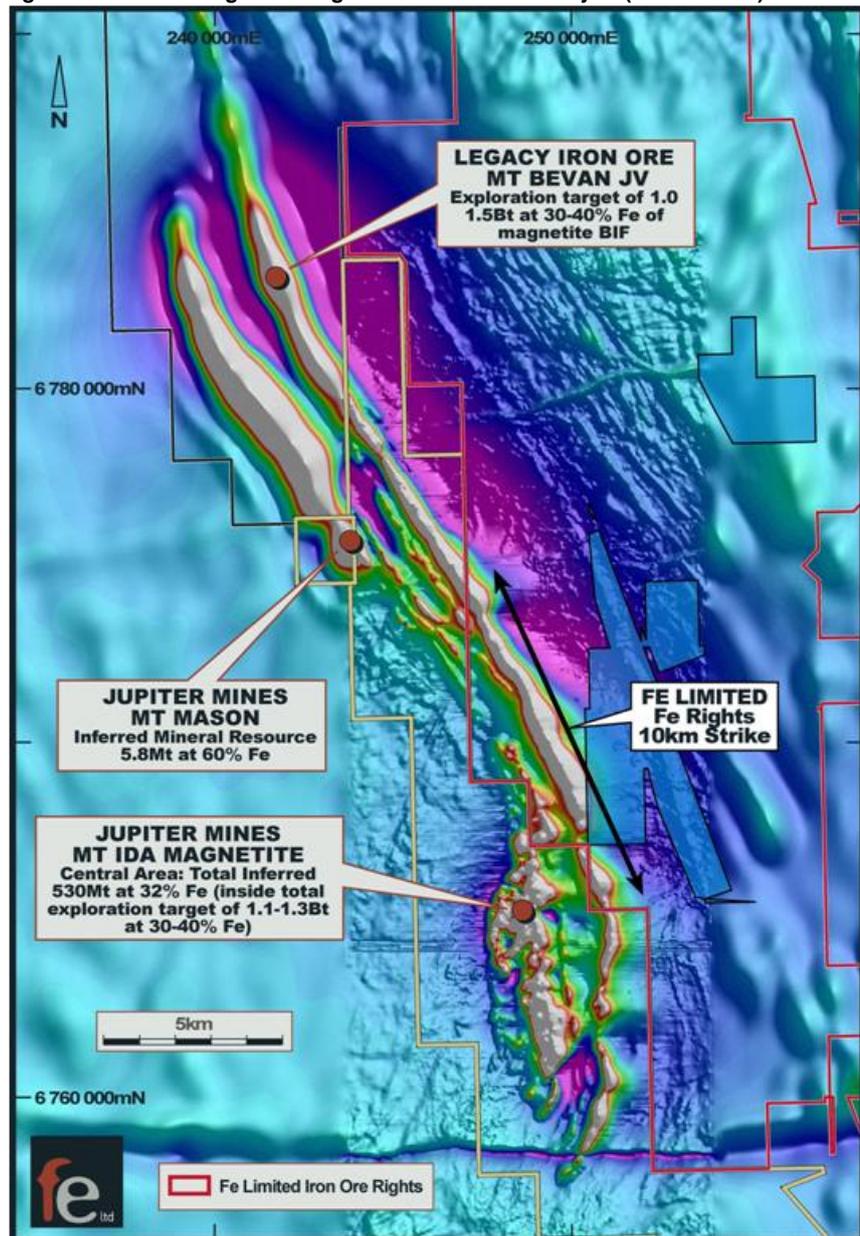
The Mt Ida Iron Ore Project is adjacent to the Mt Ida Magnetite and Mt Mason DSO Hematite Projects (Jupiter Mines) and the Mt Bevan Project (Legacy Iron Ore and Hawthorn Resources). The Mt Ida Magnetite Project contains an Inferred resource (for the Central Zone of the project) of 530mt @ 32% Fe covering 2.2 kilometres of 7.5 kilometres of the western BIF unit at Mt Ida. This resource is part of a 1.1 - 1.3 billion tonne magnetite BIF exploration target previously announced by Jupiter. Jupiter has recently completed a scoping study on its Mt Ida

Magnetite Project, located adjacent to FEL's Mt Ida Iron Ore Project, with positive results.

Jupiter's Mt Mason Project has an Inferred resource of 5.75mt @ 59.9% Fe hematite where Jupiter is currently undertaking a Feasibility Study.

At the Mt Bevan Iron Ore Project, Legacy Iron Ore has estimated an exploration target size of 1.0 - 1.5 billion tonnes @ 30-40% Fe of magnetite BIF. Legacy have recently commenced drilling and reported intersections of BIF up to 110m thick with a shallow dip to the east. The magnetic signature of the Mt Ida Iron Ore Project is very similar to the Mt Bevan BIFs.

Figure 2: Airborne Magnetic Image of Mt Ida Iron Ore Project (Source: FEL)



1.4 Planned Work

FEL has commenced field reconnaissance at the Mt Ida Iron Ore Project. This exploration work includes geochemical sampling, geological mapping and geophysical surveying. The aim of this field work is to define the exploration size potential of the Mt Ida Iron Ore Project and to design an initial drilling program (subject to regulatory and land access approvals being granted) to commence as soon as possible. FEL has commenced preparation of statutory applications for drilling.

2. Appointment of Kim Bischoff as Managing Director

Concurrent with the announcement on the acquisition of the Mt Ida Project, FEL announced the appointment of Mr Kim Bischoff as Managing Director, effective from 21 March 2011. The Board now comprises four directors, including Non Executive Chairman Tony Sage and Executive Director Mark Gwynne.

Mr Bischoff's appointment is strategically significant for FEL given his experience in advancing early-stage iron ore assets towards development, particularly in his most recent roles as a Non Executive Director of DMC Mining Ltd and General Manager of Exploration for Cape Lambert Resources Ltd.

Accordingly, Mr Bischoff's initial focus will be to advance the Mt Ida and Mt Elvire Iron Projects and to undertake a strategic review of the company's other interests. Executive Director Mark Gwynne will oversee the management of FEL's other assets.

2.1 Background on Kim Bischoff

Mr Bischoff is a highly experienced geologist and executive with more than 28 years experience in the mineral industry. He has worked as a professional geologist in technical, line management and general management roles covering mineral exploration, development and production throughout Australia, Africa and SE Asia for several listed companies covering gold, copper and iron ore projects.

3. Mt Elvire Iron Project Update

3.1 Exploration Target Upgraded

Based on field work and drilling completed in 2010 FEL has upgraded its exploration target for the Mt Elvire Iron Project by over 200% from 180mt – 200mt to 515mt - 675mt at 26-46% Fe. The exploration target includes 15mt to 25mt of potential DSO-style mineralisation at 56-62% Fe.

3.2 Drilling update

At **Iron Crescent**, a follow-up program of 15 drill holes was completed late in December 2010 targeting extensions to previously-reported magnetite and DSO-type mineralisation. All the follow-up holes intersected iron mineralisation comprising enriched and oxidized banded iron formation (BIF) and fresh magnetite BIF. Three of the holes in the west of the prospect intersected hematite-goethite mineralisation representing potential DSO material to depths of approximately 30-40 metres below surface.

Drilling to date (3,591 metres in 46 holes) on sections spaced 200-600 metres) at Iron Crescent has tested less than half of the total approximately 10.4 kilometres strike length of outcropping and geophysical targets. Drilling at Iron Crescent has confirmed the occurrence of magnetite BIF in two lodes to >100 metres below surface, overlain by enriched weathered BIF. Two zones of high-grade DSO mineralisation have been located in the south lode at Iron Crescent.

Best results at the Iron Crescent prospect are included in Table 1.

Table 1: Drilling Results at Iron Crescent Prospect

Drill Hole	Down Hole Intercept		Grade (%)					
	From	Length	Fe	SiO ₂	Al ₂ O ₃	S	P	LOI
ICRC33	20m	16m	61.2	4.3	2.9	0.02	0.08	4.37
ICRC37	8m	16m	57.3	9.3	4.0	0.02	0.05	4.26
ICRC38	32m	20m	57.5	11.5	2.60	0.01	0.07	3.26
ICRC45	12m	24m	43.2	24.6	6.50	0.03	0.05	6.47

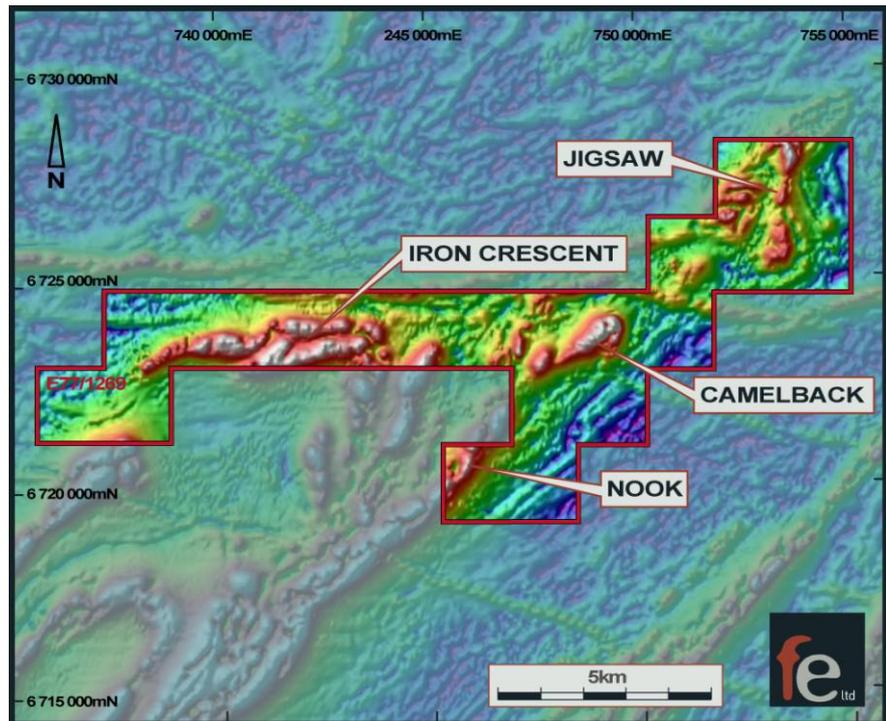
Source: FEL Data; Shaded Area represents DSO High Grade

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

At **Camelback**, which is located approximately seven kilometres east of Iron Crescent, two initial drill holes were completed. Both holes confirmed the occurrence of iron mineralisation with 84 metres @ 35.4% Fe from surface in hole CBRC001 and 68 metres @ 31.7% Fe from surface in CBRC002. FEL have recently commenced a follow-up drilling program at Camelback to test the west limb of the prospect (on 200-metre spaced cross sections). The Camelback prospect comprises BIF outcropping over a strike length of approximately one kilometer, with extensions under cover to the SW and SE apparent from airborne geophysical survey data.

At **Jigsaw**, which is located approximately 5.5 kilometres NE of Camelback, two initial scout drill holes were completed which returned values up to 25% Fe. Further drilling is required to properly test the Jigsaw prospect.

Figure 3: Mt Elvire Iron Project - Location of Prospects on Airborne Geophysics



3.3 Further Work

Further drilling is planned during 2011 at the three known prospects and to test other regional targets. This drilling will focus on testing additional strike and on targeting high grade near-surface iron mineralisation.

Beneficiation metallurgical test work has commenced on samples of magnetite BIF from the Iron Crescent and Camelback prospects with initial results expected to be available in the June quarter 2011.

Resource definition drilling is planned at Iron Crescent in the September 2011 quarter, subject to the receipt of regulatory approvals.

4. Update on Other Iron Projects

A 5,000 RC drilling program is expected to commence at the Robinson Range Iron Ore Project (FEL 20% free carried to DTM) targeting DSO-style mineralisation. The drilling program will be undertaken by JV partner Pepinnini Minerals Ltd (40% iron ore rights and operator) targeting outcropping DSO. Rock-chip samples at Robinson Range have returned up to 67% Fe. Statutory approvals for the drilling program are close to completion.

DIRECTORY – ALPHA SECURITIES

Corporate

George Karantzias

george@alphasecurities.com.au

0401 670 620

Research Analyst

John Haddad

john@alphasecurities.com.au

0407 219 222

Disclaimer

This document has been prepared (in Australia) by Alpha Securities Pty Ltd ABN 94 073 633 664 ("Alpha"), who holds an Australian Financial Services License (License number 330757). Alpha has made every effort to ensure that the information and material contained in this report is accurate and correct and has been obtained from reliable sources. However, Alpha makes no representation and gives no warranties about the accuracy or completeness of the information and material, including any forward looking statements and forecasts made by FE Limited to Alpha, and it should not be relied upon as a substitute for the exercise of independent judgment.

Except to the extent required by law, Alpha does not accept any liability, including negligence, for any loss or damage arising from the use of, or reliance on, the material contained in this report, or as a result of errors or omissions on the part of Alpha or by any of their respective officers, employees or agents.

This report is for information purposes only and is not intended as an offer or solicitation with respect to the sale or purchase of any securities. The securities recommended by Alpha carry no guarantee with respect to return of capital or the market value of those securities. There are general risks associated with any investment in securities. Investors should be aware that these risks might result in loss of income and capital invested. Neither Alpha nor any of its associates guarantees the repayment of capital.

This report and any communication transmitted with it are confidential and are intended solely for the use of the individual or entity to which they are addressed. If you have received this email in error please notify the sender. If you no longer wish to receive communication from Alpha, please contact Alpha requesting to be unsubscribed from future communications.

General Advice Warning

This report may contain general securities advice or recommendations, which, while believed to be accurate at the time of publication, are not appropriate for all persons or accounts. This report does not contain specific securities advice and does not take into account particular investment objectives, financial situation and needs of any particular person. You should carefully assess whether such information is appropriate in light of your individual circumstances before acting on it.

Disclosure

Alpha, its Directors and associates declare that they may have a relevant interest in the securities mentioned herein. This position can change at any time. Alpha also receives fees for advisory services.

Alpha does and seeks to do business with companies covered in its research reports and investors should be aware that Alpha received a consultancy fee from FE Ltd for compiling this research report.