



SUMMARY

Corporate

- » Cash at bank of \$1.3 million as at 30 September 2010.
- » Company continues with conditional takeover bid for Padbury Mining Limited.

Gympie Operations (Queensland)

- » Removal of processing plant under way,
- » Remaining freehold land under contract for total of \$2 million, completion in near term upon relinquishment of mining lease,
- » Discussions progressing with private companies for sale of tailings dam site,
- » First shaft capped, remainder to follow near term.

Mt Elvire (Western Australia)

- » Maiden 31 hole reverse circulation drilling program delivers outstanding results, better intercepts include 20m @ 61% Fe, 16m @ 61.3% Fe, 120m @ 32% Fe, 100m @ 32.5% Fe.
- » Detailed structural field mapping under way,
- » Metallurgical test work expected near term.
- » Further drilling of new targets being planned.

Kalgoorlie Nickel Project (Western Australia)

- » Discussions with nickel producers ongoing for farm out.

ACTIVITIES FOR THE QUARTER

Gympie Operations

Removal of the processing plant and associated infrastructure is under way. It is expected that this will be completed early in the next quarter.

Completion of regulatory reporting and inspection of mining tenements is close to completion, with commencement of shaft capping under way. This will allow the finalization of sales contracts for the remaining two freehold blocks, delivering a further \$2 million cash to the Company in the near term.

Negotiations with private companies for the sale of the tailings dam site are continuing, with an outcome anticipated in the next quarter. This will allow the remaining rehabilitation bonds to be transferred to these companies, which will release cash securing performance bonds amounting to \$1.46 million.

Mt Elvire Iron Ore Project

During the quarter, the Company completed its maiden reverse circulation (RC) drilling program at its wholly owned Mt Elvire iron ore project in the Yilgarn Province of Western Australia. The results of this program were set out in ASX announcements dated 1 October and 11 October.

The 31 hole drilling program targeting the Iron Crescent Prospect delivered results that exceeded Company expectations, with 29 of the 31 holes reporting significant mineralisation, including 2 holes which reported "DSO-type" Fe grade results.

The RC drilling program targeted 2.5kms of an outcropping BIF mineralisation with a strike of 5kms. The aim was to test surface mineralisation prior to expanding the program to investigate the potential high-grade exploration* targets located under surficial cover.

As stated in previous announcements, the nature of the iron mineralisation is structurally complex, with extensive localized folding and thickening evident in outcrop. Drill hole orientations may not necessarily be perpendicular to mineralisation, therefore intercept widths may not necessarily be equivalent to "true widths".

Initial laboratory work on drill samples included analysis for the presence of possible metallurgically detrimental elements. The XRF 'whole rock' analysis results for SiO₂ and Al₂O₃ are considered to be comparable to other magnetite deposits in the region. Further work is required to determine the metallurgical association of Fe with silicates, etc.

Detailed metallurgical test work and studies will commence in the near term to determine metallurgical characteristics of the Fe mineralisation, such as recovery and beneficiation parameters and the likely final grade of the iron ore post processing. The magnetite-rich zones are typically highly magnetic and may be favourable to simpler magnetic separation processes.

The Iron Crescent Prospect represents less than 30% of the delineated outcropping targets and less than 15% of all geophysical targets for the Mt Elvire Project.

Detailed structural mapping is currently under way to be followed by a second drilling program at several other prospects, including Camelback, Camelback West and Jigsaw/Iron Maiden. All have reported rock chip samples up to 55%. The use of the company's newly acquired Silicon Drift Detector (SSD) handheld XRF is also being utilised to delineate additional targets. Drilling will commence once regulatory approvals are finalised.

Kalgoorlie Nickel Project

The Company is continuing discussions with nickel producers for the possible farm out of the Kalgoorlie Nickel Project. This large and prospective land holding, covering ~700km², contains multiple nickel prospects and targets.



CORPORATE

Conditional Takeover of Padbury Mining Limited

On 8 July 2010, the Company announced a proposed cash and scrip takeover for all the ordinary shares in Padbury Mining Limited ("**Padbury**"). The Bidder's Statement was lodged with ASX and ASIC on 24 August 2010 and set out that the offer of 1 cent per share (post takeover) and 1 Fe Limited share for every 13 Padbury shares is conditional upon the following:

1. At the end of the offer period, Fe Limited having a relevant interest in at least 51% of all Padbury shares on issue;
2. Fe Limited acquiring all of Padbury's unlisted options on issue for their subscription price of 0.03 cents each;
3. None of the "prescribed occurrences" set out in Section 652C of the Corporations Act occurring during the offer period; and
4. Permission for admission to quotation of Fe Limited shares issued to Padbury shareholders accepting the offer being granted by ASX no later than 7 days after the end of the offer period.

On 10 September 2010, the Company announced that it had freed its offer from the minimum acceptance defeating condition and on 1 October 2010, the offer period close date was extended to 8 November 2010.

As at 30 September 2010 FEL has a relevant interest in 1.1% of PDY shares.

This takeover is in line with the Company's strategy of building a significant iron ore portfolio in the emerging Mid West and Yilgarn regions of Western Australia. The Company has a strong exploration focus to unlock value in exploration projects. If successful, Fe Limited will immediately undertake a review of Padbury projects and commence extensive exploration including drilling.

NEXT QUARTER

Exploration

1. Commencement of follow up work at Mt Elvire, with further field work to be completed. The Mt Elvire Project is located in Windarling/Mt Jackson region of Western Australia, an emerging iron ore district with developing infrastructure and mining.
2. Further field mapping and reconnaissance exploration of the Mooloogool Iron Ore Project in the mid west of Western Australia with a goal of defining near term drill targets to be fast tracked.
3. Continue review of new projects, with focus on Yilgarn and Mid West Provinces of Western Australia.

Yours faithfully
Fe Limited

Mark Gwynne
Executive Director



***Exploration Targets**

Under clause 18 of the JORC code the potential quantity and grade of the Exploration Target is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource.

Competent Person Statement

The information in this report to which this statement is attached that relates to Fe Limited's Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Gary Powell who is a Member of the Australasian Institute of Mining and Metallurgy and the Australasian Institute of Geoscientists. Mr Powell is engaged as a technical advisor to Fe Limited. Mr Powell has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration, and 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'. Mr Powell consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

For further information please contact:

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Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

FE Limited

ABN

34 112 731 638

Quarter ended ("current quarter")

September 2010

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	21	701
1.2 Payments for (a) exploration & evaluation	(592)	(1,910)
(b) development	-	-
(c) production	-	-
(d) administration	(263)	(1,423)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	28	93
1.5 Interest and other costs of finance paid	-	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(806)	(2,540)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(48)	(78)
1.9 Proceeds from sale of: (a) prospects	-	500
(b) equity investments	-	-
(c) other fixed assets	413	785
1.10 Loans to other entities	-	-
1.11 Cash backing security provided for performance bonds	(12)	(12)
1.12 Other (sale of land)	-	273
Net investing cash flows	353	1,468
1.13 Total operating and investing cash flows (carried forward)	(453)	(1,072)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(453)	(1,072)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,328
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	(19)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	1,309
	Net increase (decrease) in cash held	(453)	237
1.20	Cash at beginning of quarter/year to date	1,747	1,057
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	1,294	1,294

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	73
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors fees for executive and non executive directors

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter ended 31 December 2009, the Company completed the acquisition of Jackson Minerals Ltd and a number of exploration assets from Cauldron Energy Ltd. The consideration for this purchase was 10,458,935, shares in FE Limited as well as cash payments of \$250,000, to be paid in two instalments of \$125,000. These cash payments have not yet been made.

On 18 August 2010, the Company completed the acquisition of Mooloogool Ltd. The consideration was the issue of 20,462,948 shares and 12,000,000 unlisted options exercisable at \$0.12 before 31/12/2012 to existing shareholders of Mooloogool Limited,

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	N/A	N/A
3.2 Credit standby arrangements	N/A	N/A

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	600

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,294	1,747
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter* (item 1.22)	1,294	1,747

*in addition to the cash balance reported above, the Company has \$1,461,400 (Jun 2010 Qtr: \$1,449,461) in a term deposit which serves as security for bank guarantees provided by the Company to various state governments to support rehabilitation bonds on exploration tenements.

Appendix 5B
Mining exploration entity quarterly report

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	P24/3751	100%	0%
		P26/3186	100%	0%
		P26/3187	100%	0%
6.2	Interests in mining tenements acquired or increased	E51/1185	0%	100%
		E51/1186	0%	100%
		E51/1187	0%	100%
		E51/1213	0%	100%
		E51/1214	0%	100%
		E51/1215	0%	100%
		E51/1367	0%	100%
		M27/0338	0%	100%

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	113,981,448	113,981,448		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	11,160,491 3,722,210	11,160,491 3,722,210	N/A N/A	N/A N/A
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	12,500,000 5,000,000 500,000 750,000 300,000 375,000 500,000	- - - - - - -	<i>Exercise price</i> \$0.12 \$0.12 \$0.32 \$0.42 \$0.32 \$0.15 \$0.12	<i>Expiry date</i> 31/12/2012 31/12/2012 01/10/2010 01/10/2010 01/10/2010 23/03/2014 31/12/2012
7.8 Issued during quarter	9,091,251	-	\$0.12	31/12/2012
7.9 Exercised during quarter				
7.10 Expired during quarter	500,000	-	\$0.50	27/09/2010
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.12	Unsecured notes (<i>totals only</i>)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date: 29 October 2010
Eloise Von Puttkammer
Company Secretary

Print name:

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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