Fe Limited
ABN: 31 112 731 638

HALF-YEAR REPORT

FOR THE HALF-YEAR ENDED
31 DECEMBER 2018

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.

Contents

Corporate Directory

Australian Business Number	31 112 731 638	
Country of Incorporation	Australia	
Board of Directors	Antony Sage Nicholas Sage Kenneth Keogh	Non-Executive Chairman Non-Executive Director Non-Executive Director
Joint Company Secretary	Catherine Grant-Edwards Melissa Chapman	
Principal Administrative Office and Registered Office	32 Harrogate Street West Leederville WA 6007	
	Telephone: Facsimile:	+61 (0) 8 6181 9793 +61 (0) 8 9380 9666
	Contact: Website:	info@felimited.com.au www.felimited.com.au
Share Registry	Link Market Services QV1 Building, Level 12 250 St Georges Terrace Perth WA 6000	
	Telephone:	1300 554 474 (in Australia) +61 (2) 8280 7761 (outside Australia)
	Website:	www.linkmarketservices.com.au
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**, the **Company** or the **Group**) submit their report for the half-year ended 31 December 2018.

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)
Nicholas Sage (Non-Executive Director)
Kenneth Keogh (Non-Executive Director)

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

REVIEW AND RESULTS OF OPERATIONS

Fe Limited (ASX: FEL) is an Australian company with interests in a portfolio of mineral resource projects at exploration stage located in Australia and the Democratic Republic of Congo (**DRC**).

CORPORATE

Financial Results

The Group recorded a net loss for the period of $815,575 (31 December 2017: $511,709).

Annual General Meeting

The Company's Annual General Meeting was held on 30 November 2018 (**AGM**). All resolutions put to the meeting were passed on a show of hands.

Shares released from escrow

On 6 November 2018, 25,000,000 shares in the Company were released from escrow.

Shares issued

On 24 December 2018 the Company issued 2,750,000 shares to director Mr Antony Sage following receipt of shareholder approval at the AGM.

Options issued

On 24 December 2018 the Company issued a total of 20,000,000 unlisted options at $0.045 expiring 31 May 2020 to directors and a consultant, as approved by shareholders at the AGM.

PROJECTS

Kasombo Project - Democratic Republic of Congo

The Kasombo Project is held by Soludo Lambert Mining SAS (**Soludo Lambert**) and is located 25km from the DRC's second largest city, Lubumbashi, in the Katanga Copper Belt of the DRC. Soludo Lambert is a 50/50 joint venture company between Congolese entity Paragon Mining SARL and Cape Lambert Resources Limited. On 6 November 2017, the Company completed the acquisition of Cape Lambert Resources Limited's (**Cape Lambert**) interests in the Kasombo Project, where-in Cape Lambert assigned all its rights and obligations in the Kasombo Project to the Company (full details of the assignment are described in the Notice of Annual General Meeting, refer ASX announcement dated 14 October 2017).

The Kasombo Project comprises three mineralized areas, Kasombo 5, 6 and 7, situated within an approximately 600 hectare area, located within two granted mining licenses PE 481 and PE 4886 (**Licences**), refer Figure 1. The Licences are held by La Generale Des Carrieres Et Des Mines S.A. (**Gecamines**).

During the period the results of sampling from the trenching programme undertaken at Kasombo 7 were reported (refer ASX announcement dated 23 August 2018). Samples taken returned significant cobalt grades from two trenches and strongly anomalous grades in the remainder within the expected stratigraphic sequence particularly when all samples were taken from the heavily leached top few metres of the weathering profile (refer Table 1).

In June 2018, in addition to trenching, the Company engaged the services of the Department of Geology from the University of Lubumbashi (University), to undertake a ground magnetics and a geochemical survey of the Kasombo area utilizing termite mound sampling. The ground magnetics field work consisted of 12 survey lines of approximately 1.2km each in length, and 400m apart oriented N-S, totalling a cumulative length of 20.2km. A total of 137 termite mound samples were collected as part of the geochemical survey over the known fragments and their surrounds. The results of the trench mapping and sampling correlated well with the geochemical and magnetic work and have provided good targeting information to possibly extend the known mineralization with future drilling.

Table 1: Trench summary assay

Trench_ID	From	To	Thick	Co_ppm	Comment
KSB_TR001	20.4	24.9	4.5	650	
KSB_TR001	53.2	61.2	8.0	590	
KSB_TR002	3.0	9.0	6.0	585	
KSB_TR003					no significant Co assay
KSB_TR004	4.0	6.0	2.0	920	
KSB_TR005	21.0	28.0	7.0	690	
KSB_TR006	42.0	52.0	10.0	2050	
KSB_TR007	16.0	28.0	12.0	2300	

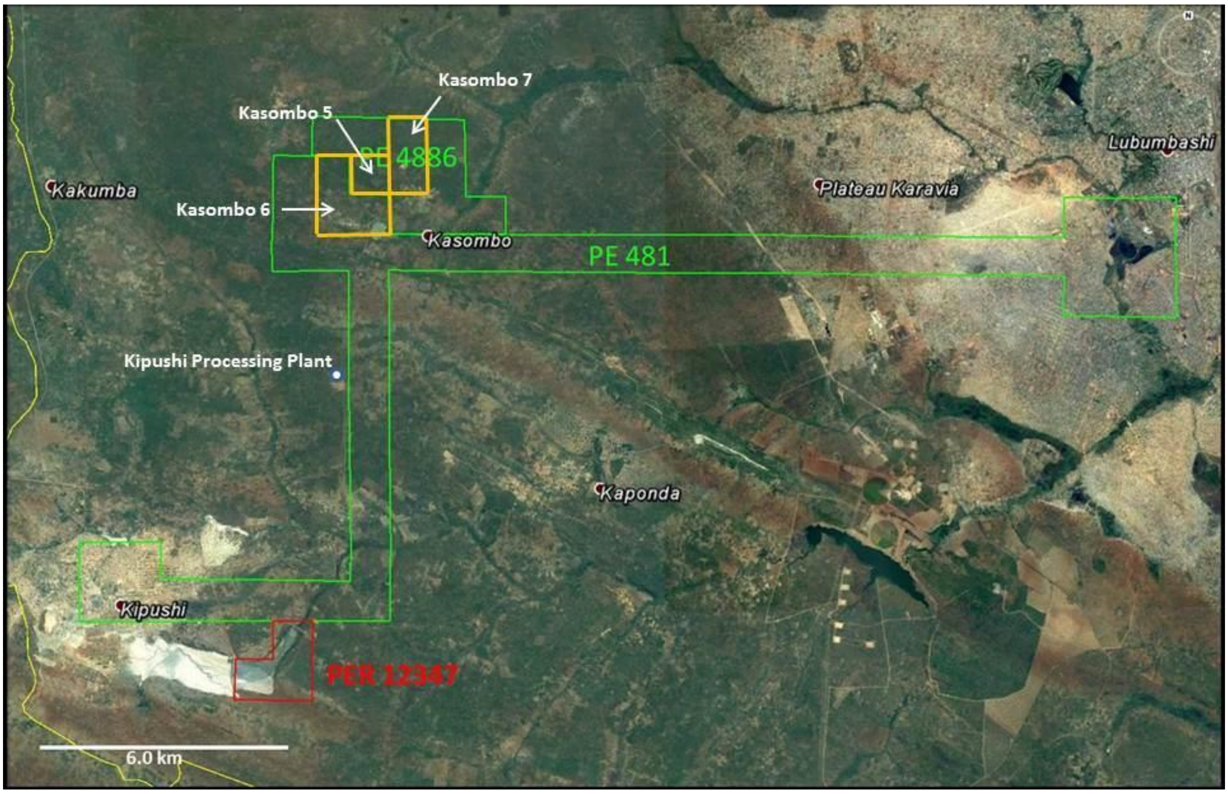

Figure 1: Location of Kasombo Project and nearby Kipushi Processing Plant

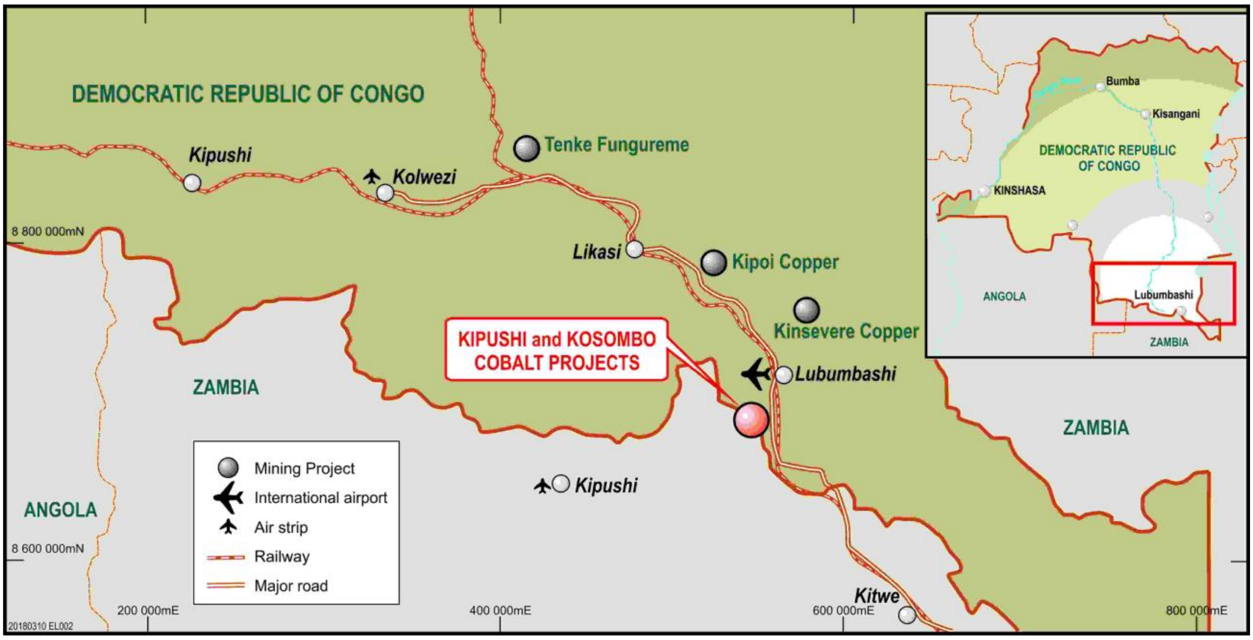

Figure 2: Kasombo Location Map

Western Australia

The Company holds, or has rights or interests in various tenements prospective for iron, nickel, copper and gold located in Western Australia.

The Company and its subsidiary entities have not carried out any exploration, development or mining production activities during the period. No beneficial interest in any tenements were acquired or disposed of during the half-year ended 31 December 2018.

Bryah Basin Joint Venture Projects ("Bryah Basin") (FEL 20% rights)

FEL, via its wholly owned subsidiary, Jackson Minerals Pty Ltd (**Jackson Minerals**), has a 20% interest in twelve tenements covering an area of 802 km² in the highly prospective Bryah Basin area, including tenements proximal to Sandfire Resources NL (ASX: **SFR**) Doolgunna Project and DeGrussa copper gold mine.

The Bryah Basin Project tenements are subject to joint ventures and farm-ins with Westgold Resources Limited (ASX: **WGX**), Billabong Gold Pty Ltd (**Billabong**), Alchemy Resources (Three Rivers) Ltd (ASX: **ALY**), Auris Minerals Ltd (ASX:**AUR**) and SFR, refer Figure 3.

The Bryah Basin is emerging as a highly prospective and largely under-explored mineral field with potential for further discovery of gold and base metals.

Auris Projects - AUR 80% in all minerals (except gold for E52/1659 and E52/1671) and FEL 20% in all minerals

FEL, via its subsidiary, Jackson Minerals, holds a 20% interest in all minerals in five exploration licences and three prospecting licences (E52/1659 and E52/1671 and P52/1484-1486 within AUR's "**Forrest Project**" and E51/1033, E52/1613, E52/1672 within AUR's "**Morck Well Project**") covering a total of 607km². WGX acquired AUR's 80% gold right interests in E52/1659 and E52/1671 (Forrest Project) via Metals X Ltd. SFR has a farm-in and joint venture with FEL and AUR where SFR can earn an interest in the Morck Well Project tenements E51/1033, E52/1613, E52/1672 by completing a minimum spend of $2.0m on exploration over 2 years (see ASX:AUR announcement 27 February 2018 for details). FEL's 20% interests in all minerals for E52/1659, E52/1671 and P52/1484-1486 are free carried until Decision to Mine.

Forrest Project: Forrest (E52/1671), Wodger (E52/1659), Big Billy Prospects (E52/1659)

The "Forrest", "Wodger" and "Big Billy" Prospects are located along a 12km mineralized Cu+-Au trend which hosts multiple targets for volcanic-hosted massive sulfide ("VHMS") style mineralization. The Wodger and Forrest prospects are confirmed as priority prospect in AUR's Bryah Basin exploration portfolio.

During the December 2018 quarter AUR completed a total of 83 holes for 7,328m of aircore drilling along 6km of prospective strike between Wodger and Big Billy. Recent geological interpretations of the area suggested that the corridor is underlain by the prospective Upper Narracoota Formation volcanics in contact with overlying sediments of the Ravelstone Formation. The aircore drilling has largely confirmed this interpretation and the prospective 'Upper contact' has been mapped at a broad scale. The drilling has highlighted three additional exploration targets for further focused work and more aircore drilling is planned to test the mineralisation and upper contact here in detail. Refer to ASX:AUR announcements 10 October 2018 and 5 December 2018 for details.

AUR also completed RC drilling at the Forrest and Wodger Copper Prospects during the December 2018 quarter. The 18 hole RC drilling programme was designed to test several targets adjacent to existing high-grade copper mineralisation with the aim to prove geological and grade continuity within and between sections, and to confirm the dip and plunge of mineralisation. Ten holes were drilled at Wodger (for 2,182m) and seven holes at Forrest (for 1,742m) for a total of 3,924m. Malachite was logged in five of the Wodger holes at the expected target depths. Refer to ASX:AUR Announcements 16 November 2018 and 24 December 2018 for details. Drill results were announced 4 February 2019 (refer "Events after the balance date").

AUR also announced that recent multi-element analysis of historic drilling pulps, previously only tested for gold, highlighted a new intersection of 9m at 5.8% Cu from 76m in hole FPRC022 at Forrest. Refer to ASX:AUR Announcement 16 November 2018 Table 1 for complete assay results and further details.

***Morck's Well Project (*E51/1033, E52/1613, E52/1672)**

The Morck Well Prospect is located in the eastern part of the Bryah Basin and contains approximately 40km of strike length of the highly prospective Narracoota Volcanic Formation. The northern boundary of Morck Well is adjacent to Sandfire Resources NL's DeGrussa-Doolgunna exploration tenements.

During the December 2018 quarter SFR completed the following work on the Morck Well JV Project, seven RC holes for 3,177m, 784 aircore holes for 56,429m, one down hole electromagnetic (DHEM) survey and moving loop electromagnetic (MLEM) surveys over the Karalundi Formation.

RC holes were drilled by SFR to test the southwest strike extension of the sulphide hosting sediment horizon defined in recent aircore drilling and to test anomalous geochemistry (Cu, Zn, Bi & Sn) in aircore drilling west of MWRC0007. Packages of hematite and/or magnetite-bearing exhalative sediments were intersected as well as strongly chlorite-altered siltstone and basalt, with minor disseminated pyrite and lesser chalcopyrite. Refer to ASX:AUR announcement 18 October 2018 for more details.

Aircore drilling by SFR focussed on the Karalundi and Narracoota Formations. Significant assays returned from the aircore drilling included 1m @ 1,250ppm Cu (MWAC0424) and 10m @ 1,630ppm Cu (MWAC0758). Refer to ASX:AUR Announcement 18 October 2018 for results and further details.

Results were received from diamond drill hole MWDD0001 where a 4.78m interval of non-coincident gold and low-grade copper mineralization was identified from 212.44m, including 2.88m @ 1.52g/t Au from 212.44m. Refer to ASX:AUR Quarterly Report 29 October 2018, for results and further details.

Future work planned by SFR includes DHEM surveys, two diamond drill holes and RC and aircore drilling.

Alchemy Projects - ALY 80% in all minerals and FEL 20% in all minerals free carried to Decision to Mine

FEL, via its wholly owned subsidiary Jackson Minerals, holds a 20% interest in all minerals free carried to Decision to Mine in four exploration licenses (E52/1668 ("Reefer" and "Flamel" prospects), E52/1678 ("Troy" prospect), E52/1722 ("Neptune" prospect), E52/1730 ("Henry" prospect) jointly known as the **Jackson Tenements**. Additionally, FEL has 20% beneficial interest in all minerals in part of E52/1852 previously held under P52/1167 and P52/1168, held in trust for FEL by ALY/Billabong, FEL has no registered interest in E52/1852.

The project covers approximately 45km strike of the prospective Narracoota Volcanic Formation sequence in the Bryah Basin and is proximal to SFR's Doolgunna Project and the recently discovered Monty Prospect.

Base Metals Rights – ALY/IGO/FEL E52/1668, E52/1678, E52/1722 and E52/1730

ALY has entered into a farm-in and joint venture with SFR (refer to ASX:FEL 14 August 2018 and ASX:ALY 5 November 2014 for relevant information and diagrams). SFR is earning up to 70% interest in base metals rights, excluding iron ore rights, in relation to whole area of E52/1722 and parts of E52/1668, E52/1678 and E52/1730.

FEL has not received any updates from ALY or SFR regarding this project during the period.

All Mineral Rights - ALY/Billabong/FEL E52/1668, E52/1678, and E52/1730

Billabong, through an assignment of interests from NST, entered into a Farm-In and Joint Venture agreement with ALY (refer to ASX:ALY 24 February 2015), in regard to parts of E52/1668, E52/1678 and E52/1730 (excluding those parts being farmed into by IGO) and also to earn an 80% interest in the whole of E52/1852. FEL retains its 20% free carried interests in all minerals to decision to mine, via wholly owned subsidiary Jackson Minerals.

FEL has not received any updates from ALY or Billabong regarding this project during the period.

Mt Ida Gold - FEL, Mt Ida Iron Ore Project

Mt Ida is approximately 80km northwest of the operational railway at Menzies, which offers access to existing port facilities at Esperance.

The Mt Ida Iron Ore Project (**Mt Ida Iron Project**) provides FEL the rights to explore and mine for iron ore on two exploration licenses (E29/640 and E29/641) and 3 mining leases (M29/2, M29/165 and M29/422), held by Mt Ida Gold Pty Ltd, covering approximately 120km^2 in the emerging Yilgarn Iron Province. The rights give provision for FEL to retain revenue from any iron ore product it mines from the tenure. FEL has no registered interest in these tenements.

The Mt Ida Project area covers part of the Mt Ida - Mt Bevan banded iron formation, which is currently being explored and evaluated by Jupiter Mines Limited and Legacy Iron Ore Limited.

FEL has not received any updates from Mt Ida Gold Pty Ltd regarding this project during the period.

Evanston Iron Ore Royalty (Mineral Resources Ltd)

FEL holds a 1.5% Dry Metric Tonne, FOB Royalty over two tenements (E77/1322 and M77/1259) within the Evanston Project. The tenements are approximately 20kms north of the Windarling mine. The Evanston Iron Ore Project is located in the Southern Yilgarn Iron Province of Western Australia and covers an area of 167km², of which E77/1322 and M77/1259 cover a combined area of 76.92km².

FEL has not received any updates from Mineral Resources Ltd regarding this project during the period.

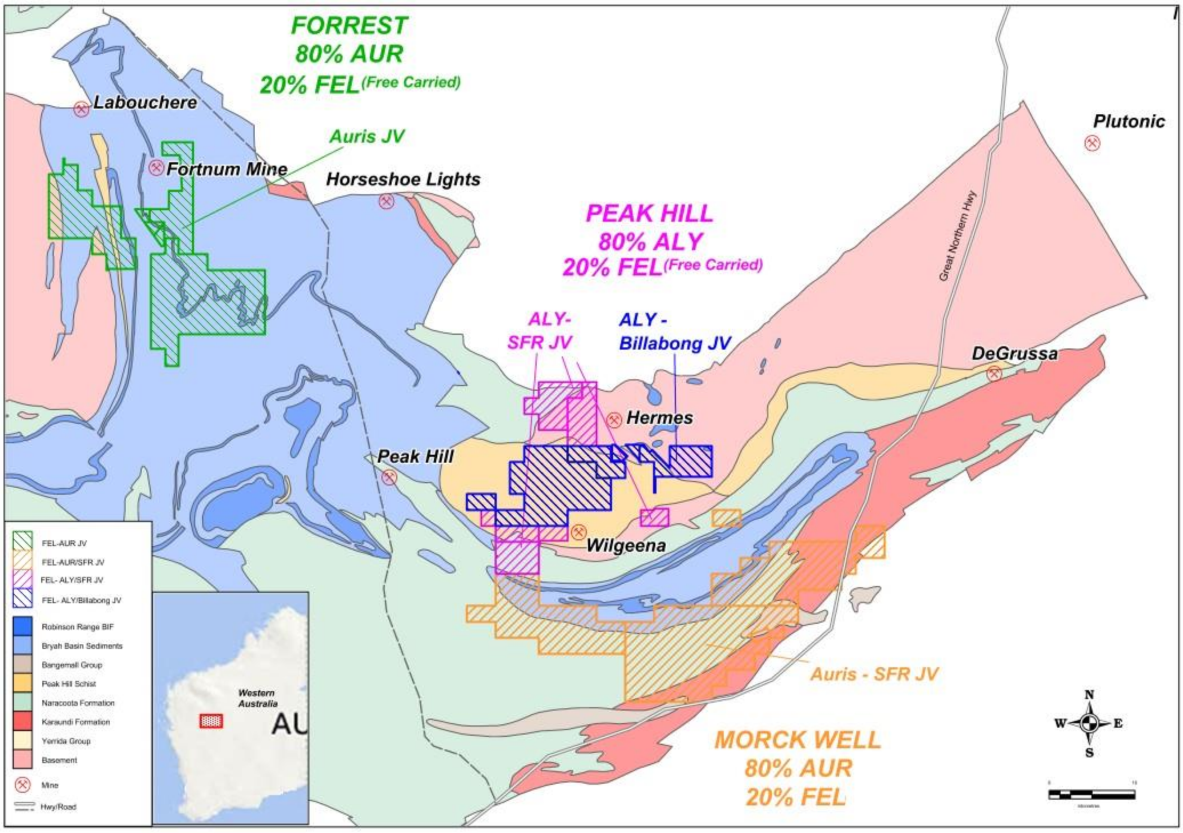

Figure 3: FEL exploration tenement portfolio in the Bryah Basin showing AUR, ALY, SFR and Billabong JV areas

Competent Person Statement

The information in this report is compiled and collected by Mr Olaf Frederickson, who is a Member of the Australasian Institute of Geoscientists. Mr Frederickson has sufficient experience that is relevant to the style of mineralisation, type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration, Results, Mineral Resource and Ore Reserves (JORC Code 2012). Mr Frederickson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Events after the balance date

On 4 February 2019 AUR announced significant copper and gold results from reverse circulation drilling completed at the Forrest and Wodger Prospects. FEL holds a 20% interest in the Forrest Project tenements.

On 22 February 2019 FEL announced that it had entered into an agreement (**Acquisition Agreement**) to acquire the Pippingarra Lithium Project and the Marble Bar Lithium Project (**Project**) from Mercury Resources Group Pty Ltd (an unrelated private exploration and mining group) (**Mercury**) for FEL shares, 15 million FEL options, a 1% net smelter royalty and $200,000 in cash payable in instalments. Pursuant to the terms of the Acquisition Agreement, completion remains subject to certain conditions precedent before 30 June 2019 (refer announcement for further details).

On 22 February 2019 FEL announced it had received firm commitments for a placement to raise $400,000 through the issue of fully paid ordinary FEL shares (**Placement Shares**) at an issue price of $0.02 per Share, with one unlisted option for every two Placement Shares issued at an exercise price of $0.03 each expiring 2 years from date of issue (**Options**) (**Placement**). As at the date of this report, $225,000 has been received under the Placement, with the Placement securities to be issued once the balance of the funds are received.

There are no other events subsequent to 31 December 2018 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires Fe Limited'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

Antony Sage
Non-Executive Chairman
Perth

1 March 2019

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Auditor's Independence Declaration to the Directors of Fe Limited

As lead auditor for the review of the half-year financial report of Fe Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review.

b) No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fe Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

V L Hoang
Partner
1 March 2019

Consolidated Statement of Comprehensive Income

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 $	31 December 2017 $
Interest income	3(a)	1,675	1,188
		1,675	1,188
Exploration and evaluation expenditure		(362,367)	(195,038)
Employee benefits expense and director remuneration	3(b)	(96,000)	(66,000)
Legal costs		(203)	(31,560)
Share-based payments expense		(75,210)	-
Accounting and audit fees		(39,937)	(18,522)
Consultants costs		(37,000)	(54,000)
Compliance costs		(52,050)	(81,815)
Travel costs		(22,668)	(3,492)
Other expenses	3(c)	(131,815)	(62,470)
Loss before income tax		(815,575)	(511,709)
Income tax expense		-	-
Loss after income tax		(815,575)	(511,709)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
-		-	-
Other comprehensive income / (loss) for the period		-	-
Total comprehensive loss for the period		(815,575)	(511,709)
Loss per share from attributable to the ordinary equity holders of the parent			
-basic loss for the period (cents per share)		(0.24)	(0.16)
-diluted loss for the period (cents per share)		(0.24)	(0.16)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Note	31 December 2018 $	30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	42,126	894,442
Trade and other receivables		13,697	13,486
Other assets		17,947	4,141
Total Current Assets		73,770	912,069
Non-current Assets			
Exploration assets	5	735,000	735,000
Plant and equipment		148	174
Total Non-current Assets		735,148	735,174
TOTAL ASSETS		808,918	1,647,243
LIABILITIES			
Current Liabilities			
Trade and other payables	6	194,769	292,729
Total Current Liabilities		194,769	292,729
TOTAL LIABILITIES		194,769	292,729
NET ASSETS		614,149	1,354,514
EQUITY			
Contributed equity	7	39,419,564	39,381,064
Accumulated losses		(40,628,952)	(39,813,377)
Reserves	8	1,823,537	1,786,827
TOTAL EQUITY		614,149	1,354,514

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	31 December 2018 $	31 December 2017 $
Cash flows from operating activities			
Payments to suppliers and employees		(365,272)	(204,977)
Interest received		1,675	1,188
Payments for exploration and evaluation costs		(488,719)	(178,016)
Net cash flows used in operating activities		(852,316)	(381,805)
Cash flows from investing activities			
Cash flows from investing activities		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Application funds received		-	730,000
Net cash flows from financing activities		-	730,000
Net increase / (decrease) in cash and cash equivalents		(852,316)	348,195
Cash and cash equivalents at beginning of period		894,442	422,649
Cash and cash equivalents at end of period	4	42,126	770,844

The accompanying notes form part of these financial statements

Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Contributed equity	Accumulated losses	Share based payments reserve	Total
	$	$	$	$
At 1 July 2018	39,381,064	(39,813,377)	1,786,827	1,354,514
Loss for the period	-	(815,575)	-	(815,575)
Other comprehensive income	-	-	-	-
	-	(815,575)	-	(815,575)
Transactions with owners in their capacity as owners				
Share-based payments	38,500	-	36,710	75,210
At 31 December 2018	39,419,564	(40,628,952)	1,823,537	614,149
At 1 July 2017	37,395,564	(38,731,102)	1,727,991	392,453
Loss for the period	-	(511,709)	-	(511,709)
Other comprehensive income	-	-	-	-
	-	(511,709)	-	(511,709)
Transactions with owners in their capacity as owners				
Shares issued, net of costs	735,000	-	-	735,000
At 31 December 2017	38,130,564	(39,242,811)	1,727,991	615,744

The accompanying notes form part of these financial statements

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

(a) General information and basis of preparation

The half-year financial report for the period ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 28 February 2019.

Fe Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded.

This half-year financial report is a condensed general purpose financial report, which has been prepared in accordance with *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

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 Group 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 June 2018 and considered together with any public announcements made by Fe Limited during the half-year ended 31 December 2018 in accordance with the continuous disclosure obligations of the ASX Listing Rules.

(b) Significant accounting policies

New and amended accounting standards and interpretations

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2018, including:

AASB 9 *Financial Instruments* (AASB 9)

AASB 9 *Financial Instruments* (**AASB 9**) replaces AASB 139 *Financial Instruments: Recognition and Measurement* (**AASB 139**) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has adopted AASB 9 retrospectively in accordance with the standard; changes in accounting policies resulting from the adoption of AASB 9 did not have a material impact on the Company's consolidated financial statements.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, receivables and available for sale. Under AASB 9, on initial recognition a financial asset is classified as measured at:

a. Amortised cost;

b. Fair Value through Other Comprehensive Income (**FVOCI**) – debt investment;

c. FVOCI – equity investment; or

d. Fair Value through Profit or Loss (**FVTPL**)

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

As of 30 June 2018, the Company's financial instruments consist of cash and cash equivalents, trade and other receivables and trade and other payables.

Cash and cash equivalents and trade and other receivables previously designated as receivables under AASB 139 are now classified as amortised cost under AASB 9. The trade and other payables are designated as other financial liabilities, which are measured at amortised cost.

The cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair value due to their short-term nature.

Other financial liabilities (as reported in the balance sheet) are reported as financial liabilities and measured through the fair value through the profit and loss.

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

The three levels of the fair value hierarchy are:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values based on inputs, including quoted prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the directors concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Group recognises lifetime ECL. The result of the assessment is as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Trade and other payables	Financial Liability at amortised cost	Financial liability at amortised cost

The change in classification has not resulted in any re-measurement adjustment at 1 July 2018.

AASB 15 *Revenue from Contracts with Customers* (AASB 15)

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach.

AASB 15 supersedes AASB 18 Revenue, AASB 111 Construction Contracts and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 July 2017 and at 1 July 2018 it was determined that the adoption of AASB 15 had no impact on the Group.

New accounting standards and interpretations issued but not yet effective

The Company has not elected to early adopt any new accounting standards and interpretations.

(c) 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.

At balance date, the Group had cash and cash equivalents of $42,126 (30 June 2018: $894,442) and a net working capital deficit of $120,999 (30 June 2018: $619,340 surplus). The net working capital deficit is attributed to the trade and other payables outstanding at 31 December 2018 of $194,769. As disclosed in note 6, a significant portion of this balance relates to related party payables.

Subsequent to 31 December 2018, the Company announced it had received firm commitments for a placement to raise $400,000 through the issue of fully paid ordinary FEL shares (**Placement Shares**) at an issue price of $0.02 per Share (**Placement**). At the date of this report, $225,000 has been received under the Placement, with the Placement securities to be issued once the balance of the funds are received. On 22 February 2019, FEL announced it had entered into an agreement (**Acquisition Agreement**) to acquire the Pippingarra Lithium Project and the Marble Bar Lithium Project (**Project**) from Mercury Resources Group Pty Ltd (an unrelated private exploration and mining group) (**Mercury**). Under the terms of the Acquisition Agreement, completion remains subject to certain conditions precedent, including FEL raising, by no later than 15 days after the Acquisition Agreement, $400,000 through the issue of fully paid ordinary shares at $0.02 per Shares, from persons nominated by Mercury (**Vendor Placement**). Refer ASX Announcement dated 22 February 2019 for further details. The Group has also received confirmation from its largest outstanding related party creditor that the outstanding payable will not be called on until the share placement is completed.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due because the directors are confident that the Group will be able to obtain the additional funding required through capital raisings or continued support from its existing shareholders.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group 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 report. The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

2 SEGMENT INFORMATION

The Group 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. The Group has only one operating segment, being mineral exploration. The financial results from the segment are equivalent to the financial statement of the Company as a whole. $148 of non-current assets are located in Australia (30 June 2018: $174) and $735,000 of non-current assets are located in the Democratic Republic of Congo (**DRC**) (30 June 2018: $735,000).

3 REVENUE, INCOME AND EXPENSES

	31 December 2018 $	31 December 2017 $
(a) Revenue		
Bank interest	1,675	1,188
(b) Employment benefits and director remuneration		
Directors fees	96,000	66,000
(c) Other expenses		
Promotional and investor relations	89,557	27,370
Occupancy costs	18,368	18,368
Insurance costs	10,496	8,589
Tenement management	5,665	4,453
Other	7,729	3,690
	131,815	62,470

4 CASH AND CASH EQUIVALENTS

	31 December 2018 $	30 June 2018 $
Cash and cash equivalents		
Cash at bank and on hand	42,126	894,442

5 EXPLORATION ASSETS

	31 December 2018 $	30 June 2018 $
Acquisition Cost – Kasombo Project (a)	735,000	735,000

(a) On 6 November 2017, the Company completed the acquisition of the Kasombo Project from Cape Lambert Resources Limited (**Cape Lambert**) and were assigned 100% of Cape Lambert's rights and obligations to the Kasombo Project (**Kasombo Acquisition**). Consideration for the acquisition included the issue of 25,000,000 shares to Cape Lambert (subject to 12 month escrow) and 10,000,000 shares to the facilitator to the transaction, at an issue price of $0.021 per share. Given the fair value of the Kasombo project could not be determined reliably at the date of acquisition, the fair value of the equity consideration paid at acquisition date of $735,000, based on the Company's share price on 6 November 2017, has been used to record the value of exploration and evaluation assets on initial recognition in accordance with the Group's accounting policies.

As further disclosed in note 12, FEL will be obliged to make further payments in the event that production is achieved at the Kasombo Project, including the following share based payments:

(i) issue Pelesa & Associates Law Firm (Pelesa) (being the party that introduced Paragon's Kasombo Proejct, Kipushi Tailings Project and Kipushi Processing Plant to Cape Lambert and later facilitated and assisted in negotiating the JV Agreement) 25,000,000 shares within 5 business days of achieving production at the Kasombo Project (or within 5 business days of receiving FEL shareholder approval if required); and

(ii) issue Cape Lambert 25,000,000 shares within 5 business days of achieving production at the Kasombo Project (or within 5 business days of receiving FEL shareholder approval if required).

The Company assessed the probability of these obligations being met was insignificant at acquisition date, and as at 31 December 2018, and no share based payments expense has been recognised for the current period.

6 TRADE AND OTHER PAYABLES

	31 December 2018 $	30 June 2018 $
Trade payables (a)	79,740	47,928
Other payables (b)	13,000	154,305
Kasombo Acquisition Pre-Settlement Exploration Expenditure (c)	49,130	49,130
Related party payables – others (d)	52,899	41,366
	194,769	292,729

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(b) Other payables are non-interest bearing and have varying terms.

(c) Pursuant to the Kasombo Acquisition agreement, FEL is required to reimburse Cape Lambert for expenditure incurred by Cape Lambert since acquisition of its interest in the Kasombo Project (**Pre-Settlement Expenditure**) up to maximum amount of $125,000 (subject to ASX's confirmation that it is reimbursement of expenditure incurred in the development of the asset). FEL received a final invoice for Pre-Settlement Expenditure from Cape Lambert for $99,130, which was recorded in exploration and evaluation expenditure in the Statement of Comprehensive Income for the year ended 30 June 2018. FEL had initially advanced Cape Lambert $50,000 as a contribution towards the Pre-Settlement Expenditure, such that the outstanding balance of the invoiced amount at 30 June 2018 was $49,130. This amount remains outstanding at 31 December 2018.

(d) Trade payables owing to director-related entities at balance date (that are related parties as at the date of this report).

7 CONTRIBUTED EQUITY

	31 December 2018 $	30 June 2018 $
Ordinary shares		
Issued and fully paid	39,419,564	39,381,064

	31 December 2018 Number of Shares	31 December 2018 $	30 June 2018 Number of Shares	30 June 2018 $
Movements				
Balance at beginning of period	370,877,963	39,381,064	293,169,629	37,395,564
Issued shares (refer note 5(a))	-	-	25,000,000	525,000
Issued shares (refer note 5(a))	-	-	10,000,000	210,000
Placement shares issued (a)	-	-	33,333,334	1,000,000
Shares issued on exercise of options (b)	-	-	9,375,000	281,250
Issued shares (refer note 9(c))	2,750,000	38,500	-	-
Share issue costs	-	-	-	(30,750)
Balance at end of period	373,627,963	39,419,564	370,877,963	39,381,064

(a) On 4 January 2018, the Company completed a placement of 33,333,334 fully paid ordinary shares to sophisticated investors to raise $1,000,000 (before costs) (**Placement**).

(b) During the year ended 30 June 2018, the Company received $281,250 in proceeds from the exercise of 9,375,000 unlisted options with an exercise price of $0.03 each on or before 30 November 2018.

8 RESERVES

	31 December 2018 $	30 June 2018 $
Share based payments reserve (a)	1,823,537	1,786,827

(a) Share based payments reserve

Movements in reserve

Balance at the beginning of the period	1,786,827	1,727,991
Share-based payment expense – options (refer note 9(a) & (b))	36,710	58,836
Balance at the end of the period	1,823,537	1,786,827

9 SHARE-BASED PAYMENTS

Total costs arising from share based payment transactions recognised during the period were as follows:

	31 December 2018 $	31 December 2017 $
Expense arising from equity-settled share-based payment transactions:		
Options issued to directors (a)	880	-
Options issued to consultant (b)	35,830	-
Shares issued to director (c)	38,500	-
	75,210	-

(a) On 21 March 2018, the Directors agreed to issue a total of 12,500,000 unlisted options with no vesting conditions to directors at an exercise price of $0.045 each and an expiry date of 31 May 2020, subject to receipt of shareholder approval (**Director Options**), as follows:
- 6,500,000 Director Options to Mr Antony Sage (or nominee);
- 4,500,000 Director Options to Mr Kenneth Keogh (or nominee); and
- 1,500,000 Director Options to Mr Nicholas Sage (or nominee).

As detailed in the Company's 2018 Annual Report, a provisional estimate of the fair value of the Director Options was determined by reference to the 30 June 2018 share price of the Company. Based on the provisional estimate, a share-based payment expense of $58,836 was recorded in the year ended 30 June 2018. Shareholder approval for the issue of the Director Options was received at the Company's annual general meeting held 30 November 2018 (**AGM**) and the Director Options were subsequently issued on 24 December 2018. Refer to note 9(d) for details of the final valuation of the Director Options.

(b) Following receipt of shareholder approval at the AGM, on 24 December 2018 the Company issued 7,500,000 unlisted options with no vesting conditions to a consultant at an exercise price of $0.045 each and an expiry date of 31 May 2020 (**Consultant Options**). Refer to note 9(d) for details of the valuation of the Consultant Options.

On 22 February 2018, the Directors in their discretion, acknowledging that Okewood Pty Ltd (**Okewood**), a company controlled by Mr Antony Sage, previously agreed to reduced fees during the period from 1 April 2016 to 31 January 2018, agreed to issue 2,750,000 shares to Okewood at a deemed issue price of 4 cents per share, subject to shareholder approval (**Director Shares**). The expense recorded in respect of the Director Share has been determined in reference to the share price at the date of grant, being 1.4 cents at 30 November 2018. Shareholder approval for the issue of the Director Shares was received at the Company's AGM and the Director Shares were subsequently issued on 24 December 2018.

(c) Fair value of options issued

The fair value of granted during the period has been determined using a Black-Scholes option pricing model. The following table lists the inputs to the model for Director Options and Consultant Options:

	Director Options / Consultant Options
Expiry date	31 May 2020
Dividend yield (%)	Nil
Expected volatility (%)	133%
Risk free interest rate (%)	2.04%
Exercise price ($)	$0.045
Discount (%)	Nil
Expected life of options (years)	1.5 years
Share price at grant date ($)	$0.014
Value per option ($)	$0.0048

10 RELATED PARTY INFORMATION

Transactions with directors, director related entities and other related parties

During the period, an aggregate amount of $80,788 (31 December 2017: $70,656) was paid to Cape Lambert for rent, travel and reimbursement of exploration expenditure costs. At 31 December 2018, $71,459 was payable to Cape Lambert (30 June 2018: $83,896). Mr Antony Sage is a director of Cape Lambert.

During the period, an aggregate amount of $2,004 (31 December 2017: $13,247) was paid to Cauldron Energy Ltd (**Cauldron**) for reimbursement of consultant costs. At 31 December 2018, $46,942 was payable to Cauldron (30 June 2018: $40,671). Mr Nicholas Sage was a director of Cauldron until 25 February 2019. Mr Antony Sage was a director of Cauldron until 22 November 2018.

Options issued to directors or director related entities

Following receipt of shareholder approval at the AGM, on 24 December 2018 a total of 12,500,000 Director Options were issued, as follows:

- 6,500,000 Director Options to Okewood Pty Ltd (**Okewood**), a company controlled by Mr Antony Sage;
- 4,500,000 Director Options to ADKSK Superfund Pty Ltd <ADKSK Superfund A/C>, of which Mr Kenneth Keogh is a beneficiary; and
- 1,500,000 Director Options to Mr Nicholas Sage.

Refer note 9(a) for further details.

Shares issued to directors or director related entities

Following receipt of shareholder approval at the AGM, on 24 December 2018 a total of 2,750,000 Director Shares were issued to Okewood.

Refer note 9(c) for further details.

Significant shareholders

At 31 December 2018, Cape Lambert held a significant interest of 39.04% of FEL (30 June 2018: 39.33%). Mr Antony Sage is a director of Cape Lambert.

At 31 December 2018, Cauldron held a significant interest of 7.54% of FEL (30 June 2018: 7.59%). Mr Nicholas Sage was a director of Cauldron until 25 February 2019. Mr Antony Sage was a director of Cauldron until 22 November 2018.

11 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management activities

The risk management activities are consistent with those of the previous period unless otherwise stated.

Financial instruments

Financial instruments held by the Group include cash and cash equivalents, trade and other receivables, available-for-sale financial assets, trade and other payables, the balances of which at 31 December 2018 and 30 June 201 are shown in the Statement of Financial Position. As at the balance date, their fair values are approximately the same as their carrying values.

12 COMMITMENTS AND CONTINGENCIES

Kasombo Project obligations (exploration and feasibility)

Pursuant to the Kasombo Acquisition, FEL was assigned Cape Lambert's rights and obligations to the Kasombo Project, with the objectives being to:

(a) undertake exploration activities at the Kasombo Project;

(b) complete a Feasibility Study on the Kasombo Project by 24 September 2019; and

(c) commence mining activities at the Kasombo Project.

Upon completion of the Kasombo Acquisition, FEL has acquired from Cape Lambert the following obligations:

(a) provide all necessary technical resources to enable exploration and mining activities at the Kasombo Project to be conducted to acceptable industry standards and in accordance with an agreed budget;

(b) provide 100% of the funding to Soludo Lambert Mining (SAS) (**Soludo Lambert**), being the company set up between Cape Lambert and Paragon to manage the Kasombo Project, on the basis set out in (c) below to undertake exploration activities at the Kasombo Project, complete a feasibility study and any other expenses the Soludo Lambert board may deem necessary;

(c) sole fund the costs of exploration and the completion of a feasibility study on the Kasombo Project in accordance with the requirements of the Gecamines Contract up to a cost of US$7.5 Million (Sole Funding Commitment);

(d) provide any required funds in excess of US$7.5 million by way of a loan to Soludo Lambert, which is repayable from future profits of Soludo Lambert; and

(e) if it is determined that a mining operation is viable at the Kasombo Project, secure, on behalf of Soludo Lambert, 100% of the funds for development of the Kasombo Project and to upgrade the Kipushi Processing Plant to process ore from the project, and to also conclude any obligations with Gecamines,

(together, the **Kasombo Project JV Commitments**).

Kasombo Project obligations (production)

FEL is further obliged:

(a) in the event that production is achieved at the Kasombo Project:

(i) prior to production at Cape Lambert's Kipushi Tailings Project, then FEL will:

- issue Pelesa & Associates Law Firm (**Pelesa**) (being the party that introduced Paragon's Kasombo Proejct, Kipushi Tailings Project and Kipushi Processing Plant to Cape Lambert and later facilitated and assisted in negotiating the JV

Agreement) 25,000,000 shares within 5 business days of achieving production at the Kasombo Project (or within 5 business days of receiving FEL shareholder approval if required); and

- pay Pelesa US$75,000 within 5 business days of achieving production at the Kasombo Project; or

(ii) after production at Cape Lambert's Kipushi Tailings Project, then FEL will issued Cape Lambert 25,000,000 shares within 5 business days of achieving production at the Kasombo Project (or within 5 business days of receiving FEL shareholder approval if required); and

(b) the grant by FEL to Pelesa of a 1% royalty on all of FEL's attributable production from the Kasombo Project.

FEL may elect to withdraw and terminate the agreement in respect of the Kasombo Acquisition by giving 30 days' notice in writing to Cape Lambert and Paragon.

Office Rental Commitments

On 30 April 2018, the Consolidated Entity entered into a sub-lease with Cape Lambert Resources Ltd for office premises for a lease period terminating on 31 March 2020. The expenditure commitment with respect to rent payable under the sub-lease arrangement is as follows:

	31 December 2018 $	**30 June 2018 $**
Within one year	36,732	36,732
After one year but less than five years	9,183	27,549
More than five years	-	-
	45,915	64,281

Contingencies

At 31 December 2018 there were no contingent liabilities or contingent assets (30 June 2018: nil).

13 EVENTS AFTER THE BALANCE DATE

On 4 February 2019 AUR announced significant copper and gold results from reverse circulation drilling completed at the Forrest and Wodger Prospects. FEL holds a 20% interest in the Forrest Project tenements.

On 22 February 2019 FEL announced that it had entered into an agreement (**Acquisition Agreement**) to acquire the Pippingarra Lithium Project and the Marble Bar Lithium Project (**Project**) from Mercury Resources Group Pty Ltd (an unrelated private exploration and mining group) (**Mercury**) for FEL shares, 15 million FEL options, a 1% net smelter royalty and $200,000 in cash payable in instalments. Pursuant to the terms of the Acquisition Agreement, completion remains subject to certain conditions precedent before 30 June 2019 (refer announcement for further details).

On 22 February 2019 FEL announced it had received firm commitments for a placement to raise $400,000 through the issue of fully paid ordinary FEL shares (**Placement Shares**) at an issue price of $0.02 per Share, with one unlisted option for every two Placement Shares issued at an exercise price of $0.03 each expiring 2 years from date of issue (**Options**) (**Placement**). As at the date of this report, $225,000 has been received under the Placement, with the Placement securities to be issued once the balance of the funds are received.

There are no other events subsequent to 31 December 2018 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

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 Group are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view the financial position as at 31 December 2018 and the performance for the half-year ended on that date; 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(c) 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

Antony Sage
Non-Executive Chairman
Perth

1 March 2019

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Independent auditor's review report to the members of Fe Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Fe Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the half-year ended on that date.

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter – material uncertainty related to going concern

We draw attention to Note 1(c) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 control as the directors determine is 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, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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*.

Ernst & Young

Ernst & Young

V L Hoang
Partner
Perth
1 March 2019

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