



Fe Limited
ABN: 31 112 731 638

HALF-YEAR REPORT

**FOR THE HALF-YEAR ENDED
31 MARCH 2011**

The information in this report, given to ASX under Listing Rule 4.2A, should be read in conjunction with Fe Limited's most recent annual financial report.



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Corporate Directory

Australian Business Number 31 112 731 638

Country of Incorporation Australia

Board of Directors Antony Sage Non-Executive Chairman
Kim Bischoff Managing Director
Mark Gwynne Executive Director
Paul Kelly Non-Executive Director

Company Secretary Eloise von Puttkammer

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Sydney, NSW 2000

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Auditors Ernst & Young
11 Mounts Bay Road
Perth, WA 6000

Australian Stock Exchange Limited (ASX) Fe Limited's fully paid ordinary shares are quoted on the Official List of ASX. The ASX code is FEL.

Directors' Report

The directors of Fe Limited ("FEL" or the "Consolidated Entity") submit their report for the half-year ended 31 March 2011.

DIRECTORS

The names of FEL's directors in office during the half-year and as at the date of this report are as follows:

Antony Sage (Non-Executive Chairman)
Kim Bischoff (Managing Director) (Appointed 21 March 2011)
Mark Gwynne (Executive Director)
Paul Kelly (Non-Executive Director)
Simon McDonald (Non-Executive Director) (Resigned 3 December 2010)

All directors were in office for the entire period unless otherwise stated.

REVIEW AND RESULTS OF OPERATIONS

FEL's primary activity is exploration for iron ore and precious and base metals in Western Australia.

FEL's strategy is to explore and add value to its Western Australian iron ore projects and position them for development.

FEL is undertaking a strategic review of its gold and nickel interests with a view to divestment to enable it to focus on its iron ore projects, and is actively seeking new investments in bulk and related commodities including iron ore and manganese.

Financial Results

The Consolidated Entity recorded a net loss for the period of \$3,468,866, after recognising an impairment expense of \$3,828,599 (31 March 2010: net profit \$154,509).

REVIEW OF OPERATIONS

CORPORATE

Takeover offer for Padbury Mining Limited

The takeover offer for Padbury Mining Limited ("Padbury") by FEL became unconditional on 29 October 2010 and closed on 22 November 2010. FEL issued 1,540,127 ordinary shares with a scrip value of \$182,628 and \$15,401 cash as consideration for 20,462,948 Padbury shares received under the takeover offer. FEL subsequently sold the Padbury shares generating \$325,464 in cash.

Appointment of Mr Kim Bischoff to the Board of Directors

On 21 March 2011, Mr Kim Bischoff was appointed as Managing Director of FEL.

Mr Bischoff is a highly experienced geologist and executive and has more than 28 years experience in the mineral industry. Mr Bischoff has an Honors degree in Geology and is a member of the Australian Institute of Mining and Metallurgy, and the Australian Institute of Company Directors. Mr Bischoff has worked as a professional geologist and company director in technical, general management and corporate roles covering mineral exploration, development and production for several listed companies covering gold, copper and iron ore projects throughout Australia, Africa and Southeast Asia.

Directors' Report (continued)

PROJECTS

Mt Elvire Iron Ore Project ("Mt Elvire") (100%)

Mt Elvire comprises a single exploration licence (60km²) located 230km northwest of Kalgoorlie in the Yilgarn Iron Province of Western Australia. Mt Elvire is approximately 150km west of the railway at Menzies and 140km north of the railway at Koolyanobbing.

A total of 46 holes for 3,591m of reverse circulation drilling were completed in 2 phases in 2010 at Iron Crescent. This drilling has confirmed the occurrence of BIF (banded iron formation) over a strike length of approximately 6km to date. Assay results for the 15 holes completed in phase 2 included the following significant intersections:

ICRC033: 16m at 61.2% Fe from 20m; and
ICRC043: 80m at 35.1% Fe from 8m.

For full details refer to ASX announcement dated 24 January 2011.

Three of the holes in the west of Iron Crescent intersected hematite-goethite mineralisation representing potential DSO material to depths of approximately 30-40 metres below surface. Further work is planned to follow-up this zone and to identify other DSO targets on the licence.

Assay results for 2 scout drill holes completed in December 2010 at Camelback included the following significant intersections:

CBRC001: 85m at 35.4% Fe from surface;
CBRC002: 68m at 31.7% Fe from surface.

For full details refer to ASX announcement dated 24 January 2011.

Acquisition of Mt Ida Iron Ore Project

On 22 March 2011, FEL entered into an agreement to acquire the iron rights to an area of 371m² ("Mt Ida Project") from Dempsey Resources Pty Ltd, a wholly owned subsidiary of Cape Lambert Resources Limited (ASX: CFE). The Mt Ida Project is located in the Yilgarn Iron Province in Western Australia. Pursuant to the terms of the agreement, consideration for the acquisition is \$50,000 and a production royalty of \$1/tonne of iron ore (Direct Shipping Ore or "DSO" and concentrates) payable to Dempsey Resources Pty Ltd. Completion of the acquisition is subject to the execution of a split commodity agreement on terms acceptable to FEL.

Gympie Eldorado Gold Operations

During April 2011, FEL entered into a conditional agreement to sell its 100% interest in Gympie Eldorado Mining Pty Ltd ("GEM") to BRI Microfine Pty Ltd ("BRI"). On completion, FEL will receive \$50,000 in cash. Consideration for the sale also includes a net smelter return of 6.5% on gold recovered from tailings treatment and 25% of any profits on sale of freehold land. In addition, FEL will be reimbursed \$2.2 million in respect of environmental performance bonds. Completion of the transaction is conditional upon a number of conditions precedent being satisfied by 31 July 2011.

Directors' Report (continued)

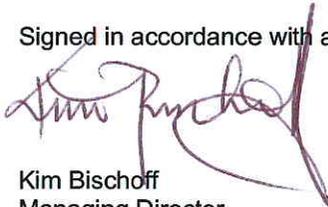
Robinson Range Iron Ore Project (FEL 20% all minerals)

During the half-year, FEL entered into a Joint Venture Agreement ("JVA") to explore and develop the iron ore potential of the Robinson Range Iron Project with partners PepinNini Minerals Ltd ("PepinNini") and Grosvenor Gold Pty Ltd, giving effect to a Heads of Agreement initially entered into in December 2007. Under the JVA, PepinNini will hold a 40% interest and manage exploration on behalf of the Joint Venture. FEL holds a 20% rights to all minerals, free carried to decision to mine.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires Fe's auditors, Ernst & Young, to provide the directors with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration follows and forms part of the Directors report.

Signed in accordance with a resolution of the Directors



Kim Bischoff
Managing Director

10 June 2011

Exploration Targets

The estimates of exploration target sizes mentioned in this report should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimates of exploration target sizes are conceptual in nature and there has been insufficient results received from drilling completed to date to estimate a Mineral Resource compliant with the JORC Code (2004) guidelines. Furthermore, it is uncertain if further exploration will result in the determination of a Mineral Resource.

Competent Person Statement

The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr T. Deane who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Deane is employed as Exploration Manager by Fe Limited, and has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration 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'. Mr Deane consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Auditor's Independence Declaration to the Directors of Fe Limited

In relation to our review of the financial report of Fe Limited for the half-year ended 31 March 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature in black ink that reads 'G H Meyerowitz'.

G H Meyerowitz
Partner
10 June 2011

Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 MARCH 2011

		CONSOLIDATED	
	Note	31 March 2011 \$	31 March 2010 \$
Continuing operations			
Revenue	3(a)	46,621	35,775
Other income	3(b)	128,805	-
		<u>175,426</u>	<u>35,775</u>
Employment benefits and directors remuneration	3(c)	(260,271)	(771,995)
Impairment of exploration assets	3(d)	(3,828,599)	(135,395)
Accounting and audit fees		(50,599)	(85,159)
Legal fees		(61,266)	(31,598)
Consultant costs		(80,411)	(66,922)
Compliance costs		(21,417)	(30,528)
Travel costs		(18,486)	(36,353)
Other expenses	3(e)	(186,668)	(161,890)
Loss from continuing operations before income tax		<u>(4,332,291)</u>	<u>(1,284,065)</u>
Income tax expense		-	-
Loss from continuing operations after income tax		<u>(4,332,291)</u>	<u>(1,284,065)</u>
Discontinued operations			
Profit from discontinued operations after income tax	4	863,425	1,438,574
Net (loss) / profit for the period		<u>(3,468,866)</u>	<u>154,509</u>
Other comprehensive income			
Net fair value loss on available-for-sale financial assets		(23,119)	-
Other comprehensive income for the period		<u>(23,119)</u>	<u>-</u>
Total comprehensive income for the period		<u>(3,491,985)</u>	<u>154,509</u>
Earnings/(loss) per share from continuing operations attributable to the ordinary equity holders of the parent			
-basic for loss for the period (cents per share)		(3.76)	(1.60)
-diluted for loss for the period (cents per share)		(3.76)	(1.60)
Earnings/(loss) per share from continuing and discontinued operations attributable to the ordinary equity holders of the parent			
-basic for profit/(loss) for the period (cents per share)		(3.01)	0.19
-diluted for profit/(loss) for the period (cents per share)		(3.01)	0.19

The accompanying notes form part of these financial statements

Statement of Financial Position

AS AT 31 MARCH 2011

	Note	CONSOLIDATED	
		31	30
		March	September
		2011	2010
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		920,012	1,294,114
Trade and other receivables		55,811	563,570
Prepayments		3,508	9,101
		<u>979,331</u>	<u>1,866,785</u>
Non-current assets held for sale	4	428,454	428,454
Total Current Assets		<u>1,407,785</u>	<u>2,295,239</u>
Non-current Assets			
Deferred exploration and evaluation expenditure	5	1,992,641	5,450,597
Plant and Equipment		69,813	74,577
Available-for-sale financial asset	6	250,189	-
Other receivables	7	2,265,784	1,461,800
Total Non-current Assets		<u>4,578,427</u>	<u>6,986,974</u>
TOTAL ASSETS		<u>5,986,212</u>	<u>9,282,213</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		190,210	814,992
Provisions		155	5,001
		<u>190,365</u>	<u>819,993</u>
Liabilities associated with non-current assets held for sale	4	2,248,984	1,606,000
Total Current Liabilities		<u>2,439,349</u>	<u>2,425,993</u>
Non-current Liabilities			
Provisions		16,000	16,000
Total Non-current Liabilities		<u>16,000</u>	<u>16,000</u>
TOTAL LIABILITIES		<u>2,455,349</u>	<u>2,441,993</u>
NET ASSETS		<u>3,530,863</u>	<u>6,840,220</u>
EQUITY			
Contributed equity	8	33,957,000	33,774,372
Accumulated losses		(32,103,527)	(28,634,661)
Reserves	9	1,677,390	1,700,509
TOTAL EQUITY		<u>3,530,863</u>	<u>6,840,220</u>

The accompanying notes form part of these financial statements

Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 MARCH 2011

	Note	CONSOLIDATED	
		31 March 2011 \$	31 March 2010 \$
Cash flows from operating activities			
Receipts from customers		-	493,591
Payments to suppliers and employees		(1,168,529)	(1,298,658)
Payments for exploration and evaluation		(723,144)	(514,949)
Interest received		46,568	37,190
Interest and other costs of finance paid		-	(808)
Net cash flows used in operating activities		(1,845,105)	(1,283,634)
Cash flows from investing activities			
Proceeds from repayment of loans from BK Exploration Pty Ltd		-	500,000
Proceeds from sale of property, plant and equipment		2,000,390	298,735
Purchase of property, plant and equipment		(6,722)	(7,160)
Proceeds from sale of BK Exploration Pty Ltd		500,000	-
Purchase of available-for-sale investments		(294,145)	-
Payment for exploration assets		(250,000)	-
Cash deposited in relation to performance bonds		(803,984)	-
Proceeds from sale of shares in Padbury Mining Ltd		325,464	-
Net cash flows from investing activities		1,471,003	791,575
Cash flows from financing activities			
Repayment of borrowings		-	(11,731)
Proceeds from issue of shares		-	1,400,000
Share issue costs		-	(72,000)
Net cash flows from / (used in) financing activities		-	1,316,269
Net increase / (decrease) in cash and cash equivalents		(374,102)	824,206
Cash and cash equivalents at beginning of period		1,294,114	1,057,453
Cash and cash equivalents at end of period		920,012	1,881,659

The accompanying notes form part of these financial statements

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 MARCH 2011

CONSOLIDATED

	<i>Issued capital \$</i>	<i>Accumulated losses \$</i>	<i>Equity-settled employee benefits reserve \$</i>	<i>Available for sale reserve</i>	<i>Total \$</i>
At 1 October 2010	33,774,372	(28,634,661)	1,700,509	-	6,840,220
Profit for the period	-	(3,468,866)	-	-	(3,468,866)
Other comprehensive income	-	-	-	(23,119)	(23,119)
	-	(3,468,866)	-	(23,119)	(3,491,985)
Transactions with owners in their capacity as owners					
Shares issued during the period	182,628	-	-	-	182,628
At 31 March 2011	33,957,000	(32,103,527)	1,700,509	(23,119)	3,530,863
At 1 October 2009	28,884,383	(27,569,843)	195,654	-	1,510,194
Profit for the period	-	154,509	-	-	154,509
Other comprehensive income	-	-	-	-	-
	-	154,509	-	-	154,509
Transactions with owners in their capacity as owners					
Shares issued during the period	2,236,715	-	-	-	2,236,715
Transaction costs	(72,000)	-	-	-	(72,000)
Recognition of share-based payments	-	-	467,080	-	467,080
At 31 March 2010	31,049,098	(27,415,334)	662,734		4,296,498

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 MARCH 2011

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

This condensed general purpose financial report for the half-year ended 31 March 2011 has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 September 2010 and considered together with any public announcements made by Fe Limited during the half-year ended 31 March 2011 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

Significant accounting policies

Apart from the changes in the accounting policies noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policies

From 1 October 2010, the Consolidated Entity has adopted all the Standards and Interpretations, mandatory for annual periods beginning on or after 1 October 2010. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Consolidated Entity.

The Consolidated Entity has not elected to early adopt any new standards or amendments.

(a) Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The ability of the Consolidated Entity to continue its planned exploration and evaluation activities is dependent on the Consolidated Entity completing the sale of its 100% interest in Gympie Eldorado Mining Pty Ltd ("GEM") as detailed in note 4. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the sale will complete. In the event that the sale does not complete, the directors are confident that the Consolidated Entity will be able to raise additional capital, to enable it to meet its obligations as and when they fall due.

Should the Consolidated Entity not achieve the matters set out above, there is uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 MARCH 2011

(b) Available-for-sale investments

All available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. Investments are designated as available for sale if they do not have fixed maturities and fixed and determinable payments and management intends to hold them for the medium to long term.

After initial recognition, available-for-sale investments are measured at fair value. Gains or losses are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

2 SEGMENT INFORMATION

FEL has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and in determining the allocation of resources. FEL has only one operating segment, being mineral exploration and all of these activities are conducted in Australia.

3 REVENUE, INCOME AND EXPENSES

	CONSOLIDATED	
	31 March 2011	31 March 2010
	\$	\$
(a) Revenue		
Bank interest	46,621	35,775
(b) Other income		
Gain on sale of available-for-sale financial assets	122,051	-
Other	6,754	-
	<u>128,805</u>	<u>-</u>
(c) Employment benefits and directors remuneration		
Directors fees	(177,501)	(146,498)
Share-based payments expense	-	(467,080)
Wages and salaries	(74,623)	(87,261)
Other employee benefits expense	(8,147)	(71,156)
	<u>(260,271)</u>	<u>(771,995)</u>
(d) Impairment of exploration assets		
Impairment of exploration assets (refer note 5)	(3,828,599)	(135,395)
	<u>(3,828,599)</u>	<u>(135,395)</u>
(e) Other expenses		
Tenement administration fees	(34,190)	(15,805)
Media and printing expenses	(46,295)	(9,143)
Other expenses	(106,183)	(136,942)
	<u>(186,668)</u>	<u>(161,890)</u>

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 MARCH 2011

4 DISCONTINUED OPERATIONS

Half-year ended 31 March 2011

During April 2011, FEL entered into a conditional agreement to sell its 100% interest in Gympie Eldorado Mining Pty Ltd ("GEM") to BRI Microfine Pty Ltd ("BRI"). On completion, FEL will receive \$50,000 in cash. Consideration for the sale also includes a net smelter return of 6.5% on gold recovered from tailings treatment and 25% profits on sale of freehold land. In addition, FEL will be reimbursed \$2.2 million in respect of environmental performance bonds. Completion of the transaction is conditional upon a number of conditions precedent being satisfied by 31 July 2011.

Half-year ended 31 March 2010

In late 2008, the Board decided that the Consolidated Entity would cease mining at the Monkland mine and sell the Monkland operations, related assets and the surrounding exploration tenements. Although the final gold pour from FEL's Gympie Eldorado operations took place in December 2008, the subsequent gold scavenges from the tailings dam and surrounding areas resulted in substantial gold receipts being recognised in the half-year ended 31 March 2010.

On 10 November 2009, FEL reached an agreement with a private consortium to sell its 80% interest in the Maryborough Basin Exploration Tenements, through the sale of its 100% owned subsidiary BK Exploration Pty Ltd. This transaction was approved by shareholders at the Company's annual general meeting on 26 February 2010. The sale of BK Exploration Pty Ltd was completed and a gain on disposal of \$190,500 recognised in the year ended 30 September 2010.

The results of the discontinued operations for the half-year are presented below:

	31 March 2011 Gympie Eldorado Mining Pty Ltd \$	31 March 2010 Gympie Eldorado Mining Pty Ltd \$	31 March 2010 BK Exploration Pty Ltd \$	31 March 2010 Total \$
Revenue from gold sales	-	589,373	-	589,373
Other income from sale of property plant and equipment	2,000,390	610,450	-	610,450
Gain on sale of subsidiary	-	-	710,497	710,497
Rehabilitation expense	(642,984)	-	-	-
Employee benefits expense	(181,847)	(145,939)	-	(145,939)
Site operation costs	(239,810)	(266,140)	-	(266,140)
Administration and other expenses	(81,545)	(58,859)	-	(58,859)
Other income	9,221	-	-	-
Gross profit	863,425	728,885	710,497	1,439,382
Finance costs	-	(808)	-	(808)
Profit from discontinued operations before tax	863,425	728,077	710,497	1,438,574
Income tax	-	-	-	-
Profit from discontinued operations after tax	863,425	728,077	710,497	1,438,574

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 MARCH 2011

4 DISCONTINUED OPERATIONS (cont.)

Assets and liabilities – held for sale of operations of Gympie Eldorado Mining Pty Ltd

	31 March 2011	30 September 2010
	\$	\$
Assets		
Property, plant & equipment	428,454	428,454
Liabilities		
Provision for rehabilitation	(2,248,984)	(1,606,000)
Net liabilities attributable to discontinued operations	<u>(1,820,530)</u>	<u>(1,177,546)</u>

5 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation expenditure	1,992,641	5,450,597
	<u>1,992,641</u>	<u>5,450,597</u>

Movements in exploration and evaluation expenditure

	31 March 2011	31 March 2010
	\$	\$
Opening balance	5,450,597	491,574
Exploration and evaluation expenditure capitalised	370,643	1,601,663
Less: exploration and evaluation expenditure impaired	(3,828,599)	(135,395)
Less: exploration asset disposed	-	(809,492)
	<u>1,992,641</u>	<u>1,148,341</u>

The ultimate recoupment of capitalised costs relating to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest and the Consolidated Entity's ability to continue to meet its financial obligations to maintain the area of interest.

The Consolidated Entity has assessed the carrying amount of the exploration and evaluation expenditure in accordance with AASB 6 'Exploration for and Evaluation of Mineral Resources' and has impaired \$3,828,599 during the current half-year following the decision not to continue exploration in certain areas within the mid-west region of Western Australia. The impairment expense is shown as a separate line item on the Statement of Comprehensive Income.

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 MARCH 2011

6 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED	
	31 March 2011	30 September 2010
Shares – Australian listed	250,189	-
	<u>250,189</u>	<u>-</u>

Movements in available-for sale financial assets

At 1 October 2010	-	-
Shares acquired	471,338	-
Shares disposed	(198,030)	-
Fair value adjustment through equity	(23,119)	-
At 31 March 2011	<u>250,189</u>	<u>-</u>

7 OTHER RECEIVABLES (NON-CURRENT)

	CONSOLIDATED	
	31 March 2011	30 September 2010
	\$	\$
Term deposit (i)	1,461,400	1,461,400
Cash deposits (ii)	804,384	400
	<u>2,265,784</u>	<u>1,461,800</u>

- (i) Term deposits have been pledged as security for a bank guarantee.
- (ii) Cash has been deposited directly with the Department of Employment, Economic Development and Innovation, pledged as security for an environmental performance bond.

The term deposit and cash deposit provide security for the Consolidated Entity's rehabilitation obligations in relation to the tenements held by Gympie Eldorado Mining Pty Ltd. During the half-year, a revised assessment was made in respect of these tenements, requiring further funds of \$803,584 to be deposited.

8 CONTRIBUTED EQUITY

<i>Ordinary shares (i)</i>		
Issued and fully paid	<u>33,957,000</u>	<u>33,774,372</u>

(i) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Movements in ordinary shares on issue

	<i>No. of Shares</i>	<i>\$</i>
At 1 October 2010	113,981,448	33,774,372
Issued pursuant to Padbury Limited takeover offer	1,540,127	182,628
At 31 March 2011	<u>115,521,575</u>	<u>33,957,000</u>

Notes to the Financial Statements

FOR THE HALF-YEAR ENDED 31 MARCH 2011

9 RESERVES

	CONSOLIDATED	
	31 March 2011	30 September 2010
	\$	\$
Share based payments reserve	1,700,509	1,700,509
Available for sale reserve	(23,119)	-
	<u>1,677,390</u>	<u>1,700,509</u>

Movements in options on issue

	<i>No. of Options</i>	<i>\$</i>
At 1 October 2010	19,925,000	1,700,509
Options lapsed	(1,550,000)	-
	<u>18,375,000</u>	<u>1,700,509</u>

10 CONTINGENCIES

At 31 March 2011, there are no known contingent liabilities or contingent assets.

11 EVENTS AFTER THE BALANCE SHEET DATE

Gympie Eldorado Gold Operations

During April 2011, FEL entered into a conditional agreement to sell its 100% interest in Gympie Eldorado Mining Pty Ltd ("GEM") to BRI Microfine Pty Ltd ("BRI"). On completion, FEL will receive \$50,000 in cash. Consideration for the sale also includes a net smelter return of 6.5% on gold recovered from tailings treatment and 25% profits on sale of freehold land. In addition, FEL will be reimbursed \$2.2 million in respect of environmental performance bonds. Completion of the transaction is conditional upon a number of conditions precedent being satisfied by 31 July 2011.



Directors' Declaration

In accordance with a resolution of the directors of Fe Limited, I state that in the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view the financial position as at 31 March 2011 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*; and
- (b) subject to the matters described in note 1(a), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Kim Bischoff
Managing Director

10 June 2011

To the members of Fe Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Fe Limited, which comprises the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fe Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Fe Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our review conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in Note 1(a) to the financial report, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.



Ernst & Young



G H Meyerowitz
Partner
Perth
10 June 2011