FERROWEST LIMITED

8 October, 2014

ASX Announcement
NOTICE OF GENERAL MEETING

The Company has today dispatched a Notice of General Meeting and Explanatory Statement to shareholders. The General Meeting will be held at 2PM on Tuesday 11 November 2014 at the office of Ferrowest Limited, 3 Camden Street, BELMONT WA.

The Notice of Meeting, Explanatory Statement Independent Expert's Report and Proxy Form are attached.

For further information please contact: Brett Manning – Managing Director, +61 8 9277 2600

FERROWEST
LIMITED

ACN 074 009 091

NOTICE OF GENERAL MEETING

AND

EXPLANATORY STATEMENT

Date of Meeting: **11 November 2014**

Time of Meeting: **2:00 PM**

Place of Meeting: **3 Camden Street, BELMONT, WA**

NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT

FERROWEST LIMITED

ACN 074 009 091

Date of Meeting:	**Tuesday, 11 November 2014**
Time of Meeting:	**2:00 PM**
Place of Meeting:	**3 Camden Street, BELMONT, WA**

Notice is hereby given that a General Meeting of shareholders of Ferrowest Limited ("Ferrowest" or "the Company") will be held on **Tuesday, 11 November 2014 at 2:00 PM, at 3 Camden Street, BELMONT, Western Australia** ("the Meeting").

The Explanatory Statement to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form are part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 9 November 2014 at 5:00PM (WST). The following agenda items to be considered at the Meeting are discussed in the Explanatory Statement to shareholders included in this Notice.

Important Note: Independent Expert's Report

Shareholders should carefully consider the Independent Expert's Report prepared by RSM Bird Cameron in respect of Resolutions 1 to 3 inclusive of this Notice. The Report has been prepared to meet the information requirements of Item 7 of Section 611 of the Corporations Act. The Independent Expert's Report comments on the fairness and reasonableness of the transaction to the non-associated shareholders. The Independent Expert has determined that the issue of shares to TFA International Pty Ltd **is fair and is reasonable** for the non-associated Shareholders.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following as Ordinary Resolutions:

RESOLUTION 1 – ISSUE OF SHARES TO RETIRE DEBT

"That, for the purposes of ASX Listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act and for all other purposes, and subject to the approval by shareholders of Resolutions 2 and 3 of the Notice, approval is given for:

(a) the Company to issue up to 44,444,444 Shares to TFA International Pty Ltd or its nominee in satisfaction of monies owed by the Company to TFA International Pty Ltd; and

(b) the acquisition of a relevant interest in 44,444,444 Shares by TFA International Pty Ltd or its nominee arising from the issue of the Shares in (a) above in excess of the threshold prescribed by Section 606(1)(c)(ii) of the Corporations Act,

on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting and otherwise on the basis set out therein."

Voting Exclusion Statement:
For the purposes of Listing Rule 10.13.6, the Company will disregard any votes cast on this resolution by any person who is to receive securities in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of an ordinary security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2 – ISSUE OF SHARES ON CONVERSION OF CONVERTIBLE NOTES

"That, for the purposes of ASX Listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act and for all other purposes, and subject to the approval by Shareholders of Resolutions 1 and 3 of the Notice, approval is given for:

(a) the Company to issue up to 17,600,000 Shares to TFA International Pty Ltd or its nominee on conversion of 880 Convertible Notes held by TFA International Pty Ltd; and

(b) the acquisition of a relevant interest in 17,600,000 Shares by TFA International Pty Ltd or its nominee arising from the issue of the Shares in (a) above in excess of the threshold prescribed by Section 606(1)(c)(ii) of the Corporations Act,

on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting and otherwise on the basis set out therein."

Voting Exclusion Statement:
For the purposes of Listing Rule 10.13.6, the Company will disregard any votes cast on this resolution by any person who is to receive securities in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of an ordinary security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 3 – ISSUE OF SHARES TO ACQUIRE A 21.8% INTEREST IN HUBEI TAIFENG INVESTMENT AND DEVELOPMENT CO., LTD.

"That, for the purposes of ASX Listing Rule 10.1 and Item 7 of Section 611 of the Corporations Act and for all other purposes, and subject to the approval by shareholders of Resolutions 1 and 2 of the Notice, approval is given for:

(a) the Company to issue up to 111,251,158 Shares to TFA International Pty Ltd or its nominee as consideration for the acquisition of a 21.8% interest in Chinese company Hubei Taifeng Investment And Development Co., Ltd; and

(b) the acquisition of a relevant interest in 111,251,158 Shares by TFA International Pty Ltd or its nominee arising from the issue of the Shares in (a) above in excess of the threshold prescribed by Section 606(1)(c)(ii) of the Corporations Act,

on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting and otherwise on the basis set out therein."

Voting Exclusion Statement:
For the purposes of Listing Rule 10.10.1, the Company will disregard any votes cast on this resolution by any person who is to receive securities in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of an ordinary security holder, if the resolution is passed, and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

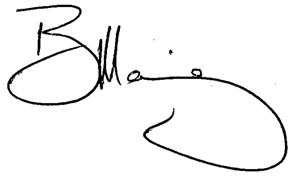
RESOLUTION 4 – RATIFICATION OF SHARE PLACEMENT ON 18 FEBRUARY 2014

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, the prior allotment and issue of 1,428,572 Shares to Valdrew Nominees Pty. Ltd. on the terms and conditions set out in the Explanatory Statement accompanying this Notice of General Meeting and otherwise on the basis set out therein, is ratified and approved."

Voting Exclusion Statement:
For the purposes of Listing Rule 7.5.6, the Company will disregard any votes cast on this Resolution by the parties who participated in the issue as listed in the Explanatory Statement and any associate of them. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Proxy and Voting Entitlement Instructions are included on the Proxy Form accompanying this Notice of General Meeting.

Dated at Perth this 2nd day of October 2014
By order of the Board of Directors



Brett Manning
Managing Director

EXPLANATORY STATEMENT

1. INTRODUCTION

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting for Ferrowest Limited.

An Independent Expert's Report prepared by RSM Bird Cameron Corporate Pty Ltd comments on whether the proposal the subject of Resolutions 1 to 3 are both fair and reasonable to the non-associated shareholders of the Company.

The Directors recommend that shareholders read this Explanatory Statement and the Independent Expert's Report in full before making any decision in relation to Resolutions 1 to 3.

Shareholders should note that RSM Bird Cameron Corporate Pty Ltd has concluded that the proposals the subject of Resolutions 1 to 3 are fair and reasonable to the non-associated shareholders of the Company.

Shareholders should note that all the Directors approved the proposal to put the Resolutions to shareholders as outlined in the Notice of General Meeting and to prepare this Explanatory Statement.

2. DEFINITIONS USED IN THIS STATEMENT

Act or **Corporations Act** means the *Commonwealth Corporations Act 2001* as amended from time to time.

ASX means ASX Limited.

ASX Listing Rules or Listing Rules means the official listing rules of ASX as amended from time to time.

Board means the board of Directors of the Company.

Company or **Ferrowest** means ***Ferrowest Limited (ACN 074 009 091)***.

Director means a director of the Company as at the date of the Notice of General Meeting.

Explanatory Statement means this explanatory statement to the Notice.

Foreign Investment Review Board or **FIRB** means the Australian Commonwealth Foreign Investment Review Board.

Funding Agreement means the funding agreement between Ferrowest and TFA dated 30 April 2014, the key terms of which are set out in Sections 3.3 and 3.4 of this Explanatory Statement.

HTDC means ***Hubei Taifeng Investment And Development Co., Ltd.***, a company registered in Hubei Province in China.

Independent Expert means RSM Bird Cameron Corporate Pty Ltd.

Meeting or General Meeting means the meeting convened by the Notice.

Notice or Notice of General Meeting means the notice of meeting accompanying this Explanatory Statement.

Person in this Explanatory Statement means a natural person, company, trust or other entity that can validly hold securities in Australia.

Resolution means a shareholder resolution contained in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of fully paid ordinary Shares in the capital of the Company that is eligible to vote at the General Meeting

TFA means ***TFA International Pty. Ltd. (ACN 143 155 560)***, the Australian subsidiary of Tai Feng Group of Sichuan Province in China

VWAP means volume weighted average closing price of Shares quoted on the ASX.

3. THE FUNDING AGREEMENT DATED 30 APRIL 2014

This section covers general information relative to each of Resolutions 1 to 3 inclusive of this Notice relating to the conditional Funding Agreement between Ferrowest Limited ("Ferrowest" or "the Company") and TFA International Pty Ltd ("TFA") that was signed on 30 April 2014. One of the conditions prior to the implementation of the Funding Agreement is shareholder approval of each of Resolutions 1 to 3 inclusive. Failure to pass any one of the three resolutions will result in the termination of the Funding Agreement on the terms and conditions specified in that agreement.

3.1 Background of the Funding Agreement

The Company has had difficulty raising funds during the last 2 years. Market conditions in general for junior exploration companies without immediate cash generating opportunities have been extremely difficult and many companies on the Australian Securities Exchange are in a similar situation to Ferrowest. This has also increased the competition for the limited funding sources that are available.

Numerous alternative approaches to securing the funding the Company needs to advance its mineral projects have been pursued. These activities by your Board have included offering equity and debt instruments to shareholders, trying to secure private equity placements, discussions with iron ore industry participants for joint venture investments in the Company's projects and potential product off-take based funding of exploration and feasibility studies. To date, none of these alternatives have been successful, although this does not rule out success in the future, depending on market and industry sentiment.

Leading up to the decision to enter the Funding Agreement with TFA, your Board was increasingly concerned about the prospects of securing sufficient ongoing funding to maintain the Company's core mineral project portfolio. Mineral tenement packages require ongoing minimum exploration expenditures and project value can only be realized for shareholders where funding is available to advance the projects toward construction and ultimately production. It is only by undertaking this work to de-risk its projects and complete approval processes ready for development financing that the real value of the Company's mineral assets can be realised.

The Board has determined that securing traditional sources of funding in the current market will remain challenging unless equity markets improve significantly in the near term. TFA currently holds a 29.17% interest in Ferrowest and it shares the Board's concern, as well as a belief in the value of Ferrowest's mineral projects and consequently TFA offered an innovative funding solution.

TFA suggested that in order for the Company to continue to pursue its main business activity of developing its mineral projects, Ferrowest needs, as a minimum, an income stream to defray some of the operating costs and allow more of the capital raised, to be applied directly to the Company's exploration and feasibility study works.

The basis on which the Funding Agreement was negotiated was a two pronged strategy to:

- provide time to complete project level investment agreements with third parties and/or other capital raising initiatives; and
- position the Company to better withstand difficult capital market conditions, should they continue to be poor, by establishing a cash flow to defray some of the Company's operating costs.

3.2 Background of TFA and the Taifeng Group

TFA is the Australian subsidiary of the Taifeng Group of Sichuan Province in China. TFA currently holds a 29.17% interest in Ferrowest. The Taifeng Group operates a diversified collection of subsidiary businesses in property development, minerals, agriculture and trade. In Australia it participates and has interests in minerals, a vineyard, wine marketing, olive products and honey.

The Taifeng Group has however, at its core, significant business interests in property development that has extended over a long period of time and has operated in a number of different provinces in China. Currently it is implementing 11 major property developments. The expertise of the Taifeng Group in property development in China figures significantly in the transaction proposed under the Funding Agreement.

3.3 Key Terms of the Funding Agreement

Under the terms of the Funding Agreement the following steps are proposed:

1. TFA will provide six, monthly cash advances of A$100,000 to be applied to the Company's mineral projects and corporate operations. Subject to shareholder approval, these advances will convert to equity at 1.35 cents per share (being 44,444,444 shares in total) – Resolution 1;
2. Subject to shareholder approval, TFA will also convert $440,000 worth of convertible notes, which it previously acquired, to shares at 2.50 cents per share through the issue of 17,600,000 shares to TFA – Resolution 2; and
3. Subject to shareholder approval, TFA will sell a 21.8% direct interest in a Chinese property development subsidiary of the Taifeng Group, **Hubei Taifeng Investment And Development Co., Ltd.** ("**HTDC**"), to Ferrowest through the issue of 111,251,158 shares to TFA at 1.8 cents per share (A$2,002,520.84) – Resolution 3.

HTDC is currently constructing a residential and commercial precinct development in Hubei Province in China called the ***Taifeng International City***. This development is outlined in Section 3.5 below.

Importantly, HTDC will not require any further financial contribution from Ferrowest and is expected to develop profits over the next six years that can provide an income stream to Ferrowest to defray some of its operating costs. This is discussed in more detail in Section 3.5 below.

If approved by shareholders, upon full implementation of this Funding Agreement, TFA would hold up to 60% of the enlarged capital of the Company (provided no further shares are issued to other parties in the meantime).

3.4 Other Terms of the Funding Agreement

In addition to shareholder approval of Resolutions 1 to 3 inclusive as proposed in this Notice of General Meeting, the issue of equity securities proposed under the Funding Agreement is also conditional on:

- A successful due-diligence review by Ferrowest;
- TFA Foreign Investment Review Board approval;
- Any other Australian Government approvals; and
- Any Chinese Government approvals.

At the date of this Notice, Ferrowest has notified TFA in writing that it is satisfied with its due-diligence investigations and therefore the first condition above has been met.

On 10 June 2014, the Foreign Investment Review Board gave its approval for the implementation of the Funding Agreement, thereby satisfying the second condition.

Ferrowest is not currently aware of any further Australian Government approvals being required and therefore the third condition is considered satisfied.

The processing of Chinese Government approvals will commence following shareholder approval and will therefore be the last approvals required before settlement of the Funding Agreement.

TFA will loan funds to Ferrowest necessary to cover certain costs of the Independent Experts Report and the direct costs associated with the General Meeting.

The Funding Agreement terminates if:

1. Shareholders reject the proposal at the General Meeting (i.e. Resolutions 1, 2 and/or 3 of this Notice);
2. the Australian Foreign Investment Review Board or other Australian or Chinese Government authorities reject any required applications or approvals;
3. Ferrowest, acting reasonably, notifies TFA in writing that it is not satisfied with the results of its due-diligence review in some material respect that cannot reasonably be rectified;
4. TFA fails to provide the six, $100,000 tranches in accordance with the schedule;
5. all of the equity transactions under the Funding Agreement are completed (completion);
6. 12 months after shareholder approval, if not completed (efflux of time); or
7. TFA requests in writing that the Funding Agreement be terminated.

If the Funding Agreement terminates after TFA have provided one or more of the $100,000 tranches to Ferrowest (except in the case of trigger 5 - completion), the Company must repay those tranches and any other loans provided under the Funding Agreement with 5% per annum interest with the time for repayment calculated from the date of termination on the following timetable:

- If terminated under trigger 1, then 3 months after termination;
- If terminated under triggers 2 or 6, then 6 months after termination; and
- If terminated under triggers 3, 4 or 7, then 12 months after termination.

Upon termination of the Funding Agreement TFA would lose its rights to complete any equity transaction contemplated under the Funding Agreement that are not completed at the time of termination.

The Funding Agreement specifically allows for any director to change their recommendation to shareholders should they believe a superior alternative offer, capable of acceptance and consideration by shareholders, has been made in the period between the execution date of the Funding Agreement and date of the General Meeting to secure shareholder approval of the Funding Agreement.

3.5 The Taifeng International City Development

Subject to shareholder approval (Resolution 3), TFA will sell an approximate 21.8% direct interest in a Chinese property development subsidiary of the Taifeng Group, **Hubei Taifeng Investment And Development Co., Ltd.** ("HTDC") to Ferrowest through the issue of 111,251,158 shares to TFA at 1.8 cents per share (A$2,002,520.84). The balance of HTDC will continue to be held by the Taifeng Group, which will also continue to manage HTDC.

HTDC is currently constructing a residential and commercial precinct development in Hubei Province in China called the '***Taifeng International City***'. The development cost of the precinct is approximately A$670M, staged over about 6.5 years of construction, with approximately 6 years remaining in the construction phase. Staged construction finance is already in place and no further equity funding will be required to be injected by Ferrowest.

The precinct development is located in Jiayu County, 80km from the provincial capital, Wuhan. While the road network already connects Jiayu County to Wuhan, a new freeway is under construction that will significantly shorten the commute time. The Taifeng International City is designed to provide residential dwellings for local people and people who will commute to Wuhan for work. It consists of 4 development stages of tower block apartments with a strip mall, 4 storey shopping centre and a multi-storey office building. Stage one has nine residential tower blocks. The first of these is already one third complete and the apartments went on sale on the 7th of April 2014.

It is expected that the investment in HTDC will provide ongoing funding for Ferrowest's main business activities in Australia, being mineral exploration. Importantly HTDC is not expected to require any further equity or funding from Ferrowest to conduct its business going forward.

Ferrowest believes that the Taifeng International City has an excellent business case based on the information provided by the Taifeng Group and observations by Ferrowest personnel that have visited the development.

There has been much recent discussion in the press about falling property prices in China but there was no sign of falling prices at the development when Ferrowest personnel inspected the recent sales. The sales of the first units is proceeding as planned (about 80% of the units in the first residential building had been sold at the time of the visit) and at the planned prices. The sales office for the development had a steady flow of inquiries during Ferrowest's visit.

The sales office at the Tai Feng International City – This facility is part of the development and will convert to a club once the development is complete. It is finished to a very high standard.

The business model for the development is based on providing a balanced mix of residential, commercial and retail, set in a beautiful lake front location, with extensive landscaping and public facilities. Ferrowest visited other Taifeng developments completed previously and noted they were consistently finished to a very high quality standard and to a successful business model. Tai Feng clearly offers a 'life style' choice to its clients, rather than just somewhere to live.

Current construction of new developments in the capital Wuhan and south to the Tai Feng International City in Jia Yu are on a scale not ever seen in Australia and other newly completed developments all appear to be fully habited.

Substantial parts of the lakefront landscaping and public facilities have been completed and are well established and inviting. Construction of the first residential tower is currently over 10 stories of a planned 33. Foundation works are underway on three more residential towers. Land has also been cleared to start on the first section of the retail strip mall.

First residential tower under construction

Based on the information reviewed in the due-diligence process, the Board of Ferrowest is of the view that the risks associated with this development are substantially the same as for any property development that might be undertaken in Australia. Risks are discussed in more detail in Section 3.9.

The following 'artists impression' of the completed development provides some sense of scope, with completion expected in about 6 years' time. Ferrowest will receive a return on its investment during the six years of construction to assist in funding its mineral exploration operations here in Australia. Once the development is completed, about 100,000m^2 of commercial, retail and office space will be retained and leased to provide further income into the longer term future. It should be noted that as HTDC will sell the units and commercial space progressively as it is built, the capital cost of buildings under construction at any particular time will be substantially less than the capital cost of the project overall. With the initial construction funding in place, the development becomes effectively self-funding through to completion.

To provide some comparison of scope and scale of the development, Taifeng International City is compared to the currently underway Elizabeth Quays foreshore development in Perth.

Criteria	**Elizabeth Quays**	**Tai Feng International City**
Capital Cost	A$2.6B	A$670M
Development Area (Total)	10Ha	21Ha
Residential Units	800 (87,000m^2)	6,500 (750,000m^2)
Commercial/retail floors space	225,000m^2	200,000m^2
State Population	2.5 million (WA)	60.0 million (Hubei)
Capital City Population	2.0 million (Perth)	10.0 million (Wuhan)
Population Density – Capital City	310 persons/Km^2 (Perth)	1,200 persons/Km^2 (Wuhan)
Population Density – State	0.95 persons/Km^2 (WA)	324 persons/Km^2 (Hubei)

HTDC will continue to build the properties progressively, selling residential units and other commercial floor space as the development unfolds. Some of the profits from the sales will be applied to the construction of 100,000m^2 of office space and retail commercial space that HTDC will retain and lease at the end of the 6 year development period. Other profits will be distributed to HTDC shareholders, Ferrowest and the Tai Feng Group. Ferrowest's share of these profits will provide the source of funding proposed for Company operations in Australia.

The whole site of the development is 32Ha in size of which 20.9Ha is already held by HTDC. The plot ratio is 3.0 and the development floor area is about 1,000,000m^2 with underground 4,247 parking bays. About 746,000m^2 of this will be residential. The whole precinct is expected to be completed by January 2020 (6 years from now) but the pace of development can be increased or slowed to match demand.

3.6 Corporations Act Requirements for Related Party Transactions.

Section 228(1) of the Corporations Act states that: *'An entity that controls a public company is a related party of that public company'*. Whilst TFA was not a related party of Ferrowest at the time the Funding Agreement was entered (because TFA did not exercise any control over the operations of Ferrowest as a 29.17% shareholder), Section 228(6) of the Corporations Act states that:

> *"An entity is a related party of a public company at a particular time if the entity believes…that it is likely to become a related party of the public company…at any time in the future."*

As a consequence of the act of executing the Funding Agreement, TFA would, subject to the implementation of that agreement, secure a controlling interest in Ferrowest and become a related party of the Company in the future. Therefore TFA is deemed to be a related party of the Company from the time of executing the Funding Agreement.

For the purposes of Section 219(1) of the Corporations Act, the following information is provided:

a) TFA is the related party to whom the proposed resolutions 1 to 3 inclusive would give a benefit. TFA is a major shareholder of Ferrowest, currently holding 29.17% of the Company's ordinary shares. TFA is also owed the following amounts of money by Ferrowest:

   a. $21,293.15 in Convertible Note interest up to 30 June 2014 (payment of which TFA has agreed to defer for the time being);

   b. $400,000.00 in respect of tranches already loaned under the Funding Agreement up to the date of this Notice;

   c. $1,000.00 in respect of interest at 5%pa on the tranches specified at b. above up until 30 June 2014;

b) The primary benefit TFA would receive is a controlling interest in Ferrowest through an up to 60% holding of the Company's voting Shares. TFA will also receive securities in the Company. Some of these securities would be issued at a discount and some at a premium to the prevailing Share price at the time the Funding Agreement was executed. Other Shares are being issued as consideration for the purchase of an interest in HTDC at cost and would be issued at the Share price prevailing at the time the Funding Agreement was entered;

c) Each of the Directors have advised either a recommendation in respect of the transaction or a reason for not making a recommendation as detailed in section 3.14 below;

d) This Notice, including the Independent Expert Report by reference, contains the information necessary for members to make a decision on Resolutions 1 to 3 inclusive;

e) The opportunity costs of proceeding with the implementation of the Funding Agreement by approving Resolutions 1 to 3 inclusive are that the current Shareholders of the Company will forfeit control over its operations in favour of TFA. Shareholders will also suffer some dilution of their shareholding. Please refer to section 3.15 for more details in this regard.

f) The Directors have determined that it is not possible to establish the taxation implications (if any) for Shareholders if the Resolutions 1 to 3 inclusive are passed because each member's taxation circumstances are unique and dependent on matters not known or knowable to the Company.

Section 208 of the Corporations Act requires the Company to seek shareholder approval to give a benefit to a related party unless the transaction is exempted under one of the exceptions specified in Sections 210 to 216 of the Corporations Act. Section 210 of the Corporations Act states that member approval is not required in accordance with the requirements of Section 208 where the transaction is an arm's length transaction on reasonable commercial terms or terms that are less favourable for the related party.

TFA was not a related party of the Company during the negotiation of the terms of the Funding Agreement and exerted no influence over the Company's decision to enter into the Funding Agreement. Mr. Robert Sun, a Director of the Company and the General Manager of TFA, played no part in and was not present for any Board deliberations or decisions in respect to entering the Funding Agreement or on what terms.

The terms of the Funding Agreement, including the issue of some shares at a discounted share value, are in the view of the Board, normal market rates and/or less favorable to TFA than could have been achieved in any other commercial transactions available at the time the Funding Agreement was entered. It is therefore the view of the Board, notwithstanding that TFA will not pay a premium for control of Ferrowest, that the transaction represented by the Funding Agreement is an 'arms length' transaction for the purposes of Section 210 of the Corporations Act.

However, it is also the Board's view (notwithstanding ASX Listing Rule requirements on the subject) that it is both appropriate and a matter of good corporate governance to put the Resolutions 1 to 3 before members for consideration, given the nature of the proposed transaction and its affect on the Company.

3.7 Part 6.1 Corporations Act Requirements

Pursuant to Section 606(1) of the Corporations Act, a person must not acquire a relevant interest in issued voting shares in a listed company if the person acquiring the interest does so through a transaction in relation to securities entered into by or on behalf of the person and because of the transaction, that person's or someone else's voting power increases from 20% or below to more than 20% or from a starting point that is above 20% and below 90%.

The voting power of a person in a body corporate is determined in accordance with Section 610 of the Corporations Act. The calculation of a person's voting power in a company involves determining the voting shares in the company in which the person and the person's Associates have a relevant interest.

A person (**second person**) will be an "associate" of the other person (**first person**) if:

(a) the first person is a body corporate and the second person is:

- (i) a body corporate the first person controls;
- (ii) a body corporate that controls the first person; or
- (iii) a body corporate that is controlled by an entity that controls the first person; or

(b) the second person has entered or proposed to enter in a relevant agreement with the first person for the purpose of controlling or influencing the composition of the Company's board or the conduct of the Company's affairs; or

(c) the second person is a person with whom the first person is acting or proposed to act, in concert in relation to the Company's affairs; or

(d) the first person is a body corporate and the second person is:

- (i) a director or secretary of the body; or
- (ii) a related body corporate; or
- (iii) a director or secretary of a related body corporate.

An entity controls another entity if it has the capacity to determine the outcome of decisions about that other entity's financial and operating policies.

No associates of TFA currently have a relevant interest in any securities of the Company, other than in relation to the 65,573,643 Shares currently held by TFA.

Pursuant to Section 608(1) of the Corporations Act, a person has a "relevant interest" in securities if they:

(a) are the holder of the securities;

(b) have the power to exercise, or control the exercise of, a right to vote attached to the securities; or

(c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

It does not matter how remote the relevant interest is or how it arises. If two or more people can jointly exercise one of these powers, each of them is taken to have that power.

As at the date of the Notice of General Meeting, TFA holds 65,573,643 Shares. The issue of up to 173,295,602 Shares pursuant to Resolutions 1 to 3 will result in TFA acquiring a relevant interest in the issued voting shares of the Company in excess of their current holding of 29.17%. This acquisition is in excess of the threshold increase prescribed by Section 606(1)(c)(ii) of the Corporations Act.

There are various exceptions to the prohibition in section 606, including under section 611 item 7 of the Corporations Act. Item 7 of Section 611 of the Corporations Act provides an exception to the prohibition in Section 606(1) of the Corporations Act, whereby a person may acquire a relevant interest in a company's voting shares with the approval of the shareholders of that company.

Accordingly, the Company seeks Shareholder approval under Item 7 of Section 611 of the Corporations Act for the issue of the Shares to TFA as well as the acquisition of a relevant interest in the issued voting shares of the Company by TFA in excess of the threshold increase prescribed by Section 606(1)(c)(ii) of the Corporations Act by virtue of the issue of the Shares.

3.8 Specific Information required by Item 7 of Section 611 of the Corporations Act & ASIC Regulatory Guide 74

The following information is required to be provided to Shareholders under ASIC Regulatory Guide 74 and the Corporations Act in respect of obtaining approval pursuant to Item 7 of Section 611 of the Corporations Act.

The identity of the acquirer and their associates and any person who will have a relevant interest in the Shares to be acquired

The acquirer is TFA.

TFA is a wholly owned subsidiary of Tai Feng Group (**TFG**), a company incorporated and existing in Sichuan Province, China. TFG and its group of companies are privately held and have interests in a variety of international business sectors, industries and investments.

The associates of TFG are:

(a) all the companies within the Tai Feng Group, including TFG and its subsidiaries; and

(b) the directors and secretaries of TFG and its related bodies corporate.

No party other than TFA and its associates referred to above and the TFA's parent entity, TFG, will have a relevant interest in the Shares to be issued to TFA.

Full particulars (including the number and percentage) of the Shares to which TFA is or will be entitled immediately before and after the issue of Shares the subject of Resolutions 1 to 3, the maximum extent of the increase in the TFG's voting power and TFG's voting power in the Company (including their associates) as a result of the issue of Shares the subject of Resolutions 1 to 3.

As at the date of the Notice of General Meeting, TFA has a relevant interest in 65,573,643 Shares.

Event	**TFG**
No. of Shares (% of voting power) held as at the date of the Notice of General Meeting (Total Shares = 224,819,808)	65,573,643 (29.17%)
Assuming only the Shares the subject of Resolutions 1 to 3 contemplated by the Notice of General Meeting are issued, and no existing Options are exercised or other convertible securities are converted	
The **increase** in the no. of Shares (% of voting power) held after issue of Shares pursuant to Resolutions 1 to 3 (Total Shares = 398,115,410)	173,295,602 (increase in voting power of 60.0% - 19.17% = 40.83%)
No. of Shares (% of voting power) held after issue of Shares pursuant to Resolutions 1 to 3 (Total Shares = 398,115,410)	238,869,245 (60.0%)

As TFA does not have any associates who independently hold Shares:

(a) the maximum extent of the increase in the voting power of each of TFA's associates that would result from the acquisition; and

(b) the voting power that each of TFA's associates would have as a result of the acquisition,

is the same as the:

(c) the maximum extent of the increase in TFA's voting power in the Company that would result from the acquisition; and

(d) the voting power that TFA would have as a result of the acquisition,

as set out above.

The identity, associations (with TFA and any of its associates) and qualifications of any person who it is intended will become a Director if Shareholders approve the issue of Shares the subject to Resolutions 1 to 3.

There are no new proposed directors as a result of the proposed transaction.

Mr Sun, a director of the Company, is general manager of TFA and an appointed nominee of TFA. Mr. Sun does not currently hold a relevant interest in any securities of the Company, except, pursuant to Section 608(1) to the extent that he may act as an agent of TFA from time to time in respect of its relevant interest in Shares of the Company in his capacity as General Manager of TFA.

In accordance with the provisions of section 191 and 195 of the Corporations Act, Mr Sun as a representative of TFA on matters pertaining to TFA:

(a) is not present while the matter is being considered at any board meetings; or

(b) does not vote on the matter.

Mr Sun does not have any capacity to control the financial or operational decisions of the Company for the purposes of section 50AA of the Corporations Act.

Details of other relevant agreements.

Other than the Funding Agreement, there are no other agreements relevant to the matters for consideration pursuant to Resolutions 1 to 3.

A statement of TFA's intentions regarding the future of the Company if Shareholders agree to the issue of Shares pursuant to Resolutions 1 to 3.

TFA has informed the Company that on the facts and circumstances presently known to it, it is supportive of the Company's current direction. TFA has indicated that it is presently willing to consider any proposals the Company's Board and management may put forward as to how TFA could support and assist the Company to achieve its objectives. TFA has advised the Company that since it is presently supportive of the Company's current direction, TFA does not currently intend to seek any changes to the direction and objectives of the Company, and that other than as disclosed in this Explanatory Statement, TFA does not currently intend:

(a) to make any significant changes to the existing businesses of the Company;

(b) to inject further capital into the Company, other than as contemplated by the acquisition of Hubei Taifeng Investment and Development Co Ltd;

(c) to become involved in decisions regarding the future employment of the Company's present employees and contemplates that they will continue in the ordinary course of business;

(d) for any property to be transferred between the Company and TFA or any person associated with TFA, other as contemplated by Resolution 3;

(e) to redeploy the fixed assets of the Company; or

(f) to change the Company's existing financial or dividend policies.

Further particulars on the intentions of TFA are set out in Section 3.10.

TFA has indicated that the intentions disclosed in this section and Section 3.10 are based on the facts and information regarding the Company and the general business environment that are known to TFA as at the date of this Explanatory Statement. The above statements therefore reflect current intentions only as at the date of this Explanatory Statement and TFA's intentions may change as new information becomes available or circumstances change or with the passage of time.

Any decisions that TFA may make on its course of action going forward will be made in light of material facts and circumstances at the relevant times and after TFA receives appropriate legal and financial advice on such matters, where required, including in relation to any requirement for Shareholder approvals.

Further details on the Shares to be issued pursuant to Resolutions 1 to 3 are set out throughout this Explanatory Statement. Shareholders are also referred to the Independent Expert's Report set out in Annexure A.

3.9 Prospective Financial Information

The Corporations Act and the ASX Listing Rules require the Company to present all material information that shareholders might reasonably require to make an informed decision on Resolutions 1 to 3 inclusive.

Such material information includes the expected future financial performance of HTDC and the Taifeng International City development. This type of forward looking information is known as prospective financial information.

Notwithstanding the obligation on the Company to disclose the prospective financial information, the Company is also obliged not to mislead shareholders by disclosing prospective financial information that is not directly relevant to the decision on the resolutions or is not appropriately reliable.

It is the experience of ASIC, as stated in ASIC Regulatory Guides, **that prospective financial information is, at best, only a crude indicator of likely achievable results**. The Company strongly urges shareholder to consider this observation in giving weight to the prospective financial information provided about HTDC in this Section 3.9.

Ferrowest has been provided with the Taifeng Group's feasibility study financial parameters for the Taifeng International City and has, to the extent possible, considered the assumptions used in determining these numbers. The Company has not found any material matters of concern with the feasibility numbers provided but cautions that properly validating all assumptions and costs in a very complex project located in a foreign jurisdiction is not considered feasible.

As the feasibility numbers were prepared by Taifeng Group, a very experienced property developer, for its own internal purposes (i.e. This transaction with Ferrowest was not even contemplated when the data was prepared for its own internal decision to proceed with Taifeng Internal City in early 2013) the Company believes there are reasonable grounds to consider assumptions used in their preparation to be valid at the time they were produced. However, in order not to mislead shareholders in respect of the prospective financial information about HTDC, the Company has determined to significantly limit the scope and projected timeframe of the prospective financial information.

The benefit that the Company will derive from the investment in HTDC is the funding from the profits of the development that will defray corporate and mineral project costs in Australia.

However, the amount of funding available from HTDC profits will vary up and down during the development depending on, among other things:

- the schedule of construction demands;
- sales demand;
- sales prices;
- cost of the development (including any cost over-runs); and
- any other unanticipated negative or positive events.

As a consequence, the Company is not in a position to provide fully validated financials and assumptions in the scope of this Notice of General Meeting but it is considered appropriate for shareholders to know the results of the financial analysis by the Company, using the numbers provided by the Tai Feng Group.

Prospective Financial Information about the HTDC Investment

An indicative (after tax) average return from the approximately $2M Ferrowest investment (by way of shares) is expected to average in the order of A$43,500 per month (or 26% ROI) during the first 12 months.

It is not considered reliable to project beyond 12 months but it is noted that the Company is not aware of any specific factors that alter the projected returns during the 6 year construction period (other than the project factors specified in the dot points above).

As the leasing phase will not commence for 6 years, it is not considered reliable to specify returns extending from the end of construction and out to a time horizon of 20+ years, other than to note that Tai Feng Group numbers suggest a threefold increase in returns once in the leasing phase.

Key Assumptions Underlying the Prospective Financial Information

The prospective financial information presented in the preceding three paragraphs is premised on the following assumptions proving correct in the future:

- Tai Feng feasibility study numbers prove accurate in the future;
- Profits will receive the taxation treatment currently anticipated by Ferrowest;
- Profits will be able to be repatriated from China to Australia;
- The exchange rate is 5.43RMB to A$1.00; and
- The Taifeng International City development progresses as planned.

Please note that should any of these assumptions prove to be materially incorrect in the future, the prospective financial information stated above may alter significantly.

<u>Key Risks that may cause the Prospective Financial Information to be incorrect</u>

The following risks could negatively impact the accuracy of the prospective financial information presented above as it relates to the Taifeng International City development that is being completed by HTDC:

- If the construction cost of the Taifeng International City development has been under-estimated;
- If the average sale price of residential units or commercial space has been over-estimated;
- If the demand for residential units or commercial space has been over-estimated;
- If the leasing returns on commercial space have been over-estimated;
- If the Chinese RMB currency proves to be weaker on average than the Australian dollar than it is currently;
- If taxation on the development, HTDC or Ferrowest proves to be higher than currently anticipated;
- If an unforeseen catastrophic event occurs at the development or in China that impacts profits;
- If Ferrowest ownership of its interest in HTDC is disputed; and
- If HTDC's interest in the Taifeng International City or its land use rights are disputed.

<u>Entry Into the HTDC Investment 'at Cost'</u>

It can be confirmed that Ferrowest has been, under the terms of the Funding Agreement, offered the 21.8% interest in HTDC at cost, with the Ferrowest share of the company being exactly 21.8% of HTDC's paid up capital (meaning Ferrowest enters into HTDC at exactly the same price that the Taifeng Group paid). This means the interest is offered by TFA without requesting any premium for the de-risking brought about by the fact that the land has been secured, the development designed and construction is already underway.

3.10 Effective Change of Control

If approved by shareholders and fully implemented TFA would secure up to 60% of the voting Shares in Ferrowest (provided no other Shares are issued in the meantime) and as a result would control up to 60% of the voting power of the Company at General Meetings. This would mean an effective change of control of Ferrowest, placing TFA in a position to control the future business activities of the Company.

As such, TFA is required to set out its plans In the Notice of Meeting in respect of the Company, its personnel, its main business activities and the disposition of its assets, in the event that it secures a controlling interest in the Company.

TFA has stated to the Company that:

- It supports the current main business activities of the Company in developing it mineral projects, being the Yogi Mine Project (magnetite), the Eradu MPI Project (merchant pig iron), the Yalyirimbi Iron Project (haematite) and the Marvel Loch Project (gold and base metals) and would not seek to alter the current objectives for the development and disposition of these assets;
- It would expect the Board to continue to seek project level investment directly into the mineral projects and to raise further equity, when possible. Such funds would be applied to further de-risk these projects and advance them towards possible production. If direct project investment meant disposing of a controlling interest in one or more of the projects in order to secure the advancement of that project and/or the portfolio as a whole, this would be considered on its merits. This is consistent with the views and stated objectives of the current Board;

- TFA would not seek to enlarge the Board at this stage, as limiting costs during these difficult times is seen as a priority. TFA has advised that it has confidence in the current Board of Directors and therefore would not propose any change to the current composition of the Board. In the event that casual vacancies occur, TFA would wish to nominate appropriate replacement candidates for consideration by the Board and shareholders. TFA would expect to work closely with the Company in this regard. It is TFA's preferred view to maintain a majority of independent Directors on the Board of the Company if that is practicable given other management requirements;
- TFA believes that in order to capitalise on the Company's increased ties with China (through TFA's ownership, the HTDC investment by Ferrowest in China and potential Chinese investment at the project level in the Company's mineral projects), Mr. Robert Sun, a current director of Ferrowest and the General Manager of TFA, should be appointed as Managing Director of the Company;
- Also important to TFA's belief in the future of the Company's main business activities centered in Australia, it is TFA's desire that the Company's present Managing Director, Mr. Brett Manning, should be appointed as executive Chairman. Mr. Manning currently has the greatest understanding of the Company's overall operations and has championed its development, together with the current Board. It is important to TFA that he continues to work in an executive capacity to ensure that the Company's key assets in Australia are developed successfully. TFA is aware that having an executive Chairman is not recommended under the ASX Corporate Governance Guidelines but feels that it is more important that Mr. Manning hold both an executive position and a position of prominence in the Company at this stage of its development; and
- Reducing costs and establishing early cash flows are important cornerstones to a successful future for the Company in the view of TFA. If it secures effective control, it would propose that TFA and Ferrowest share a joint headquarters in Australia, to share costs and reduce overheads for both companies. This may involve some personnel changes as some of the administrative functions of the two companies are co-located but these would be a matter for the operational management at the time.

3.11 Timetable

If shareholders approve Resolutions 1 to 3 inclusive at the General Meeting, the remaining condition prior to implementation of the Funding Agreement in full will be Chinese Government approval. It is not known how long this approval may take. Promptly after approval is received, all three share placements covered by Resolutions 1 to 3 will occur contemporaneously at a settlement of the proposed transaction.

3.12 Effect on Capital Structure

Based on the current capital structure of the Company, the new capital structure and TFA's interest in the Company following the issue of Shares pursuant to Resolutions 1 to 3 will be as follows:

Proforma Capital Structure	**Current**	**After**
General Shareholders	159,246,165	159,246,165
TFA's current shareholding as at the date of this Notice	65,573,643	65,573,643
6 x $100,000 tranches to TFA at 1.35 cents per share – Resolution 1		44,444,444
Conversion of $440,000 existing TFA Convertible Notes at 2.5 cents per share – Resolution 2		17,600,000
$2,002,521 consideration for asset acquisition at 1.8 cents per share – Resolution 3		111,251,158
Total Shares on Issue	**224,819,808**	**398,115,410**

Note* This table is prepared on the assumption that no other shares are issued in the interim.

Therefore, post implementation of the Funding Agreement in full, pursuant to the issue of Shares the subject of Resolutions 1 to 3 TFA would hold 238,869,245 Shares which would represent 60% of the Shares of the Company on issue.

3.13 Independent Expert's Report and Tenement Valuation

The Directors of the Company commissioned RSM Bird Cameron Corporate Pty Ltd to prepare a report on the question of whether the proposal is fair and reasonable to shareholders not associated with TFA and its associates. An independent Tenement Valuation on the Company's tenement interests prepared by Agricola Mining Consultants Pty Ltd was also commissioned. Those reports are attached to this Explanatory Statement.

The Independent Expert's Report prepared by RSM Bird Cameron Corporate Pty Ltd sets out a detailed examination of the proposed issue of Shares pursuant to Resolutions 1 to 3, to enable non-associated Shareholders to assess the merits and decide whether to approve the issue of Shares to TFA.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Note conversion and concludes that the issue of Shares to TFA **is fair and reasonable** to the non-associated Shareholders.

The finding of the Independent Expert does not bind shareholders but is intended to provide independent guidance in relation to the proposed transaction.

Shareholders are encouraged to carefully read the Independent Expert's Report set out in Annexure A to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

RSM Bird Cameron Corporate Pty Ltd has consented to the use of their report and opinion in the form and context in which it appears.

3.14 Directors' Recommendations

The Directors, who are not related parties in respect to the proposed transaction, unanimously support the proposal represented by the Funding Agreement at the date of this Notice of General Meeting. The Directors advise that it is their view that no superior alternative funding arrangement was available at the time of entering the Funding Agreement and at the date of this Notice, no superior offer is available to put before shareholders. Without a superior alternative and with the need to act promptly to protect the Company's key assets, there was no available alternate course of action available to Directors. It is also your Directors' collective view that any alternative proposal (if such an alternate was even available in the current market) would have resulted in a far less favourable outcome for shareholders as a whole.

The Board of Directors' believe that the key strategic benefits of the Funding Agreement are:

1. The monthly cash advances provide certainty that the Company can continue to pursue its main business activities of advancing its mineral projects in a period of market conditions that are very difficult;

2. By agreeing to convert its convertible securities at a 38.9% premium to the share price at the time the Funding Agreement was executed, this premium offsets much of the 25% share price discount provided under the six monthly cash advances and reduces future interest expenses of the Company by $44,000 per annum. The discount to the share price at the time of signing (1.8 cents per share) for the entire agreement is 7.2% overall, a relatively small discount compared to the cost of commercial equity, if it were available, which would likely range between a 20% to 25% discount;

3. The investment in HTDC being offered by TFA is anticipated to provide the Company with an innovative source of funding from the profits of the development. The funds from HTDC are not expected to meet all of the Company's financial requirements but will defray some of the corporate costs, releasing funds for project exploration and feasibility study works; and

4. This further investment in Ferrowest by TFA, representing a 60% holding in the Company, will further cement the business relationship between Ferrowest and the Tai Feng Group and will more strongly align TFA's interests with the successful development of the Company's main business activity of developing its mineral projects.

Mr. Robert Sun, as the General Manager of TFA, is a related party with respect to the Company under the Funding Agreement by virtue of Section 228 of the Corporations Act. Mr. Sun has therefore declined to provide a recommendation on Resolutions 1 to 3 of this Notice.

3.15 Affect of Passing Resolutions 1 to 3 of this Notice

If shareholders pass resolutions 1 to 3 of this Notice and the Funding Agreement proceeds to full implementation, it will have the following affects:

1. The Company will receive $600,000 in funding between May and October 2014 that will convert to equity under the terms specified in this Notice;
2. $440,000 of debt (existing Convertible Notes) will be converted to equity, reducing Company debt and reducing interest payments by $44,000 per annum;
3. Ferrowest will secure a 21.8% interest in a property development company that is expected to generate profits that will establish the Company's first income stream and defray some corporate and project costs in Australia;
4. TFA will secure a controlling interest in Ferrowest and may exercise that control as it deems appropriate in respect to the operation of the Company, although refer section 3.8 regarding TFA's current intentions; and
5. The collective percentage of the Company held by existing shareholders, other than TFA, will reduce from 70.81 to approximately 40% upon completion of the transaction.

3.16 Affect of Not Passing Resolutions 1 to 3 of this Notice

If shareholders **DO NOT** pass resolutions 1 to 3 of this Notice and the Funding Agreement terminates as a result, it will have the following affects:

1. The Company will not receive any further monthly tranches of $100,000 per month. Any tranches already received at the date of the General Meeting will remain interest bearing loans that will be repayable to TFA within 3 months;
2. $440,000 of debt (existing Convertible Notes) will remain an interest bearing liability against the Company under the existing terms;
3. Ferrowest will not secure an income stream or potential benefit from the Tai Feng International City development;
4. TFA's shareholding in the Company will remain at 29.17% for the time being;
5. Existing shareholders will not suffer any dilution in their shareholdings; and
6. Ferrowest would urgently need to source other forms of funding to sustain operations and repay the debt to TFA resulting from the termination of the Funding Agreement. If this funding could not be obtained on reasonable terms and in a reasonably short time frame it could call into question the Company's capacity to continue as a going concern.

3.17 Funding Agreement Transaction Costs

The following costs have been incurred or will be incurred as a result of Ferrowest entering the Funding Agreement. Costs that will not be incurred if any of the Resolutions 1 to 3 are rejected are as marked in the column "Contingent on approval". All costs are estimates only.

Item	Source of Funds	Amount	Contingent on Approval?
Independent Expert's Report and Valuation	Loan from TFA	$26,000	No
Due Diligence Site Visit to China - Costs	Loan from TFA	$3,000	No
Legal and Corporate Advice to FWL - Costs	Ferrowest	$7,000	No
General Meeting Costs – Various costs	Ferrowest	$1,500	No
Notice of Meeting Printing and Postage	Loan from TFA	$8,500	No
Establishing subsidiary(s) to hold HTDC interest	Ferrowest	$5,000	Yes
Settlement related costs	Ferrowest	$2,500	Yes

3.18 Listing Rule 10.13.3

Listing Rule 10.13.3 relevantly provides that securities issued to 'persons in a position of influence' (such as a related party) pursuant to a shareholder approval must be issued no later than 1 month after the date of the meeting at which that approval is granted. As the issue of shares anticipated in Resolutions 1 to 3 inclusive ("the TFA Shares") can only occur at a settlement after Chinese Government approval has been received (which may not occur within 1 month), the ASX has granted the Company a Listing Rule waiver in respect of Listing Rule 10.13.3 on the following conditions:

(a) the TFA Shares are issued within 15 days of satisfaction of all conditions precedent, and in any case no later than 6 months after the date of the shareholder meeting;

(b) for any annual reporting period during which any of the TFA Shares have been issued or any of them remain to be issued, the Company's annual report sets out in detail the basis on which the TFA Shares were or may be issued;

c) in any half year or quarterly report for a period during which any of the TFA Shares have been issued or remain to be issued, the Company must include a summary statement of the number of TFA Shares issued during the Reporting Period, and the number of TFA Shares that remain to be issued;

(d) the Notice sets out the conditions which must be satisfied prior to the issue of the TFA Shares; and

(e) the Company releases the terms of the waiver to the market no later than the time the Notice is released to the market.

4. RESOLUTION 1 – ISSUE OF SHARES TO RETIRE DEBT

Resolution 1 seeks Shareholder approval under Listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act for:

(a) the Company to issue up to 44,444,444 Shares to TFA International Pty Ltd or its nominee in satisfaction of monies owed by the Company to TFA International Pty Ltd; and

(b) the acquisition of a relevant interest in 44,444,444 Shares by TFA International Pty Ltd or its nominee arising from the issue of the Shares in (a) above in excess of the threshold prescribed by Section 606(1)(c)(ii) of the Corporations Act.

Resolution 1 is conditional on the approval of Resolutions 2 and 3.

Approval pursuant to Listing Rule 7.1 is not required for the issue of Shares proposed by Resolution 1 as approval is being obtained under listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act. Accordingly, the issue of Shares to TFA will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Please refer to Section 3.16 for details of the affects on the Company if this resolution is not passed.

The Directors' without an interest in this Resolution recommend shareholders approve Resolution 1. For details refer to Section 3.14 of this Notice.

Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, members are advised of the following particulars in relation to the proposed issue of Shares:

(a) The Shares are proposed to be issued to TFA International Pty Ltd.

(b) The maximum number of Shares to be issued is 44,444,444 in repayment of loan principal to the value of $600,000.

(c) It is the Company's intention to issue the Shares as soon as practicable after satisfaction of the last of the conditions precedent specified in the Funding Agreement but in any event, not later than six months after the date of the General Meeting (refer Section 3.18).

(d) TFA holds a 29.17% relevant interest in the voting securities of the Company. ASX has applied its discretion under Listing Rule 10.11.2 to require the Company to seek shareholder approval to issue Shares to TFA in accordance with Resolution 1.

(e) The price per Share will be 1.35 cents per ordinary fully paid share and will rank equally in all respects with the existing Shares of the Company. Issue of the shares will be contingent on satisfaction of the remaining conditions precedent to the Funding Agreement as detailed in Section 3.3 of this Notice.

(f) No funds will be raised by the issue of Shares, as the issue of the Shares will retire debt as detailed in Section 3.1 of this Notice.

Item 7 of Section 611 of the Corporations Act

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied. The information required by Item 7 of Section 611 of the Corporations Act in respect to the issue of Shares pursuant to Resolution 1 is contained in Section 3 of this Explanatory Statement.

5 RESOLUTION 2 – ISSUE OF SHARES ON CONVERSION OF CONVERTIBLE NOTES

Resolution 2 seeks shareholder approval under Listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act for:

(a) the Company to issue up to 17,600,000 Shares to TFA International Pty Ltd or its nominee on conversion of 880 Convertible Notes held by TFA International Pty Ltd; and

(b) the acquisition of a relevant interest in 17,600,000 Shares by TFA International Pty Ltd or its nominee arising from the issue of the Shares in (a) above in excess of the threshold prescribed by Section 606(1)(c)(ii) of the Corporations Act,

Resolution 2 is conditional on the approval of Resolutions 1 and 3.

Approval pursuant to Listing Rule 7.1 is not required for the issue of Shares proposed by Resolution 2 as approval is being obtained under listing Rule 10.11 and Item 7 of Section 611 of the Corporations Act. Accordingly, the issue of Shares to TFA will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Please refer to Section 3.16 for details of the affects on the Company if this resolution is not passed.

The Directors' without an interest in this Resolution recommend shareholders approve Resolution 2. For details refer to Section 3.14 of this Notice.

Listing Rule 10.13

In compliance with the information requirements of ASX Listing Rule 10.13, members are advised of the following particulars in relation to the proposed issue of Shares:

(a) The Shares are proposed to be issued to TFA International Pty Ltd.

(b) The maximum number of Shares to be issued to TFA is 17,600,000 Shares on conversion of 880 existing convertible notes with a face value of $500 each.

(c) It is the Company's intention to issue the Shares as soon as practicable after satisfaction of the last of the conditions precedent specified in the Funding Agreement but in any event, not later than six months after the date of the General Meeting (refer Section 3.18).

(d) TFA holds a 29.17% relevant interest in the voting securities of the Company. ASX has applied its discretion under Listing Rule 10.11.2 to require the Company to seek shareholder approval to issue Shares to TFA in accordance with Resolution 2. 2.

(e) The conversion price per Share will be 2.50 cents per Share in accordance with the normal terms of the convertible notes and the Shares issued will rank equally in all respects with the existing Shares of the Company. Issue of the shares will be contingent on satisfaction of the remaining conditions precedent to the Funding Agreement as detailed in Section 3.4 of this Notice.

(f) No funds will be raised by the issue of Shares, as the issue of the Shares will retire debt as detailed in Section 3.3 of this Notice.

Item 7 of Section 611 of the Corporations Act

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied. The information required by Item 7 of Section 611 of the Corporations Act in respect to the issue of Shares pursuant to Resolution 2 is contained in Section 3 of this Explanatory Statement.

6 RESOLUTION 3 – ISSUE OF SHARES TO ACQUIRE A 21.8% INTEREST IN HUBEI TAIFENG INVESTMENT AND DEVELOPMENT CO., LTD.

Resolution 3 seeks shareholder approval under Listing Rule *10.1 and Item 7 of Section 611 of the Corporations Act for:*

(a) the Company to issue up to 111,251,158 Shares to TFA International Pty Ltd or its nominee as consideration for the acquisition of a 21.8% interest in Chinese company Hubei Taifeng Investment And Development Co., Ltd; and

(b) the acquisition of a relevant interest in 111,251,158 Shares by TFA International Pty Ltd or its nominee arising from the issue of the Shares in (a) above in excess of the threshold prescribed by Section 606(1)(c)(ii) of the Corporations Act,

Resolution 3 is conditional on the approval of Resolutions 1 and 2.

Approval pursuant to Listing Rule 7.1 is not required for the issue of Shares proposed by Resolution 3 as approval is being obtained under listing Rule 10.1 and Item 7 of Section 611 of the Corporations Act. Accordingly, the issue of Shares to TFA will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

Please refer to Section 3.16 for details of the affects on the Company if this resolution is not passed.

The Directors' without an interest in this Resolution recommend shareholders approve Resolution 3. For details refer to Section 3.14 of this Notice.

Listing Rule 10.10 and additional information

In compliance with the information requirements of ASX Listing Rule 10.10, members are advised of the following particulars in relation to the proposed issue of Shares:

(a) A voting exclusion statement is included in the Notice;

(b) A report on the transaction from an independent expert is attached as Annexure A. The Independent Expert has concluded that the transaction **is fair and reasonable**.

The following additional summary information is provided. Detailed particulars on the transaction contemplated by Resolution 3 are included in Section 3 of this Explanatory Statement.

(a) The Shares are proposed to be issued to TFA International Pty Ltd.

(b) The maximum number of Shares to be issued to TFA is 111,251,158 ordinary shares on settlement of the acquisition of the 21.8% share interest in Hubei Taifeng Investment And Development Co., Ltd.

(c) It is the Company's intention to issue the Shares as soon as practicable after satisfaction of the last of the conditions precedent specified in the Funding Agreement but in any event, not later than six month after the date of the General Meeting (refer Section 3.18).

(d) Approval is required under Listing Rule 10.1 by reason of Listing Rule 10.1.3. states that the Company must ensure that neither it, nor any of its child entities, acquires a substantial asset from a substantial shareholder in the Company if the person has a relevant interest in at least 10% of the total votes attached to the voting securities in the Company. HTDC will represent a substantial asset and TFA currently holds a relevant interest of 29.17% of the voting securities in the Company.

(e) The issue price per Share will be 1.80 cents per ordinary fully paid share and the Shares issued will rank equally in all respects with the existing Ordinary shares of the Company. Issue of the shares will be contingent on satisfaction of the remaining conditions precedent to the Funding Agreement and the normal settlement processes as detailed in Section 3.4 of this Notice.

(f) No funds will be raised by the issue of Shares, as the Shares will issued as consideration for the acquisition of shares in Hubei Taifeng Investment And Development Co., Ltd. as detailed in Section 3.3 of this Notice.

(g) Shareholders can access the Independent Expert Report on the Company's website at www.ferrowest.com.au. If requested by a shareholder, a hard copy of the report on the transaction from the independent expert will be provided at no cost to the holder.

Item 7 of Section 611 of the Corporations Act

The Corporations Act and ASIC Regulatory Guide 74 set out a number of regulatory requirements which must be satisfied. The information required by Item 7 of Section 611 of the Corporations Act in respect to the issue of Shares pursuant to Resolution 3 is contained in Section 3 of this Explanatory Statement.

7 RESOLUTION 4 – RATIFICATION OF SHARE PLACEMENT ON 18 FEBRUARY 2014

Resolution 5 of the Notice of General Meeting proposes the ratification of the prior issue and allotment of 1,428,572 Shares on 18 February 2014, thereby satisfying the requirements of ASX Listing Rule 7.4.

In compliance with the information requirements of ASX Listing Rule 7.5 shareholders are advised of the following particulars in relation to the placement:

(a) Number of securities allotted:

1,428,572 Shares

(b) Price at which the securities were issued:

1.4 cents per Share

(c) Terms of the securities:

The Shares rank equally in all respects with the existing Shares on issue.

(d) Names of the allottees:

Valdrew Nominees Pty. Ltd.

(e) Intended use of funds raised:

No funds were raised from the issue. Shares were issued in satisfaction of services rendered.

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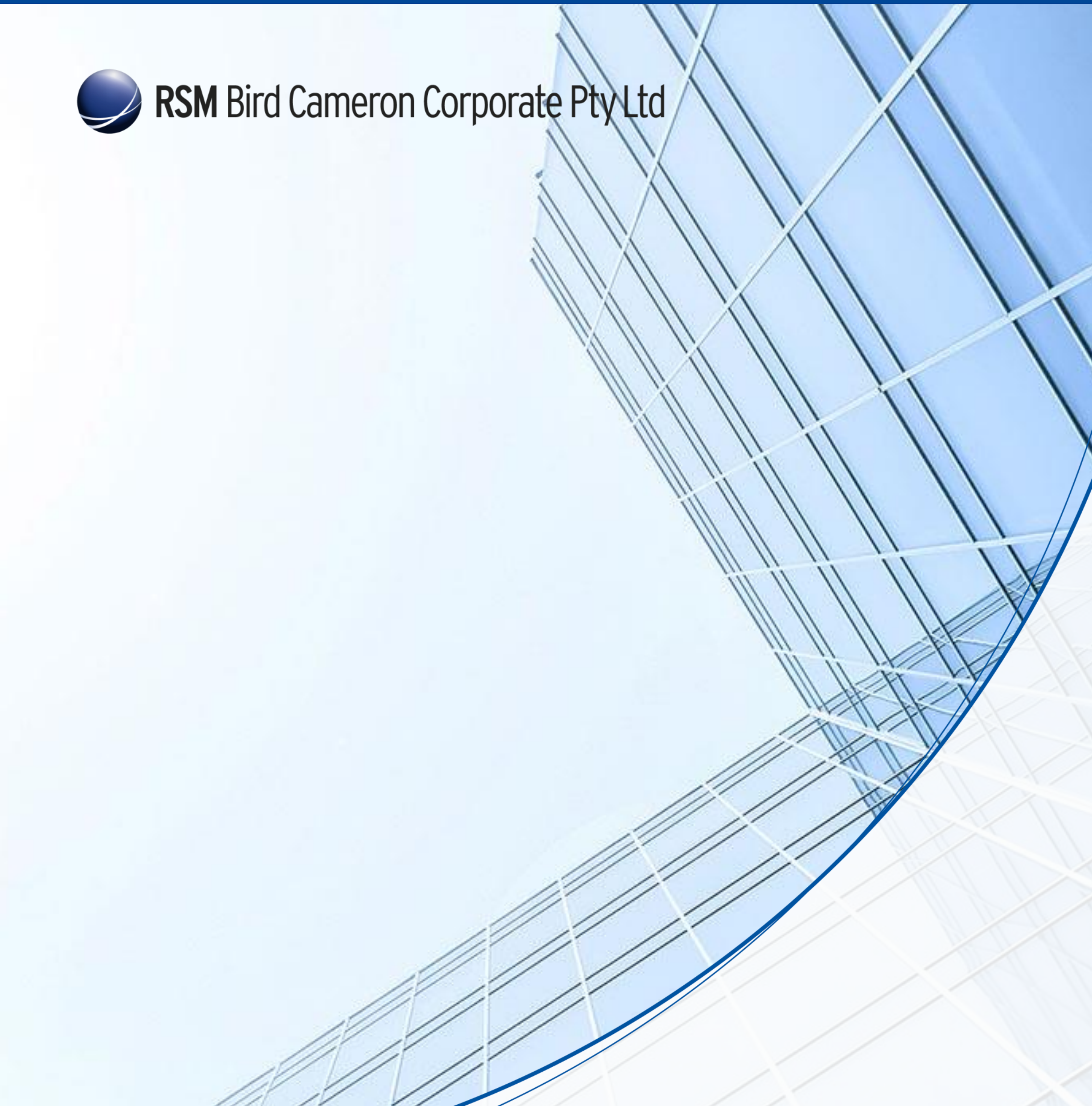

RSM Bird Cameron Corporate Pty Ltd

Ferrowest Limited

Financial Services Guide and Independent Expert's Report

September 2014

We have concluded that the Transaction is Fair and Reasonable to Shareholders of Ferrowest Limited.

RSM Bird Cameron Corporate Pty Ltd
8 St Georges Terrace, Perth, WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 **F** +61 8 9261 9102
www.rsmi.com.au

Financial Services Guide

RSM Bird Cameron Corporate Pty Ltd ABN 82 050 508 024 ("RSM Bird Cameron Corporate Pty Ltd" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All our employees receive a salary.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.

From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a syFWLm for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of the FSG.

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

Independent Expert's Report

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RSM Bird Cameron Corporate Pty Ltd
AFS Licence No 255847

Direct Line: (08) 9261 9447
Email: andy.gilmour@rsmi.com.au

19 September 2014

The Shareholders
Ferrowest Limited
Unit 18
28 Belmont Avenue
BELMONT WA 6104

Dear Shareholders

Independent Expert's Report ("Report")

1. Introduction

1.1. This Independent Expert's Report (the "Report" or "IER") has been prepared to accompany the Notice of General Meeting and Explanatory Statement ("Notice") to shareholders for a General Meeting of Ferrowest Limited ("FWL" or "the Company") to be held on or around 31 October 2014, at which, shareholder approval will be sought for the issue of 173,295,602 FWL shares ("Consideration") to TFA International Pty Ltd ("TFA") in exchange for the following ("the Proposed Transaction"):

- TFA will provide six, monthly cash advances of A$100,000 to be applied to the Company's mineral projects and corporate operations ("Loan Amounts"). The cash advances will convert to equity in FWL at 1.35 cents per share (44,444,444 ordinary shares in total) upon approval of the Proposed Transaction;
- TFA will convert $440,000 of convertible notes it holds in FWL to shares at 2.50 cents per share through the issue of 17,600,000 FWL shares; and
- TFA will sell an approximate 21.8% direct interest in a special purpose vehicle, Hubei Taifeng Investment and Development Co., Ltd ("HTDC"), holding a residential and commercial precinct development (currently being developed) in Hubei Province in China to an FWL subsidiary established in China for the purpose. Consideration for the acquisition will be the issue of 111,251,158 FWL shares to TFA at 1.8 cents per share.

1.2. TFA currently holds 29.17% of the ordinary shares of Ferrowest and on completion of the Proposed Transaction will hold up to 60% of the issued ordinary shares of the Company.

1.3. The Directors of FWL have requested that RSM Bird Cameron Corporate Pty Ltd ("RSMBCC"), being independent and qualified for the purpose, express an opinion as to whether the Proposed Transaction is fair and reasonable to shareholders not associated with the Proposed Transaction ("Non-Associated Shareholders").

1.4. The ultimate decision whether to approve the Proposed Transaction should be based on each Shareholder's assessment of their circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt as to the action they should take with regard to the Proposed Transaction, or the matters dealt with in this Report, Shareholders should seek independent professional advice.

2. Summary and Conclusion

Opinion

2.1. In our opinion, and for the reasons set out in Sections 10 and 11 of this Report, the Proposed Transaction is **fair and reasonable** to the Non-Associated Shareholders of FWL.

Approach

2.2. In assessing whether the Proposed Transaction is fair and reasonable to the non-associated shareholders, we have considered Australian Securities and Investment Commission ("ASIC") Regulatory Guide 111 – Content of Expert Reports ("RG 111"), which provides specific guidance as to how an expert is to appraise transactions.

2.3. Where an issue of shares by a company otherwise prohibited under section 606 of the Act is approved under item 7 of section 611, and the effect on the company shareholding is comparable to a takeover bid, such as the Proposed Transaction, RG 111 states that the transaction should be analysed as if it was a takeover bid.

2.4. Therefore we have considered whether or not the Proposed Transaction is "fair" to the Non-Associated Shareholders by assessing and comparing:

- The Fair Value of a share in FWL on a control basis pre the Proposed Transaction; with
- The Fair Value of a share in FWL on a non control basis immediately post completion of the Proposed Transaction,

and, considered whether the Proposed Transaction is "reasonable" to the Non-Associated Shareholders by undertaking an analysis of the other factors relating to the Proposed Transaction which are likely to be relevant to the Non-Associated Shareholders in their decision of whether or not to approve the Proposed Transaction.

2.5. Further information of the approach we have employed in assessing whether the Proposed Transaction is "fair and reasonable" is set out at Section 3 of this Report.

Fairness

2.6. Our assessed values of an FWL share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Assessment of fairness	Ref:	Value per Share	
		Low	High
Fair value of an FWL share pre the Proposed Transaction - Control basis		$0.007	$0.020
Fair value of an FWL share post the Proposed Transaction - Non control basis		$0.008	$0.013

Table 1: Assessed values of an FWL share pre and post the Proposed Transaction *(Source: RSMBCC analysis)*

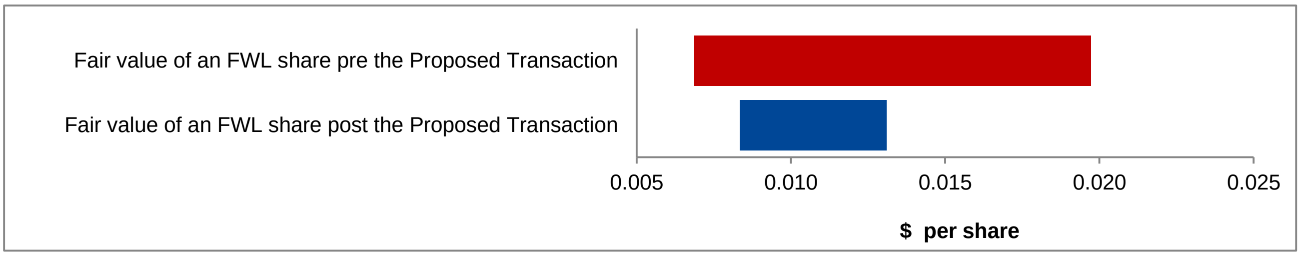


Figure 1: FWL Share Valuation Graphical Representation (*Source: RSMBCC Analysis)*

2.7. In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be fair to the Non-Associated Shareholders of FWL, as the value of an FWL share post the Proposed Transaction in within the range of values of an FWL share pre the Proposed Transaction.

Reasonableness

2.8. RG 111 establishes that an offer is reasonable if it is fair. It might also be reasonable if, despite not being fair, there are sufficient reasons for security holders to accept the offer in the absence of any higher bid before the offer closes. As such, we have also considered the following factors in relation to the reasonableness aspects of the Proposed Transaction:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

2.9. The stated intentions of TFA in relation to the Proposed Transaction are to continue the development of the Company's exploration assets, pursue project level investment in the exploration assets, maintain appropriate cost controls, appoint Mr Robert Sun as Managing Director, appoint Mr Brett Manning as executive Chairman and pursue cost cutting exercises where possible.

2.10. If the Proposed Transaction does not proceed then it is likely that the Company will delay the development of its assets while it seeks to raise capital by other means. We note there is no guarantee that FWL will be able to raise the funds required to further develop its assets and it will also have more than $1m in debt on its balance sheet with limited cash reserves.

2.11. If Non-Associated Shareholders do not approve the Proposed Transaction then FWL will be required to repay the Loan Amounts within three months of the date of the General Meeting called to vote on the

Proposed Transaction. It is unlikely that FWL will have the funds to repay the Loan Amounts and would be forced to source funds from another debt provider or from the market (resulting in dilution to shareholders). In any scenario, FWL is likely to be in a disadvantageous negotiating position and any terms are unlikely to be favourable.

2.12. If FWL could not obtain the funds necessary to repay the Loan Amounts then it is possible that it could be placed into voluntary administration.

2.13. The key advantages of the Proposed Transaction are:

- The Proposed Transaction is fair.
- The conversion of notes and short term debt to shares will reduce the debt on FWL's balance sheet;
- A reduction of debt will result in a reduction of future interest payments; and
- If the Proposed Transaction is approved then the 21.8% interest in HTDC could provide long term cash flows from completion of the Proposed Transaction.

2.14. The key disadvantages of the Proposed Transaction are:

- Shareholders' interests in FWL will be diluted;
- The Proposed Transaction does not inject a large amount of cash into FWL; and
- TFA will have enough control to pass or block ordinary resolutions and will have significant influence over special resolutions.

2.15. We are not aware of any alternative proposals which may provide a greater benefit to the Non-Associated Shareholders of FWL at this time.

2.16. In our opinion, the position of the Non-Associated Shareholders of FWL if the Proposed Transaction is approved is more advantageous than if the Proposed Transaction is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of FWL.

3. Scope of the Report

Corporations Act

3.1. Section 606 of the Act prohibits a person from acquiring a relevant interest in the issued voting shares of a public company if the acquisition results in that person's voting interest in the company increasing from a starting point that is above 20% and below 90%. Completion of the Proposed Transaction will result in TFA increasing its voting interest in FWL from 29.17% to approximately 60%.

3.2. Under Item 7 of Section 611 of the Act, the prohibition contained in Section 606 does not apply if the acquisition has been approved by the Non-Associated Shareholders of the company.

3.3. In addition, ASX Listing Rule 10.1 prohibits the Company from acquiring a substantial asset from, or disposing of a substantial asset to, (amongst other persons) a related party or any of its associates without the approval of shareholders.

3.4. By virtue of the fact that TFA holds an interest in FWL greater than 10%, the directors consider TFA to be a related party within the definition contained in the Listing Rules.

3.5. An asset is a substantial asset if its value or the value of the consideration for it is 5% or more of the equity interests of the company as set out in its latest accounts given to the ASX. The value of the Consideration is greater than 5% of the equity interests of the Company as set out in its latest financial statements lodged with the ASX. The issue of the Consideration, therefore, represents the acquisition of a substantial asset within the meaning of ASX Listing Rule 10.2.

3.6. Accordingly, the Company is seeking approval from the Non-Associated Shareholders for Resolutions 1 and 2 under Item 7 of Section 611 of the Act and Resolution 3 in accordance with Listing Rule 10.1.

3.7. Section 611 of the Act states that shareholders must be given all information that is material to the decision on how to vote at the meeting. Furthermore, where ASX Listing Rule 10.1 approval is sought, shareholders must be presented with a report on the transaction from an independent expert which states whether the transaction is fair and reasonable to the Non-Associated Shareholders. ASIC RG 111 advises the requirement to commission an Independent Expert's Report in such circumstances and provides guidance on the content.

Regulatory guidance

3.8. In determining whether the Proposed Transaction is "fair and reasonable" we have given regard to the views expressed by ASIC in RG 111.

3.9. RG 111 provides ASIC's views on how an expert can help security holders make informed decisions about transactions. Specifically, it gives guidance to experts on how to evaluate whether or not a proposed transaction is fair and reasonable.

3.10. RG 111 states that the expert report should focus on:

- the issues facing the security holders for whom the report is being prepared; and
- the substance of the transaction rather than the legal mechanism used to achieve it.

3.11. Where an issue of shares by a company otherwise prohibited under section 606 is approved under Item 7 of Section 611 and the effect on the company shareholding is comparable to a takeover bid, RG 111 states that the transaction should be analysed as if it was a takeover bid.

3.12. RG 111 applies the "fair and reasonable" test as two distinct criteria in the circumstance of a takeover offer, stating:

- A takeover offer is considered "fair" if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer; and
- A takeover offer is considered "reasonable" if it is fair or, where the offer is "not fair", it may still be "reasonable" if the expert believes that there are sufficient reasons for security holders to accept the offer.

3.13. Consistent with the guidelines in RG 111, in determining whether the Proposed Transaction is "fair and reasonable" to the Non-Associated Shareholders, the analysis undertaken is as follows:

- A comparison of the Fair Value of an ordinary share in FWL prior to (on a control basis) and immediately following (on a non control basis) the Proposed Transaction, being the 'consideration' for the Non-Associated Shareholders – fairness; and
- A review of other significant factors which the Non-Associated Shareholders might consider prior to approving the Proposed Transaction – reasonableness.

3.14. In particular, we have considered the advantages and disadvantages of the Proposed Transaction in the event that it proceeds or does not proceed including:

- The future prospects of the Company if the Proposed Transaction does not proceed; and
- Any other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

4. Summary of Transaction

Overview

4.1. FWL has executed a conditional funding agreement with the Company's major shareholder, TFA, the Australian subsidiary of the Tai Feng Group of Sichuan Province in China. TFA currently holds 29.17% of the ordinary shares of FWL and on completion of the Proposed Transaction will hold up to 60% of the issued ordinary shares of the company.

4.2. The key elements of the Proposed Transaction are:

- TFA will provide six, monthly cash advances of A$100,000 to be applied to the Company's mineral projects and corporate operations. The cash advances will convert to equity at 1.35 cents per share (44,444,444 ordinary shares in total). Funds received in accordance with the monthly cash advances will incur an interest charge of 5% per annum, calculated and payable quarterly in arrears.

- TFA will provide funding for FWL to meet the costs associated with the Independent Expert and any due diligence related to the Proposed Transaction (also "Loan Amounts"). Funds received under this clause will incur an interest charge of 5% per annum, calculated and payable quarterly in arrears.

- If the Proposed Transaction is terminated then the Loan Amounts must be repaid in accordance with the following schedule:

Trigger for Termination	Repayment Period
- Shareholders reject the Proposed Transaction	3 months
- Australian or Chinese Government Authorities reject the Proposed Transaction - The final equity placement as contemplated by the Proposed Transaction is completed - The final equity placement as contemplated by the Proposed Transaction is not completed within 12 months after Shareholder approval is received	6 months
- FWL not being satisfied with material results of due diligence which cannot be reasonably rectified - TFA defaults on its obligations to provide the six funding tranches - FWL receives a written request from TFA to terminate the funding agreement	12 months

- TFA will convert $440,000 of convertible notes which it previously acquired, to shares at 2.50 cents per share through the issue of 17,600,000 shares to TFA; and

- TFA will sell an approximate 21.8% direct interest in a special purpose vehicle, HTDC, holding a residential and commercial precinct development (currently being developed) in Hubei Province in China to an FWL subsidiary established in China for the purpose. Consideration for the acquisition will be the issue of 111,251,158 shares to TFA at 1.8 cents per share ($2,002,521).

Key conditions of the Proposed Transaction

4.3. Implementation of the Proposed Transaction is subject to the following Conditions Precedent being satisfied:

- FWL completing due diligence investigations and those due diligence investigations not identifying any matter or issue which in FWL's opinion (determined in its absolute discretion) is reason not to proceed with the Proposed Transaction;
- Receipt of all necessary Australian and Chinese Government approvals; and
- Completion of an IER for the purposes of Section 611 of the Corporations Act, ASX Listing Rule 10.1 and any other purpose.

Impact of Proposed Transaction on FWL's Capital Structure

4.4. TFA currently holds 65.6 million shares (29.17%) in FWL. If the Proposed Transaction is approved then TFA's interest in FWL will increase to 60%.

4.5. FWL also has $440,000 in convertible notes that will be converted under the term of the Proposed Transaction.

4.6. The table below sets out a summary of the capital structure of FWL prior to and post the Proposed Transaction and the maximum interest in FWL which will be held by TFA.

	Prior to Proposed Transaction		Post Proposed Transaction	
Non-associated Shareholders	**159,246,165**	**71%**	**159,246,165**	**40%**
TFA				
Prior to Proposed Transaction	*65,573,643*	*29%*	*65,573,643*	*16%*
Shares issued in accordance with Proposed Transaction				
Conversion of cash advances	-	-	*44,444,444*	*11%*
Conversion of convertible notes	-	-	*17,600,000*	*4%*
Acquisition of special purpose investment vehicle	-	-	*111,251,158*	*28%*
Total TFA	**65,573,643**	**29%**	**238,869,245**	**60%**
Total	**224,819,808**	**100%**	**398,115,410**	**100%**

Table 2: Share structure of FWL before and after the Proposed Transaction

5. Profile of FWL

5.1. FWL listed on the ASX in 2006 with the rights to explore and develop two iron ore assets in Western Australia (the Yogi and Eradu projects). In 2012, the Company made a strategic decision to diversify its commodity focus and has since acquired a number of other exploration assets encompassing iron ore, gold and nickel. FWL's market capitalisation as at 25 August 2014 was $1.8 million.

Project	Location	Geology	Commodity	Interest	Partner/s
Yogi Mine Project	~250km east of Geraldton	Yalgoo Greenstone Belt	Iron Ore	100%	N/A
Eradu MPI Project	Geraldton	N/A	Merchant Pig Iron Ore	100%	N/A
Yalyirimbi Iron Project	~ 200km NW of Alice Springs	Ngalia Basin	Iron Ore	Earning 60%	Arafura Resources Limited
Marvel Lock Project	Southern Cross	Southern Cross Greenstone Belt	Gold/Base Metals	100%	N/A
Lake Halbert East Project	~75km NNE of Esperance	Albany-Fraser	Nickel/Gold	100%	N/A

Table 3: Summary of FWL projects

5.2. We set out a brief summary of FWL's projects below (a more detailed analysis can be found in the Independent Specialists report attached as Appendix 4).

The Yogi Mine Project

5.3. There is currently a 572.5Mt Inferred Resource of magnetite at 27.5% Fe at Yogi.

5.4. The aim of the Yogi Project is to mine the ore and concentrate it on site to produce a 67% Fe magnetite concentrate. However, the project is dependent partially on port access in Geraldton (most likely the Oakajee Port if it is commissioned) and partially on the construction of a pig iron processing plant as considered under the Eradu MPI Project.

The Eradu MPI Project

5.5. The Eradu MPI Project is at the conceptual stage. The project is based on the construction of a processing plant capable of producing high purity (96% Fe) iron nuggets for export. Iron nuggets are used in blast furnaces to improve the quality of iron ore produced from recycled scrap steel. It is intended that iron ore from the Yogi Mine Project will feed the Eradu MPI Project.

The Yalyirimbi Iron Project

5.6. FWL acquired the rights to earn a 60% interest in the Yalyirimbi Iron Project in March 2013. The project is located in the Northern Territory, near Alice Springs, on a 787Km2 exploration licence. The project has a combined Indicated and Inferred Mineral Resource of 13.3 million tonnes of haematite at 27.1% Fe.

5.7. Early stage test work has demonstrated that with a crush to 100% passing 6mm and gravity upgrading, a haematite fines concentrate of 63.5% Fe with 7.1% SiO_2, 0.84% Al_2O_3 and negligible phosphorus can be produced.

5.8. The project envisages open cut mining of haematite, before crushing and gravity based upgrading to produce a haematite fines concentrate. The haematite will be transported via existing railway to Darwin Port for export.

5.9. FWL has earned a 51% interest in the project. In order to earn a further 9%, FWL must complete a bankable feasibility study at its own expense.

The Marvel Loch Project

5.10. The Marvel Loch Project was acquired by FWL in November 2012. The project consists of 12 granted tenements, considered to be prospective for gold and base metals. The project has a combined area of 156.4 km2 and is located close to the historic Marvel Loch mining area, 31km south of Southern Cross and 400km east of Perth in Western Australia.

The Lake Halbert East Project

5.11. The Lake Halbert East Project was also acquired in November 2012. The tenement pegged covers an area of 16,800Ha and is located on the Albany-Fraser orogeny, 75km north-northeast of Esperance and approximately 50km east of the sealed Kalgoorlie-Esperance highway. The area is prospective for gold and nickel.

Directors and management

5.12. The directors and key management of FWL are summarised in the table below.

Name	Title	Experience
Bryan Kevin Hughes	Non-Executive Chairman	Bryan was appointed on 18 April 2012 and is Chairman of the Board and Chairman of the Company's Audit Committee. He is a Chartered Accountant with over 26 years' experience in the corporate and resources sectors. He has been the Managing Director of Pitcher Partners, Perth (and its preceding companies) for the last 16 years and during that time has been a member of, and consulted to, many Boards.
Brett Manning	Managing Director	Brett was appointed on 10 April 2005 and is the Managing Director and a member of the Company's Remuneration Committee. He has more than 19 years' experience in corporate management in a resource projects environment with diverse experience in a variety of management disciplines including strategic planning, human resources, government liaison, Company secretarial practice, policy development, tenement management, accounting and treasury.
Barry Edward Wyatt	Non-Executive Project Director	Barry Wyatt was appointed on 16 May 1996 and is the Company's Project Director and is a member of the Audit Committee. He has over 40 years' experience in engineering design and project management and was President of the Northern Territory Master Builders Association for three years.
Graeme Johnston	Non-Executive Director	Graeme Johnston was appointed on 20 February 2006 and is the Company's Chief Geologist and is Chairman of the Remuneration Committee. Graeme has more than 25 years' experience in geology and mineral exploration in Australia including 18 years directly involved in iron ore projects.

Name	Title	Experience
Robert Sun	Company Secretary	Robert Sun was appointed on 4 October 2012 and has over 10 years' experience as a resource investment analyst and business manager in international trade and the resource industry in China, Canada and Australia and has held positions as a business manager and resource and project analyst with major Chinese and Australian companies. Robert is currently the General Manager TFA International Pty Ltd, the wholly owned Australian subsidiary of the Tai Feng Group Co., Ltd. of Sichuan Province in China. Robert also serves as a Director of the following listed companies: - Independent non-executive director of PepinNini Minerals Limited since 2011. - Non-executive director of IMX Resources Limited since 2013.

Table 4: FWL Directors *(Source: Annual Report)*

Financial Information

5.13. The financial information set out below is based on the audited financial statements for the years ended 30 June 2012 and 30 June 2013 and the unaudited financial statements for the year ended 30 June 2014. The audit reports for the years ended 30 June 2012 and 30 June 2013 both contained an emphasis of matter as did the review report for the six months ended 31 December 2013. The emphasis of matter as at 31 December 2013 stated:

"*Without modifying our conclusion, we draw attention to Note 1 to the financial report which indicates that the Group may be required to secure additional funding to enable it to continue as a going concern. If the Group is unable to secure additional funding, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets (in particular its deferred exploration expenditure) and extinguish its liabilities in the normal course of business at the amounts in the financial statements.*"

Financial Performance

5.14. The following table sets out a summary of the financial performance of FWL for the years ended 30 June 2012 ("FY12"), 30 June 2013 ("FY13") and 30 June 2014 ("FY14").

$	Ref:	FY14 Unaudited	FY13 Audited	FY12 Audited
Revenue		9,371	21,224	155,220
Salaries and employee benefits expense		(557,426)	(514,825)	(563,763)
Depreciation and loss on disposal		(35,737)	(45,726)	(45,472)
Exploration expenditure written off		(582,916)	(390,442)	(911,280)
Interest and finance costs		(65,805)	(28,038)	(50,316)
Share based payment		-	(11,550)	-
Corporate and administration costs		(317,070)	(494,066)	(618,178)
Investment written off		(300,000)	-	-
Loss before income tax expense		**(1,849,583)**	**(1,463,423)**	**(2,033,789)**
Income tax expense		-	-	-
Net loss for the year		**(1,849,583)**	**(1,463,423)**	**(2,033,789)**
Other Comprehensive Income		-	-	-
Total Comprehensive Loss		**(1,849,583)**	**(1,463,423)**	**(2,033,789)**

Table 5: Financial Performance *(Source: FWL Financial Statements)*

5.15. The Statement of Comprehensive Income is indicative of an exploration company, with very little revenue and the majority of expenditure on exploration and administration.

5.16. The option to acquire land identified by FWL as beneficial for the Eradu MPI project was surrendered during FY14. As such, there was $300,000 written off during FY14.

Financial Position

5.17. The table below sets out a summary of the financial position of FWL as at 30 June 2012 (“FY12”), 30 June 2013 (“FY13”) and 30 June 2014 (“FY14”).

$	Ref:	FY14 Unaudited	FY13 Audited	FY12 Audited
Current Assets				
Cash and cash equivalents		34,736	682,815	511,120
Other assets		35	43,960	47,712
Total Current Assets		**34,771**	**726,775**	**558,832**
Non-Current Assets				
Other assets		41,445	90,624	90,924
Property, plant and equipment		40,742	387,568	381,944
Deferred exploration expenditure		9,616,345	9,264,589	7,627,292
Total Non-Current Assets		**9,698,532**	**9,742,781**	**8,100,160**
Total Assets		**9,733,302**	**10,469,556**	**8,658,992**
Liabilities				
Current Liabilities				
Trade and other payables		389,277	214,947	394,234
Borrowings		875,400	136,400	340,000
Total Current Liabilities		**1,264,677**	**351,347**	**734,234**
Non-Current Liabilities				
Borrowings		-	-	-
Total Non-Current Liabilities		**-**	**-**	**-**
Total Liabilities		**1,264,677**	**351,347**	**734,234**
Net Assets		**8,468,626**	**10,118,209**	**7,924,758**
Equity				
Issued capital		19,700,333	19,500,333	15,882,801
Reserves		39,342	125,522	86,180
Accumulated losses		(11,271,048)	(9,507,646)	(8,044,223)
Total Equity		**8,468,626**	**10,118,209**	**7,924,758**

Table 6: Financial Position *(Source: FWL Financial Statements)*

5.18. As at 30 June 2014, FWL had net tangible assets of $8.5 million but a working capital deficiency of $1.2 million (current assets less current liabilities).

5.19. Current Borrowings are related to unsecured loans from directors and related parties as set out below.

FWL's existing debt structure	Value $
Shareholder loans @ 10%	136,400
Convertible notes @ 10%	539,000
Loans received from TFA under current agreement @ 5%	200,000
Total debt as at 30 June 2014	**875,400**

Table 7: FWL's debt structure at 30 June 2014 ***(Source: FWL Financial Statements)***

5.20. As at 30 June 2014, Cash and Cash Equivalents is low compared to prior periods.

Capital Structure

5.21. FWL has 224,819,808 ordinary shares on issue. The Company also has 3,500,000 unlisted options (with an exercise price of $0.25 and an expiry date of 19 April 2015).

5.22. Further, FWL has 1,078 convertible notes with a face value of $500 each, a 10% coupon rate, a conversion date of 28 November 2015 and a conversion price of 80% of the 10 day VWAP prior to conversion with a low of $0.025 and a high of $0.25.

5.23. The Top 20 shareholders of FWL as at 30 August 2014 are set out below.

	Shareholder	Number of Shares	% of Total Shares
1	TFA International Pty Ltd	65,573,643	29.17
2	Graeme & Margaret Johnston <The G&M Johnston Superfund>	8,502,431	4.00
3	Western Opals	8,100,000	3.60
4	Sin-Tang Mining Pty Ltd	6,647,176	2.96
5	De Belle S & Sheehan J	6,508,333	2.89
6	Trust 4C	6,200,000	2.76
7	Bruijnzeel Linda Ann	5,600,000	2.49
8	Alcardo Investments Limited	5,587,979	2.49
9	Philip James Evers	4,765,834	2.12
10	Botsis Holdings Pty Ltd	3,730,295	1.66
11	Grenache PL	3,525,000	1.57
12	BL& E Manning S-F	2,990,000	1.33
13	Brett Manning	2,300,000	1.02
14	Wyatt Family S/F A/C	2,070,858	0.92
15	Bakeburg Ronald H&C	2,000,000	0.89
16	Matthew Bruijnzeel	1,961,800	0.87
17	Eugenia Manning	1,900,000	0.85
18	Robert David Evers	1,869,080	0.83
19	Daffen Group PL	1,724,813	0.77
20	Baker Anthony James	1,687,686	0.75
		143,244,928	**63.94**
	Remainder	81,574,880	36.06
	Total FWL Shareholders	**224,819,808**	**100.00**

Table 8: FWL Top 20 shareholders *(Source: FWL)*

Share price performance

5.24. The figure below sets out a summary of FWL's closing share prices and traded volumes for the 12 months to 31 August 2014.

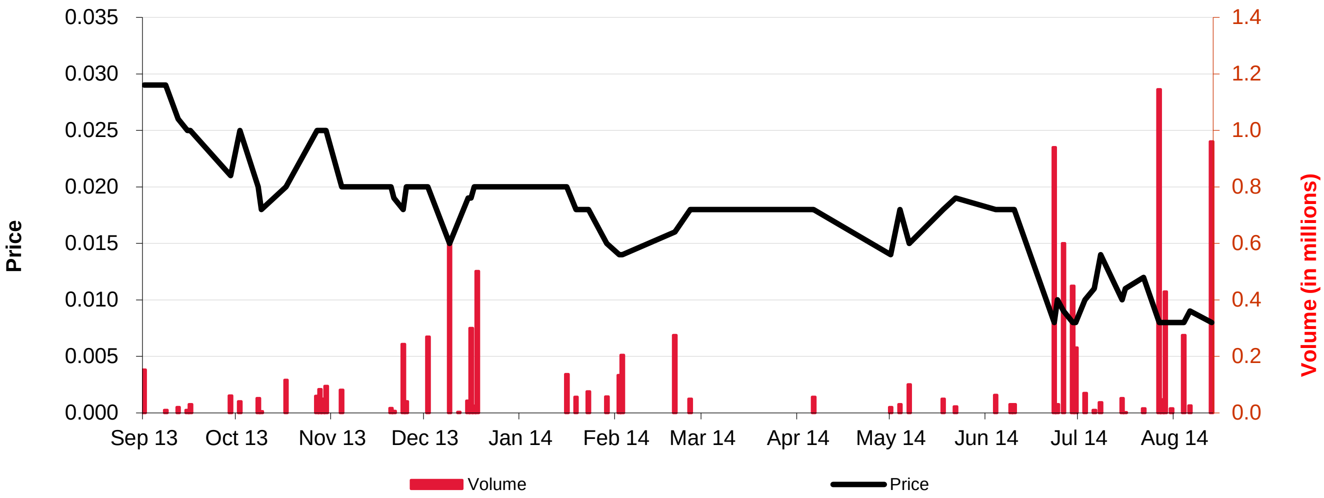


Figure 2: FWL Daily Closing Share Price and Traded Volumes (Source: ASX/S&P Capital IQ)

5.25. Over the 12 months to 31 August 2014, FWL shares have traded in a range from a low of \$0.008 in June 2014 to a high of \$0.042 in May 2013.

5.26. Volumes traded in FWL shares have been thin, with numerous days where no shares were traded. Total turnover for the 180 trading days to 31 August 2014 was 3.7% of the weighted average shares on issue.

5.27. The most active day of trading in FWL shares resulted in 1.1 million shares being traded at a daily VWAP of \$0.008 for a total value of shares traded of \$9,550.

5.28. The Proposed Transaction was announced on 30 April 2014, following which the share price declined to \$0.014 (from \$0.018) when 20,284 shares were traded. Given the small value of shares traded we do not consider the decline in share price to be an indication of the markets' reaction to the announcement. However, we note that there was an absence of buying following the announcement.

6. Details of Hubei Taifeng Investment and Development Co., Ltd

Background of Property Development

6.1. HTDC's property development is located in Jia Yu, which is in the Hubei Province. Jia Yu is approximately 80km from Wuhan, the provincial capital.

6.2. The development site is approximately 210,000m^2, with a plan to acquire another 110,000m^2, and will include the construction of 31 buildings for a total of 6,654 units plus 200,000m^2 of commercial shops and office space. Construction is planned to take place in four stages. The development stages are set out below:

Development Stage	Floor Space	Number of Buildings	Number of Units
Stage 1	200,000	8	1,744
Stage 2	230,000	9	1,699
Stage 3	160,000	9	1,351
Stage 4	160,000	7	1,860
Total	**750,000**	**31**	**6,654**

Table 9: Development Summary for HTDC (Source: FWL)

6.3. The first building in Stage one is currently at over 10 stories of a planned 33 stories. Pre-sales of the residential units in stage one went on sale on 7 April 2014, with approximately 80% sold by the end of May 2014.

6.4. The development has a total capital cost of 3,636,670,000RMB (approximately A$670 million). The development commenced in August 2013 and is expected to take another five and a half years and complete. The development is expected to be self funding through selling units from one stage of development to fund the next stage of development.

6.5. On completion of the development, HTDC expects to retain its interest in the 100,000m^2 of commercial floor space to provide an ongoing income stream. This will be in addition to the expected distributions to be made to HTDC shareholders as the development progresses and units are sold (FWL estimate their current share of first year distributions to be $43,500 per month).

Financial Performance

6.6. The following table sets out a summary of the financial performance of HTDC for the year ended 31 December 2013 and the six months ended 30 June 2014 (the original accounts of HTDC are denominated in CNY and have been converted to AUD at a ratio of AUD/CNY 0.178 for the six months ended 30 June 2014 and AUD/CNY 0.167 for the year ended 31 December 2013).

$	Ref	Six months ended 30 June 2014 Unaudited	Year ended 31 Dec 2013 Audited
Income from operation Activities		**-**	**-**
Less: operating costs		-	-
operating expenses		(260,803)	(41,048)
Profit from operations		**(260,803)**	**(41,048)**
Less: general and management expenses		(493,785)	(94,446)
Administration expenses		(454,087)	-
Financial expenses		(108,496)	104
Operating profit		**(1,317,171)**	**(135,390)**
Non-operating income		(54)	-
Total profit		**(1,317,117)**	**(135,390)**
Less: Income tax		-	-
Net Profit		**(1,317,117)**	**(135,390)**

Table 10: Financial Performance *(Source: HTDC financial statements)*

6.7. Costs mostly relate to administration, which is expected for a young development company that capitalises its expenditure.

Financial Position

6.8. The table below sets out a summary of the financial position of HTDC as at 31 December 2013 and 30 June 2014 (the original accounts of HTDC are denominated in CNY and have been converted to AUD at a ratio of AUD/CNY 0.172 as at 30 June 2014 and AUD/CNY 0.184 as at 31 December 2013)..

$	Ref	HY14	FY13
		Unaudited	Audited
Current Asset			
Cash	6.9	323,131	12,973
Other Receivable		71,815	78,959
Prepayment	6.9	11,719,555	655,813
Inventory	6.10	34,150,260	28,608,150
Deferred Expenses		206	-
Other Current Asset		17,809	-
Total Current Asset		**46,282,776**	**29,355,896**
Non-Current Assets			
Fixed assets		31,444	18,786
Total Non-Current Assets		**31,444**	**18,786**
Total Assets		**46,314,221**	**29,374,682**
Current Liabilities			
Short-term Borrowing	6.11	2,064,000	-
Accounts Payable		490,679	-
Accounts Received in advance	6.12	3,715,178	-
Wages Payable		53,663	38,942
Tax payable		24,463	-
Other payable	6.13	32,778,144	28,931,987
Total Current Liabilities		**39,126,126**	**28,970,929**
Total Liabilities		**39,126,126**	**28,970,929**
Net Assets		**7,188,094**	**403,753**
Equity			
paid-in capital		8,600,000	552,900
Undistributed profit		(1,411,906)	(149,147)
Total Equity		**7,188,094**	**403,753**

Table 11: Financial Position *(Source: HTDC Financial Statements)*

6.9. As at 31 December 2014, HTDC had a cash balance of $323,131. However, the $11,719,555 in prepayments is for contractors who have already been paid for work yet to be delivered.

6.10. Inventory comprises capitalised construction costs and is recognised at cost.

6.11. Short term borrowings is a bank loan from a local Agricultural Bank. We have been advised that the security for this loan is provided by a third party and that repayment is required by 22 April 2015.

6.12. Accounts received in advance are monies received from customers as part payment for units. The advances are utilised to pay for construction and are not retained in trust.

6.13. Other payables consists mostly of loans to HTDC by investors. In particular, the Taifeng Group is owed 178,642,903 RMB ($30,726,579).

7. Valuation Approach

Valuation methodologies

7.1. In assessing the Fair Value of an ordinary FWL share prior to and immediately following the Proposed Transactions, we have considered a range of valuation methodologies. RG 111 proposes that it is generally appropriate for an expert to consider using the following methodologies:

- the discounted cash flow ("DCF") method and the estimated realisable value of any surplus assets;
- the application of earnings multiples to the estimated future maintainable earnings or cash flows added to the estimated realisable value of any surplus assets;
- the amount which would be available for distribution on an orderly realisation of assets;
- the quoted price for listed securities; and
- any recent genuine offers received.

7.2. We consider that the valuation methodologies proposed by RG 111 can be split into three valuation methodology categories, as follows.

Market based methods

7.3. Market based methods estimate the Fair Value by considering the market value of a company's securities or the market value of comparable companies. Market based methods include;

- The quoted price for listed securities; and
- Industry specific methods.

7.4. The recent quoted price for listed securities method provides evidence of the fair market value of a company's securities where they are publicly traded in an informed and liquid market.

7.5. Industry specific methods usually involve the use of industry rules of thumb to estimate the fair market value of a company and its securities. Generally rules of thumb provide less persuasive evidence of the fair market value of a company than other market based valuation methods because they may not account for company specific risks and factors.

Income based

7.6. Income based methods estimate value by calculating the present value of a company's estimated future stream of earnings or cash flows. Income based methods include:

- Capitalisation of maintainable earnings; and
- Discounted cash flow methods.

7.7. The capitalisation of earnings methodology is generally considered a short form DCF, where an estimation of the Future Maintainable Earnings ("FME") of the business, rather than a stream of cash flows is capitalised based on an appropriate capitalisation multiple. Multiples are derived from the analysis of transactions involving comparable companies and the trading multiples of comparable companies.

7.8. The DCF technique has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value or the terminal value of the company's cash flows at the end of the forecast period. This method of valuation is appropriate when valuing companies where future cash flow projections can be made with a reasonable degree of confidence.

Asset based methods

7.9. Asset based methodologies estimate the Fair Value of a company's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis.

7.10. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets of a company which would be distributed to security holders after payment of all liabilities, including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

7.11. The liquidation of assets method is similar to the orderly realisation of assets method except the liquidation method assumes that the assets are sold in a shorter time frame.

7.12. The net assets on a going concern method estimates the market values of the net assets of a company but unlike the orderly realisation of assets method it does not take into account realisation costs. Asset based methods are appropriate when companies are not profitable, a significant proportion of the company's assets are liquid, or for asset holding companies.

Selection of Valuation Methodologies

Valuation of an FWL share pre the Proposed Transaction (control basis)

7.13. In assessing the value of an FWL share prior to the Proposed Transaction we have utilised a sum of parts valuation which combines the following methodologies:

- for all non-exploration assets and liabilities – net assets on a going concern; and
- for all exploration assets – methodologies as selected by an independent specialist (detailed below).

7.14. We have instructed Agricola Mining Consultants Pty Ltd ("Agricola") to act as an independent specialist to value the exploration assets held by FWL. Agricola has used the following industry specific valuation methodologies:

- Comparable transaction method for existing resources; and
- Geo factor rating method for exploration potential.

7.15. In our opinion the methodologies adopted by Agricola are appropriate for the stage of development of each of FWL's exploration assets. Further information on Agricola's adopted valuation methodologies and valuation can be found in Agricola's report included as Appendix 4.

7.16. We have also utilised the quoted market price methodology as a secondary valuation methodology.

7.17. Our valuation methodologies were selected on the following basis:

- The core value of any exploration company is in the exploration assets it holds. As such, in our opinion, an industry specific valuation prepared by a technical specialist is the most appropriate method of valuation;
- FWL's shares are listed on the ASX which means there is a regulated and observable market for its shares. However, consideration must be paid to adequate liquidity and activity in order to rely on the quoted market price method;

- In our opinion, the DCF methodology cannot be used as future revenue and expenses cannot be forecast with sufficient reasonable basis to meet the requirements of RG111 (specifically, a reserve must be defined before the DCF methodology could be contemplated for exploration assets);
- An FME methodology is not appropriate as FWL does not have a history of profits;

Valuation of an FWL share post the Proposed Transaction (non control basis)

7.18. In assessing the value of FWL post the Proposed Transaction, we have used the pre Proposed Transaction value (on a non control basis) and included the impact of the Proposed Transaction assuming it proceeds. In particular, we have made the following adjustments:

- Included the Special Purpose Investment Vehicle utilising the historic cost valuation methodology;
- Included any cash injections at realisable value;
- Eliminated any debt that will be converted at realisable value;
- Included any dilution from the issue of shares; and
- Included specific costs associated with the Proposed Transaction.

7.19. Our valuation methodologies were selected on the following basis:

- Changes in cash and debt can be reasonably valued at face value;
- The property included in the SPV was purchased on an arms-length basis approximately 12 months ago;
- In our opinion, the DCF methodology cannot be used as the SPV is in an early stage of development and there is no reasonable basis for future revenue and expenses. Further, RG111.83 states "real property assets that are planned or are in the process of development should be valued on the basis of their current market value rather than on an 'as complete' basis"; and
- An FME methodology is not appropriate as FWL does not have a history of profits.

8. Valuation of FWL Prior to the Proposed Transaction

8.1. As stated at paragraph 7.13 we have assessed the value of an FWL share prior to the Proposed Transaction on a sum of parts basis and have also considered the quoted price of its listed securities. In both valuations, we have included a premium for control.

Sum of parts valuation

8.2. We have assessed the value of an FWL Share on a control basis to be in the range of $0.007 to $0.020 per share, prior to the Proposed Transaction, based on the sum of parts valuation methodology, as summarised in the table below.

	Ref.	30-Jun-14	Low	High
		$	$	$
Deferred exploration expenditure (exploration assets)	8.5 to 8.10	9,616,345	3,030,000	5,920,000
Loans	8.11	(875,400)	(1,212,900)	(1,212,900)
Other assets and liabilities	5.17	(272,319)	(272,319)	(272,319)
Net assets (sum of parts)		**8,468,626**	**1,544,781**	**4,434,781**
Actual number of shares on issue	5.21		224,819,810	224,819,810
Value per share			**$0.007**	**$0.020**

Table 12: Assessed Fair Value of an FWL Share – sum of parts basis *(Source: RSMBCC Analysis)*

8.3. Our assessment has been based on the audited net assets of FWL as at 30 June 2014 of approximately $8.5 million as per the Company's draft financial statements. We have been advised that, except for adjustments noted below, there has been no significant change in the net assets of FWL since 30 June 2014.

8.4. In order to calculate a current market value, we have made a number of adjustments to the carrying values of net assets included in the Statement of Financial Position. These adjustments are set out below.

Deferred exploration

8.5. We have replaced the carrying value of exploration expenditure included in the Statement of Financial Position with the values calculated by Agricola and included in its Independent Valuation report attached as Appendix 4.

8.6. Agricola performed its valuation of the exploration assets in two stages. The first stage was a calculation of the value of the existing resource for Yogi and Yalyirimbi based on comparable transactions. The second stage was to calculate exploration upside from the Yogi, Yalyirimbi, Marvel Loch and Halbert East projects.

8.7. When calculating the value of the existing resources of FWL, Agricola applied a discount (based on average comparable acquisition costs) to the contained value of resources. This is a market based method (due to the use of comparable acquisition costs) and is industry specific. Contained value is an estimate of the in situ value of the resources, risked for resource category and operating factors. The average comparable acquisition costs discount is based on observed discounts to contained values of comparable transactions. In our opinion, the use of the average acquisition cost method is appropriate given the early stage of exploration development at Yogi and Yalyirimbi.

8.8. The value of the exploration upside was based on the geo-factor rating method, another industry specific methodology. The geo-factor rating method involves calculating the current exploration cost and applying a discount or multiple to this amount depending on the prospectivity of the tenements. Although this valuation method requires a high degree of subbjectivity from the specialist, we consider the method to be acceptable in valuing early stage and underexplored assets.

8.9. The values calculated by Agricola are set out in the table below:

Value of exploration assets		Low $m	High $m
Yogi	Mineral resource	2.48	5.14
	Exploration potential	0.24	0.31
	Total	**2.72**	**5.45**
Yalyirimbi	Mineral resource	0.09	0.19
	Exploration potential	0.12	0.16
	Total	**0.21**	**0.35**
Marvel Loch	Exploration potential	0.06	0.07
Lake Halbert East	Exploration potential	0.04	0.05
Total value of exploration assets		**$2.70**	**$5.51**

Table 13: Market value of exploration assets *(Source: Agricola report – Appendix 4)*

8.10. More details of the valuation methods used by Agricola are included in the report attached at Appendix 4.

Loans

8.11. As part of the agreement signed with TFA to enter the Proposed Transaction, TFA commenced lending FWL $100,000 per month from May 2013. As such, we have added three months of payments received from TFA to the loans amount. We have assumed that any cash raised has either been expensed through the statement of financial position or capitalised as exploration expenditure. As such, there is a net negative impact on the value of net assets.

8.12. We have also added the amounts expensed by FWL but paid by TFA in accordance with the agreement. The transaction costs paid by TFA are estimated at $37,500.

Quoted Price of Listed Securities (secondary method)

8.13. In order to provide a comparison and cross check to our sum of parts valuation of FWL, we have considered the recent quoted market price for FWL's shares on the ASX prior to the announcement of the Proposed Transaction.

Analysis of recent trading in FWL Shares

8.14. The figure below sets out a summary of FWL's closing share price and volume of FWL Shares traded in the 12 months prior to 29 April 2014, the date prior to the announcement of the Proposed Transaction. The assessment only reflects trading prior to the announcement of the Proposed Transaction, in order to avoid the influence of any movement in price that may have occurred as a result of the announcement.

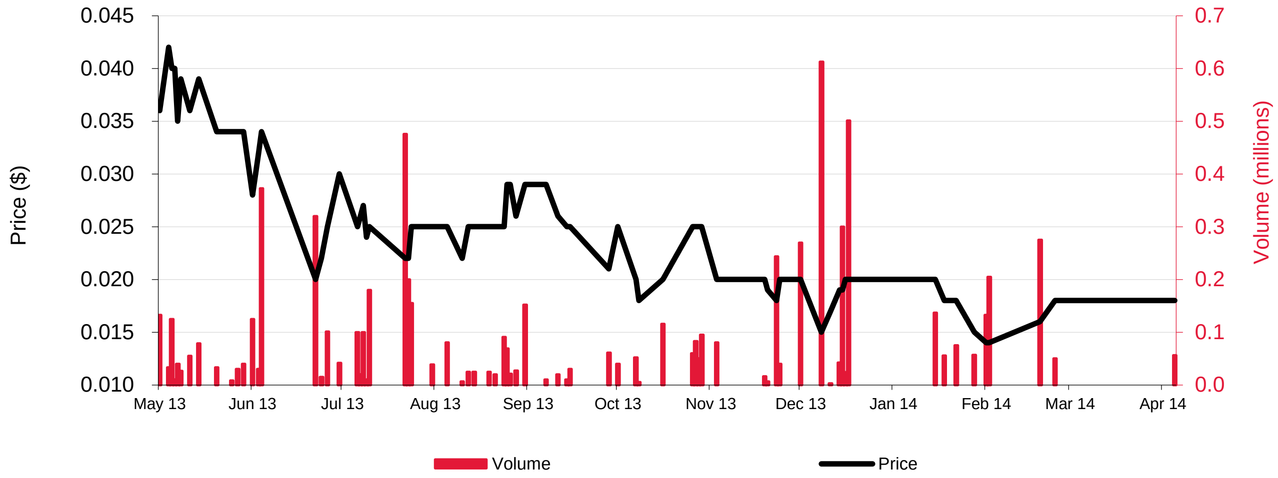


Figure 3: FWL Share Price Volume Graph (Source: S&P Capital IQ)

8.15. Over the trading period prior to the announcement of the Proposed Transaction, FWL Shares have traded in a range from a low of $0.014 in 3 February 2014 to a high of $0.042 on 6 May 2013.

8.16. To provide further analysis of the quoted market prices for FWL's shares, we have considered the VWAP over a number of trading day periods ending 29 April 2014. An analysis of the volume in trading in FWL's shares for the 1, 5, 10 30, 60 90,120 and 180 day trading periods is set out in the table below.

VWAP as at 29 April 2014	1 Day	5 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP ($)	**-**	**-**	**-**	**0.018**	**0.016**	**0.018**	**0.018**	**0.020**
Total Volume (000's)	0.0	0.0	0.0	56.5	719.0	1,911.3	3,183.3	4,277.0
Total Volume as a % of Total Shares	0.00%	0.00%	0.00%	0.03%	0.32%	0.85%	1.42%	1.90%
Low Price ($)	0.000	0.000	0.000	0.018	0.014	0.014	0.014	0.014
High Price ($)	0.000	0.000	0.000	0.018	0.018	0.020	0.028	0.029
Trading Days (no.)	0	0	0	1	5	13	21	44

Table 14: Traded volumes of FWL Shares to 29 April 2014 (Source: S&P Capital IQ)

8.17. The table above indicates very limited volume and liquidity in FWL shares. The frequency of days traded equates to approximately 1 trade per week based on the 180 day VWAP and there were no trades in the 10 trading days prior to the announcement. Further, the equivalent of only 1.9% of total current shares on issue were traded over the 180 trading days prior to the announcement. In our opinion, this represents a very low level of liquidity in FWL's shares.

Value of an FWL Share on a non-control minority basis

8.18. Whilst we note that trading of FWL Shares was thin in the above trading periods, we have selected the 30-day VWAP of $0.018 for our assessment of the quoted market price valuation of an FWL Share on a minority basis as this reflects the last sale price at that date.

Valuation of an FWL Share (quoted price of listed securities methodology)

8.19. Our valuation of an FWL share, on the basis of the recent quoted market price including a premium for control is between $0.023 and $0.024, as summarised in the table below.

	Ref.	Low	High
30-day VWAP of FWL Share at 29 April 2014		$0.018	$0.018
Add premium for control		25%	35%
Quoted market price controlling value		**$0.023**	**$0.024**

Table 13: Assessed value of an FWL Share – Quoted Price of Listed Securities (Source: RSMBCC analysis)

Key assumptions

Control Premium

8.20. The value derived at paragraph 8.19 is indicative of the value of a marketable parcel of shares assuming the shareholder does not have control of FWL. RG 111.11 states that when considering the value of a company's shares the expert should consider a premium for control. If the Proposed Transaction is successful, TFA will increase its interest in FWL to 60% of the issued share capital of FWL and, therefore, as explained in paragraph 3.13, our assessment of the Fair Value of an FWL share must include a premium for control.

8.21. In selecting a control premium we have given consideration to the RSM Bird Cameron 2013 Control Premium Study. The study performed an analysis of control premiums paid over a 7-year period to 31 December 2012 in 345 successful takeovers and schemes of arrangements of companies listed on the ASX. Our study concluded that, on average, control premiums in takeovers and schemes of arrangements involving Australian companies in the mining and metals sectors was in the range of 25% to 35%. In valuing an ordinary FWL Share prior to the Proposed Transaction using the quoted price of listed securities methodology we have reflected a premium for control in the range of 25% to 35%.

Valuation summary and conclusion

8.22. A summary of our assessed values of an ordinary FWL Share on a control basis pre the Proposed Transaction, derived under the two methodologies, is set out in the table below.

	Ref.	Low	High
Sum of parts		$0.007	$0.020
Quoted market value		$0.023	$0.024
Preferred valuation		**$0.007**	**$0.020**

Table 15: FWL Share valuation summary *(Source: RSMBCC analysis)*

8.23. In our opinion we consider that the sum of parts valuation methodology provides a better indicator of the Fair Value of an FWL Share as we consider our analysis of the trading of FWL's shares prior to the announcement of the Proposed Transaction indicates that the market for FWL's shares is not deep enough to provide an assessment of their Fair Value.

8.24. Therefore, in our opinion, the Fair Value of an FWL Share pre the Proposed Transaction is in the range of $0.007 to $0.020 on a controlling basis.

9. Valuation of FWL Following the Proposed Transaction

9.1. We summarise our valuation of a FWL share subsequent to the Proposed Transaction on a net assets on a going concern basis in the table below.

Post Proposed Transaction	Ref:	Low Value $	High Value $
Change in net assets			
Undiluted Value of FWL pre Proposed Transaction	8.2	1,594,874	4,404,874
Conversion of six monthly cash advances to equity	9.3	600,000	600,000
Conversion of convertible notes to equity	9.4	440,000	440,000
Value of 21.8% interest in HTDC	9.5	1,567,005	1,567,005
Undiluted value of FWL		**4,201,879**	**7,011,879**
Change in Shares			
Number of shares on issue pre Proposed Transaction	8.2	224,819,810	224,819,810
Conversion of six monthly cash advances to equity	9.3	44,444,444	44,444,444
Conversion of convertible notes to equity	9.4	17,600,000	17,600,000
Issue of shares for 21.8% interest in HTDC	9.7	111,251,158	111,251,158
Total shares after Proposed Transaction		**398,115,412**	**398,115,412**
Undiluted value per share		$0.011	$0.018
Discount for minority interest	9.8	$(0.002)	$(0.005)
Minority value per share (undiluted)	9.2	**$0.008**	**$0.013**

Table 16: Assessed Value of FWL on Net Assets Basis (post-Proposed Transaction)

9.2. We consider that the minority value of an FWL share post the Proposed Transaction is between $0.008 and $0.013 on an undiluted basis.

9.3. We have adjusted the net asset value of FWL post the Proposed Transaction by $600,000 to reflect the conversion of $600,000 in recent loans to FWL into shares. As consideration for the debt conversion, FWL will issue 44,444,444 shares to TFA. We note that there is currently only $500,000 in loans received by FWL, however, we expect the remaining loans to be made to FWL.

9.4. We have adjusted the net asset value of FWL post the Proposed Transaction by $440,000 to reflect the conversion of the convertible notes previously issued to TFA. The convertible notes will be converted to 17,600,000 FWL shares at $0.025.

9.5. We have adjusted the net asset value of FWL post the Proposed Transaction by $1,567,005 to reflect the value of FWL's 21.8% interest in HTDC. As noted in paragraph 7.19, we have relied on the historic costs included in HTDC's statement of financial position as the basis for our valuation. We have used the historic cost method because the property development is at an early stage, which means there is no reasonable basis for an earnings based valuation as RG 111 states that developments properties should be valued "as is", rather than assuming the development is complete (which would be implied in an earnings or DCF based valuation). Also, the purchase of the land and associated development costs were at arms' length and the majority were incurred over the last 12 months. As such, we believe historic cost is reflective of current value.

9.6. The table below summarises the calculation of the value of FWL's interest in HTDC.

Value of FWL's interest in HTDC	Ref:	Preferred Value $
Net assets of HTDC	6.8	7,188,094
FWL's interest in HTDC		21.8%
Value of FWL's interest in HTDC		**1,567,005**

Table 17: Value of FWL's interest in HTDC

9.7. The total shares on issue post the Proposed Transaction has been adjusted by 111,251,158 as a result of the shares issued to TFA as consideration for the 21.8% interest in HTDC.

9.8. The discount for minority interest has been calculated as the inverse of the premium for control applied in paragraph 8.22 in accordance with the following formula:

Discount for minority interest = 1 / (1 + premium for control) - 1

Discount for minority interest = 1 / (1 + 25%) - 1

Discount for minority interest = 20%

10. Is the Proposed Transaction Fair to FWL Shareholders

10.1. Our assessed values of an FWL share prior to and immediately after the Proposed Transaction, are summarised in the table and figure below.

Assessment of fairness	Ref:	Value per Share Low	High
Fair value of an FWL share pre the Proposed Transaction - Control basis		$0.007	$0.020
Fair value of an FWL share post the Proposed Transaction - Non control basis		$0.008	$0.013

Table 18: Assessed values of an FWL share pre and post the Proposed Transaction *(Source: RSMBCC analysis)*

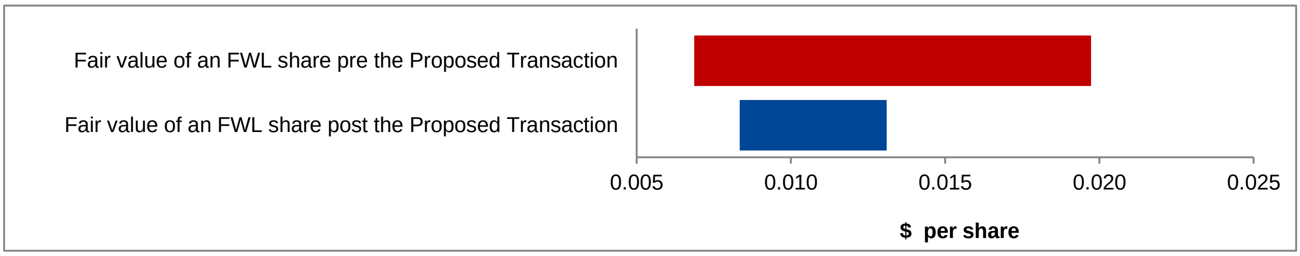


Figure 4: FWL Share Valuation Graphical Representation (*Source: RSMBCC Analysis)*

10.2. In accordance with the guidance set out in ASIC RG 111, and in the absence of any other relevant information, for the purposes of Section 611, Item 7 of the Corporations Act 2001, we consider the Proposed Transaction to be **fair** to the Non-Associated Shareholders of FWL, as the value of an FWL share post the Proposed Transaction is within the range of values of an FWL share pre the Proposed Transaction.

11. Is the Proposed Transaction Reasonable

11.1. RG111 establishes that an offer is reasonable if it is fair. If an offer is not fair it may still be reasonable after considering the specific circumstances applicable to the offer. In our assessment of the reasonableness of the Proposed Transaction, we have given consideration to:

- The future prospects of FWL if the Proposed Transaction does not proceed; and
- Other commercial advantages and disadvantages to the Non-Associated Shareholders as a consequence of the Proposed Transaction proceeding.

Stated Intentions of TFA in relation to the Proposed Transaction

11.2. The stated intentions of TFA in relation to the Proposed Transaction are to continue the development of the Company's exploration assets, pursue project level investment in the exploration assets, maintain appropriate cost controls, appoint Mr Robert Sun as Managing Director, appoint Mr Brett Manning as executive Chairman and pursue cost cutting measures where possible.

Future Prospects of FWL if the Proposed Transaction Does Not Proceed

11.3. If the Proposed Transaction does not proceed then it is likely that the Company will delay the development of its assets while it seeks to raise capital by other means. We note there is no guarantee that FWL will be able to raise the funds required to further develop its assets (as is evidenced by previous failed attempts to raise capital) and it will also have more than $1m in debt on its balance sheet with limited cash reserves.

11.4. If Non-Associated Shareholders do not approve the Proposed Transaction then FWL will be required to repay the Loan Amounts within three months of the date of the General Meeting called to vote on the Proposed Transaction. It is unlikely that FWL will have the funds to repay the Loan Amounts and would be forced to source funds from another debt provider or from the market (resulting in dilution to shareholders). In any scenario, FWL is likely to be in a disadvantageous negotiating position and any terms are unlikely to be favourable.

11.5. If FWL could not obtain the funds necessary to repay the Loan Amounts then it is possible that it could be placed into voluntary administration.

Trading in FWL shares following the announcement of the Proposed Transaction

11.6. As demonstrated in the chart below, there was a muted response to the announcement of the Proposed Transaction. In our opinion, this is more a reflection of the low liquidity that is typical of FWL's shares, rather than a reflection of the Proposed Transaction. However, we note that the Proposed Transaction did not generate any significant buying.

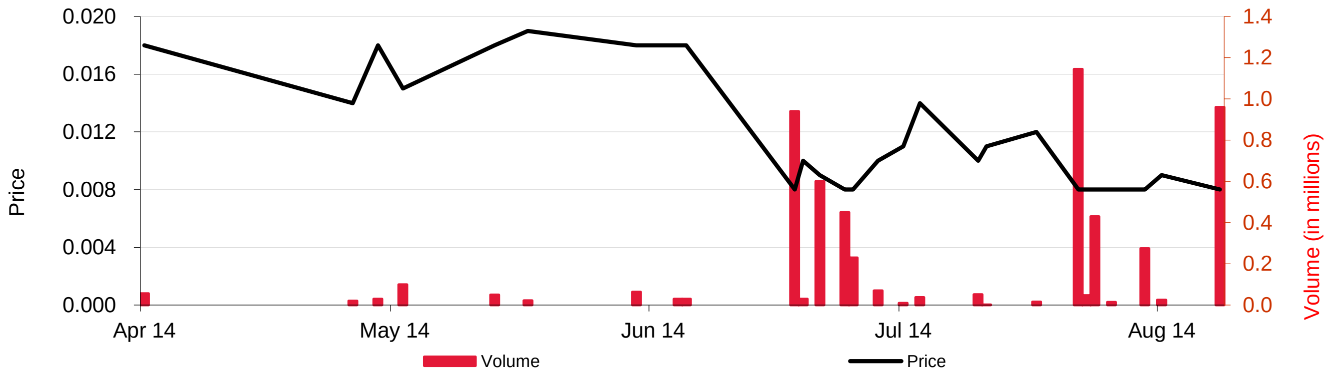


Figure 5: FWL Post Announcement Share Price Volume Graph (Source: S&P Capital IQ)

Advantages and disadvantages

11.7. In assessing whether the Non-Associated Shareholders are likely to be better off if the Proposed Transaction proceed than if they do not, we have also considered various advantages and disadvantages that are likely to accrue to the Non-Associated Shareholders.

Advantages of approving the Proposed Transaction

Advantage 1 – The Proposed Transaction is fair

11.8. RG111 states that a transaction is reasonable if it is fair.

Advantage 2 – Reduction of debt

11.9. FWL currently has approximately $1.2 million in borrowings (including loans made after 30 June 2014). As a result of TFA converting its convertible notes and short term debt to shares as part of the Proposed Transaction, FWL will have just $0.3 million in debt. The reduction in debt could make FWL more appealing to new investors.

Advantage 3 – Reduction in interest payments

11.10. As a result of the conversion of debt to TFA, FWL will save up to approximately $83,000 in interest payments over the next 18 months. This is a benefit for a company with limited cash reserves.

Advantage 4 – Potential for future revenue from HTDC

11.11. As a result of the Proposed Transaction, FWL will hold a 21.8% interest in HTDC, which is currently undertaking a property development project in China. HTDC expects to complete the property development by 2020, however, it expects cash flows to be available to equity holders immediately as a result of profits from sales being available for distribution as individual buildings and Stages are completed. In addition, FWL could expect an income stream from floor space retained by HTDC for commercial leases from 2020 onwards.

Disadvantages of approving the Proposed Transaction

Disadvantage 1 – Dilution of shareholders' interests in FWL

11.12. The Proposed Transaction will result in diluting the current Non-Associated Shareholders interest in FWL on an undiluted basis from 71% to 40% on an undiluted basis. Consequently, TFA will be able to pass general resolutions and have a significant influence over special resolutions which will result in the loss of control by Non-Associated Shareholders.

Disadvantage 2 – The Proposed Transaction does not inject a large amount of cash into FWL

11.13. Under the Proposed Transaction, FWL will receive a total of $600,000 cash. At 30 June 2014, FWL had already received $200,000 yet had cash at bank of $34,000. It is unlikely that the additional $400,000 to be received after 30 June 2014 will be sufficient to positively impact FWL's cash position beyond the months in which the amounts are received.

11.14. FWL expects to receive regular distributions from HTDC, however, these amounts are currently unknown and are not expected to be sufficient to cover all overhead and exploration costs.

Disadvantage 3 – Increased potential to control FWL

11.15. TFA will increase its interest in the issued capital of FWL to 60%. As such, TFA will be able to pass or block ordinary resolutions. TFA will also have a significant influence on special resolutions. This means that TFA will have a greater level of control over the decision making of FWL.

Alternative Proposal

11.16. We are not aware of any alternative proposal at the current time which might offer the Non-Associated Shareholders of FWL a greater benefit than the Proposed Transaction.

Conclusion on Reasonableness

11.17. In our opinion, the position of the Non-Associated Shareholders if the Proposed Transaction is approved is more advantageous than the position if it is not approved. Therefore, in the absence of any other relevant information and/or a superior offer, we consider that the Proposed Transaction is **reasonable** for the Non-Associated Shareholders of FWL.

11.18. An individual shareholder's decision in relation to the Proposed Transaction may be influenced by his or her individual circumstances. If in doubt, shareholders should consult an independent advisor.

Yours faithfully

RSM BIRD CAMERON CORPORATE PTY LTD

Andrew Gilmour

A GILMOUR

Director

Glyn Yates

G YATES

Director

APPENDIX 1

Declarations and Disclosures

RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board.

RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.

Mr. Andrew Gilmour and Mr Glyn Yates are directors of RSM Bird Cameron Corporate Pty Ltd. Both Mr Gilmour and Mr Yates are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

Reliance on this Report

This report has been prepared solely for the purpose of assisting FWL Shareholders in considering the Proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on Information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the Directors and management of Ferrowest Limited and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

Disclosure of Interest

At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, Andrew Gilmour, Glyn Yates, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the Proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of $[ ] based on time occupied at normal professional rates for the preparation of this report. The fees are payable regardless of whether Ferrowest Limited receives Shareholder approval for the Proposed Transaction, or otherwise.

Consents

RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Notice of General Meeting and Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd or RSM Bird Cameron Partners or has been involved in the preparation of the Notice of General Meeting and Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Notice of General Meeting and Explanatory Statement.

APPENDIX 2

Sources of Information

In preparing this Report we have relied upon the following principal sources of information:

- Drafts and final copies of the Notice of Meeting;
- Audited financial statements for FWL for the years ended 30 June 2012 and 30 June 2013;
- Management accounts for FWL for the year ended 30 June 2014;
- Audited financial statements for HTDC for the year ended 31 December 2013;
- Management accounts for HTDC for the six months ended 30 June 2014;
- ASX announcements of FWL;
- FWL Board presentations;
- FWL Board Meeting Minutes;
- Due diligence prepared by FWL on the HTDC;
- Draft Heads of Agreement;
- S&P Capital IQ database;
- Connect4 database; and
- Discussions with Directors, Management and staff of FWL.

APPENDIX 3

Glossary of Terms and Abbreviations

Term or Abbreviation	Definition
$	Australian Dollar
Act	Corporations Act 2001 (Cth)
Agricola	Agricola Mining Consultants Pty Ltd
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
CAGR	Compound annual growth rate
Connect 4	An entity of Thompson Reuters which is an aggregator of ASX listed company announcements and disclosures
Company	FWL
Consideration	Shares issued to TFA as consideration for the 21.8% interest in HTDC and the cancellation of certain debt amounts.
Control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
Directors	Directors of FWL
Discounted Cash Flow Method (DCF)	A method within the income approach whereby the present value of future expected net cash flows is calculated using a discount rate
EBIT	Earnings, Before, Interest and Tax
EBITDA	Earnings, Before, Interest, Tax, Depreciation and Amortisation
Equity	The owner's interest in property after deduction of all liabilities
EV	Enterprise Value, meaning, the total value of the equity in a business plus the value of its debt or debt-related liabilities, minus any cash or cash equivalents available to meet those liabilities
Fair Value	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FME	Future Maintainable Earnings

Term or Abbreviation	Definition
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
IBIS	IBIS World, producer of industry reports
IER	This Independent Expert Report
FWL	Ferrowest Limited
FWL Shareholders	Shareholders of FWL
HTDC	Hubei Taifeng Investment and Development Co, Ltd
Loan Amounts	Amounts loaned by TFA to FWL in accordance with the Proposed Transaction
Non control basis	As assessment of the fair value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Notice	The notice of meeting to vote on the Proposed Transaction
NPBT	Net Profit Before Tax
NPAT	Net Profit After Tax
Proposed Transaction	The proposed transaction to issue shares to TFA in exchange for an interest in HTDC and the cancellation of certain debt amounts
Regulations	Corporations Act Regulations 2001 (Cth)
Report	This Independent Experts Report prepared by RSMBCC dated 19 September 2014
RG 111	ASIC Regulatory Guide 111 Contents of Expert's Reports
RSMBCC	RSM Bird Cameron Corporate Pty Ltd
S&P Capital IQ	An entity of Standard and Poors which is a third party provider of company and other financial information
TFA	TFA International Pty Ltd
VWAP	Volume weighted average share price

RSM Bird Cameron Corporate Pty Ltd

AFS Licence No 255847

APPENDIX 4

Independent Specialist Report prepared by Agricola Mining Consultants Pty Ltd

Malcolm Castle
Agricola Mining Consultants Pty Ltd
P.O. Box 473, South Perth, WA 6951
Mobile: 61 (4) 1234 7511
Email: mcastle@castleconsulting.com.au
ABN: 84 274 218 871

19 September 2014

The Directors
RSM Bird Cameron Corporate Pty Ltd
8 St George's Terrace
Perth WA 6000

Dear Sirs,

Re: INDEPENDENT VALUATION OF THE MINERAL ASSETS in WESTERN AUSTRALIA and NORTHERN TERRITORY HELD BY FERROWEST LIMITED

We have been commissioned by the Directors of RSM Bird Cameron Corporate Pty Ltd ("RSM") to provide a Mineral Asset Valuation Report ("Report") of the Mineral Assets in Western Australia and Northern Territory held by Ferrowest Limited (the "Company"). This report serves to comment on the geological setting and exploration results on the properties and presents a technical and market valuation for the exploration assets based on the information in this Report.

The present status of the tenements in Western Australia and Northern Territory is based on information made available by the Company and verified by us by reference to the Department of Mines and Petroleum, Western Australia and the Department of Mines, Northern Territory. The Report has been prepared on the assumption that the tenements are lawfully accessible for evaluation.

DECLARATIONS

Relevant codes and guidelines

This report has been prepared as a technical assessment and valuation in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111 and RG112, March 2011*).

Where mineral resources have been referred to in this report, the information was prepared and first disclosed under the *"Australasian Code for Reporting of Exploration Results, Mineral Resources* *and Ore Reserves ("JORC Code"),* prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2004 and 2012 as appropriate. Some of the information has not been updated since the estimation date to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

Under the definition provided by the VALMIN Code, two of the properties are classified as 'advanced exploration areas' with identified mineral resources, which is inherently speculative in nature. The properties are considered to be sufficiently prospective, subject to varying degrees of risk, to warrant further exploration and development of its economic potential.

Sources of Information

The statements and opinion contained in this report are given in good faith and this review is based on information provided by the title holders, along with technical reports by consultants, previous tenements holders and other relevant published and unpublished data for the area. I have endeavoured, by making all reasonable enquiries, to confirm the authenticity, accuracy and completeness of the technical data upon which this report is based. A final draft of this report was provided to RSM, along with a written request to identify any material errors or omissions prior to lodgement.

In compiling this report, I did not carry out a site visit to any of the Company's Project areas. Based on my professional knowledge, experience, previous visits to the general area and the availability of extensive databases and technical reports made available by various Government Agencies, I consider that sufficient current information was available to allow an informed appraisal to be made without such a visit.

The independent valuation report has been compiled based on information available up to and including the date of this report. Consent has been given for the distribution of this report in the form and context in which it appears. I have no reason to doubt the authenticity or substance of the information provided.

Qualifications and Experience

The person responsible for the preparation of this report is:

Malcolm Castle, B.Sc.(Hons), GCertAppFin (Sec Inst), MAusIMM

> **Malcolm Castle** has over 45 years' experience in exploration geology and property evaluation, working for major companies for 20 years as an exploration geologist. He established a consulting company over 25 years ago and specialises in exploration management, technical Audit, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including uranium, gold, base metals, iron ore and mineral sands. He has been responsible for project discovery through to feasibility study in Australia, Fiji, Southern Africa and Indonesia and technical Audits in many countries. He has completed numerous Independent Geologist's Reports and mineral asset valuations over the last decade as part of his consulting business.

Mr Castle is a qualified and competent witness in a court or tribunal capable of supporting his valuation reports or to give evidence of his opinion of market value issues.

Mr Castle completed studies in Applied Geology with the University of New South Wales in 1965 and has been awarded a B.Sc.(Hons) degree. He has completed postgraduate studies with the Securities Institute of Australia in 2001 and has been awarded a Graduate Certificate in Applied Finance and Investment in 2004.

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Scope of the Valuation Report

This mineral asset valuation endeavours to ascertain the unencumbered price which a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value of a property. In attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is assumed that the property will be put to its "highest and best use".

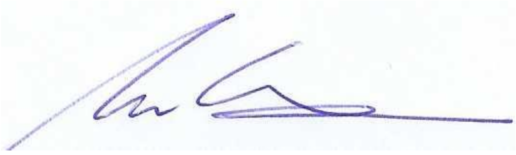
The findings of the valuation report include an assessment of the technical value (i.e. the value implied by a consideration of the technical attributes of the asset) and a market value (which considers the influences of external market forces and risk).

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during 'boom' conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with the current market for mineral properties.

Independence

I am not, nor intend to be a director, officer or other direct employee of the Company and have no material interest in the Projects or the Company. The relationship with the Company is solely one of professional association between client and independent consultant. The review work and this report are prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this Report.

Yours faithfully



Malcolm Castle

B.Sc.(Hons) MAusIMM,
GCertAppFin (Sec Inst)

TENEMENT SCHEDULE

Name	Tenement	Licence	Status	Area*	Anniversary Date
YOGI MINE PROJECT, WESTERN AUSTRALIA					
YOGI	M59/525	Mining Lease	Granted	54.69 ha	January 02
YOGI 'Dan's Knob'	E59/1348	Exploration Licence	Granted	7 blocks	February 16
YOGI	E59/1097	Exploration Licence	Granted	69 blocks	April 03
YOGI	L59/119	Miscellaneous Water Licence	Granted	17,684 ha	July 03
YOGI 'Sam'	M59/740	Mining Lease	Granted	2,129 ha	July 08
YOGI	M59/634	Mining Lease	Granted	907.2 ha	August 01
YOGI	M59/635	Mining Lease	Granted	777.65 ha	August 01
YOGI	M59/636	Mining Lease	Granted	946.95 ha	August 01
YOGI	M59/637	Mining Lease	Granted	200 ha	August 01
YOGI	P59/2028	Prospecting Licence	Granted	29 ha	March 25
OTHER PROJECTS, WESTERN AUSTRALIA					
Lake Halbert East	E63/1585	Exploration Licence	Granted	56 blocks	May 08
YALYIRIMBI NORTHERN TERRITORY					
	EL 24548	Exploration Licence	Granted	250 blocks	Dec 01

Name	Tenement	Licence	Status	Area*	Anniversary Date
MARVEL LOCH, WESTERN AUSTRALIA					
EDWARD	E77/1998	Exploration Licence	Granted	3 blocks	November 11
JACCOLETTI	P77/4108	Prospecting Licence	Granted	124.774 ha	December 16
JACCOLETTI	P77/4109	Prospecting Licence	Restoration	136.25 ha	December 16
JACCOLETTI	P77/4110	Prospecting Licence	Restoration	175 ha	December 16
EDWARD'S NORTH	P77/4111	Prospecting Licence	Granted	200 ha	December 16
EDWARD'S NORTH	E77/2015	Exploration Licence	Granted	1block	January 17
JACCOLETTI	E77/2016	Exploration Licence	Granted	3 blocks	February 20
EDWARD	E77/2108	Exploration Licence	Granted	11 blocks	February 22
TOOMEY HILLS	E77/1999	Exploration Licence	Granted	9 blocks	May 18
EAST BOUNTY	E77/2000	Exploration Licence	Granted	14 blocks	May 18

E77/2108 is held 80% by Urban Minerals Pty Ltd and 20% by an unrelated party. At this current time, E77/2108 is subject to a Notice of Intention to Forfeit from the Department of Mines and Petroleum for under-expenditure. A submission requesting that the tenement not be forfeit has been lodged with the Department but the outcome is unknown at this time. A fine is a likely outcome rather than forfeiture but this is uncertain at this stage.

The status of the tenements has been verified based on a recent independent inquiry of the Department of Mines and Petroleum, WA, database by me, pursuant to paragraph 67 of the Valmin Code. The tenements are believed to be in good standing at the date of this valuation as represented by the Company except as noted earlier. Some future events such as the grant (or otherwise) of expenditure exemptions and plaint action may impact of the valuation and may give grounds for a reassessment.

PROJECT REVIEW

YOGI MINE PROJECT

The 100% owned Yogi Mine Project is located approximately 430Km NNE of Perth in the Yalgoo Greenstone Belt of the Yilgarn Craton, Western Australia. The sedimentary rock unit that hosts the target banded ironstone formations consists of a predominantly north-south ridge that extends over a 30km strike length of the tenement package.

The width of the banded iron formations vary from 30m to 100m in the 'Melvin', 'Daffy' and 'Bugs' targets to 100m to 200m on the Sam target

The Company proposes a magnetite mining and concentration operation at Yogi, which is located 14km east of Yalgoo in the Mid West Region of Western Australia. It is planned to produce 4.5 million tonnes per annum of magnetite concentrate at 67% Fe. The Company plans to export 3Mtpa and the remaining 1.5Mtpa will be converted to 1.0Mtpa of Merchant Pig Iron using the ITmk3® process at its proposed 100% owned Eradu MPI Project.

Mining will be by conventional open cut and the magnetite ore will be processed on site in a concentrator plant to produce a 67% Fe concentrate. Currently both a slurry pipeline and the possible re-instatement of the previous rail from Mullewa to Yogi are being studied. The Company anticipates that the Yogi Mine Project will have a mine life in excess of 25 years. MPI export would always be through Geraldton Port even if Oakajee is built because the high value MPI would be exported in smaller ships (ideally 55,000dwt) and therefore is ideal for Geraldton. Magnetite concentrate would go through Oakajee if available.

An Inferred Resource estimate in accordance with the JORC Code has been compiled for Yogi and an informal Exploration Target of between 0.8 and 1.2Bt of magnetite mineralisation at a range of between 25.5% and 29.5% Fe# has been suggested by the Company.

Mineral Resource Estimates – Yogi Project

Mineral Resource Estimate	Million Tonnes (Mt)	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
Inferred (Fresh)	500.0	27.68	48.19	5.40	0.06	0.08
Inferred (Transitional)*	72.5	26.28	45.38	5.59	0.05	1.39
Inferred Total	**572.5**	**27.51**	**47.84**	**5.42**	**0.06**	**0.25**

Notes: Tonnages rounded to nearest 10,000 tonnes. Cut-off Grade 23.0% total Fe. Surficial oxide material is not reported as part of the mineral resource estimate.
***Transitional material is partially oxidised but magnetite-bearing.**
 # The target potential is conceptual in nature as insufficient data exists to define a Mineral Resource and it is uncertain if further exploration will result in further Mineral Resource. The target potential is based upon calculations prepared by Ferrowest Limited with reference to current experience at Yogi and available data.

Details of the estimate and the parameters are included in the Company's ASX Announcement "Update and 708A Notice" ("Yogi Update") dated 22 September 2010.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Graeme Johnston, a Fellow of the Geological Society of London and Malcolm Titley, a Member of the Australasian Institute of Mining & Metallurgy.

Graeme Johnston is a Director of the Company and a geological consultant to it through Corad Pty Ltd. Graeme Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Graeme Johnston consents to the inclusion in this report of the matters based on his information in the form and context in which it appears

Malcolm Titley (MAusIMM) is a Director and Principal Consultant of CSA Global and is responsible for the estimation of the Mineral Resource for the Yogi deposit. Malcolm Titley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and ore Reserves. Malcolm Titley consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information contained in this Mineral Resource summary replicates information contained in the Company's ASX Announcement, Yogi Update .

The author of this Report is not aware of any new information or data that materially affects the information included in the Yogi Update and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the Yogi Update continue to apply and have not materially changed. The form and context in which the findings of Mr Johnston and Mr Titley are presented have not been materially modified.

Competent Persons Statement

The information in the Annual Report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 and 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

YALYIRIMBI IRON PROJECT, NORTHERN TERRITORY

The Company acquired the rights to earn a 60% interest in the Yalyirimbi Iron Project located in the Northern Territory, and in November 2013 secured the right to an initial 51% interest.

The Yalyirimbi Haematite deposits occur in the late Proterozoic Vaughan Springs Formation in the Ngalia Basin. The basin is a lens shaped depression in the Arunta inlier with a faulted northern boundary. The Vaughan Springs quartzite formations have been mapped as the northern limb of a very broad syncline. Massive and specular haematite outcrops in several areas. The two existing drilled areas are very gently dipping. Primary haematite mineralisation has been deposited within brecciated quartzites of the Vaughan Springs Formation.

The assumption has been made that these are primary, likely hydrothermal deposits. This has been supported by regional airborne magnetometer surveys and an initial ground magnetic survey. These surveys have demonstrated that the haematite deposits are completely non-magnetic.

The project envisages open cut mining of haematite, before crushing and gravity based upgrading to produce haematite fines concentrate. Early stage test work carried out at Yalyirimbi has demonstrated that with a crush to 100% passing 6mm and gravity upgrading, a haematite fines concentrate of 63.5%Fe with 7.1% SiO_2, 0.84% Al_2O_3 and negligible phosphorus can be produced. The haematite will be transported via existing railway to Darwin Port for export.

An Indicated and Inferred Resource estimate in accordance with the JORC Code has been compiled for Yalyirimbi and an informal Exploration Target of between 50 and 70 million tonnes of mineralisation at a range of between 25.1% and 29% Fe has been suggested by the Company.

Mineral Resource Estimates – Yalyirimbi Project

Ferrowest Limited Yalyirimbi Haematite deposits - Mineral Resource estimate as at November 2013								
Deposit	**Category**	**Tonnes**	**Fe %**	**SiO_2 %**	**Al_2O_3 %**	**P %**	**S %**	**LOI %**
A	Indicated	3.2	33.4	42.4	5.6	0.02	0.03	3.4
	Inferred	1.3	29.4	45.8	7.2	0.02	0.02	3.7
M	Indicated	4.1	25.1	58.8	3	0.02	0.14	1.6
	Inferred	4.8	24.1	59.4	3.8	0.02	0.07	1.8
Combined	Indicated	7.2	28.7	51.6	4.2	0.02	0.09	2.4
	Inferred	6.1	25.2	56.5	4.5	0.02	0.06	2.2
	Indicated + Inferred	13.3	27.1	53.9	4.3	0.02	0.08	2.3

Note: The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 15%Fe. The Mineral Resource is quoted from blocks above a 15%Fe cut-off grade. Differences may occur due to rounding

Details of the estimate and the parameters are included in the Company's ASX Announcement "Resource Upgrade Yalyirimbi Iron Project" ("Yalyirimbi Upgrade") dated 27 November 2013.

The Information in this report that relates to Mineral Resources or Ore Reserves at Yalyirimbi is based on information compiled by Grant Louw. Mr Louw is a Consultant for CSA Global and a Member of the Australian Institute of Geoscientists. Mr Louw has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Grant Louw consents to the inclusion of such information in this report in the form and context in which it appears.

The information contained in this Mineral Resource summary replicates information contained in the Company's ASX Announcement, Yalyirimbi Upgrade .

The author of this Report is not aware of any new information or data that materially affects the information included in the Yalyirimbi Upgrade and, in the case of mineral resources that all the material assumptions and technical parameters underpinning the estimates in the Yalyirimbi Upgrade continue to apply and have not materially changed. The form and context in which the findings of Mr Louw are presented have not been materially modified.

Competent Persons Statement

The information in the Yalyirimbi Upgrade that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by the Company and reviewed by Malcolm Castle, a competent person who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"). Malcolm Castle is a consultant geologist employed by Agricola Mining Consultants Pty Ltd. Mr Castle has sufficient experience that is relevant to the style of mineralisation and type of deposits under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 and 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Malcolm Castle consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

THE MARVEL LOCH PROJECT

The Marvel Loch Project consists of 13 granted tenements, considered to be highly prospective for gold and base metals, comprising 9 exploration licences and 4 prospecting licences. The project has a combined area of 156.4 km^2 and is located close to the historic Marvel Loch mining area, 31km south of Southern Cross and 400km east of Perth in Western Australia. Gold was first discovered in the region in 1906 and the area has since been the source of extensive gold and nickel exploration and production.

The tenements are strategically located on the highly prospective Southern Cross Greenstone Belt – an area that has historically delivered 10M oz of gold. The area is host to some 150 known and significant gold occurrences including the Bounty, Dulcie, Nevoria and Marvel Loch Gold deposits, and nine of the tenements are located within a 20km radius of the Marvel Loch Mine, one within sight of the Bounty head frame.

The tenements are considered to be prospective for gold and base metals mineralisation. All have been subject to initial desktop studies with gold and nickel anomalies identified.

Other Mineral Tenements

On 5 November 2012 the Company announced that it had pegged a strategic 16,800Ha tenement (E63/1585), the Lake Halbert East prospect, on the Albany-Fraser orogen. The tenement is along strike to the South West of the recent Sirius nickel discovery. This regional geological setting hosts several significant deposits including the 5Moz Tropicana Gold Project and the recently discovered Nova nickel-copper deposit.

VALUATION ASSESSMENT

The **Yogi** and **Yalyirimbi Iron Projects** have estimated Mineral Resources in the Indicated and Inferred categories for magnetite and haematite iron. When a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve and full feasibility study) then a *Comparable Transactions* approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets compiled in accordance with the JORC code with appropriate discounts for risk in the different categories.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is appropriate because there is no Pre Feasiblity or Feasibility Study available and no Ore Reserves have been (or can be) estimated under the JORC Code, 2012. The contemporaneous transactions over adjacent ground may be appropriate and usually related to a specific time frame and the existing market conditions. In the absence of such information the only viable method (in Agricols's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. I am not aware of a method to cross check the valuation for the technical value (as apposed to the Market value) under these circumstances except by comparison with earlier valuation. The Geoscientific Rating method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. These methods may be supported by reference to Yardstick (Rule of Thumb) methods as a reality check

The Comparable Transactions method requires allocating a dollar value to the mineral resource in the ground and applying appropriate discounts for JORC Category, operating factors and average acquisition cost for mineral projects. This may also apply to well-established zones of mineralisation that have not formally been categorised under the JORC code in certain cases. An additional risk weighting may be appropriate in these circumstances.

*The Mineral Resources are assumed to encapsulate all the value for **the surrounding ground and prospect area** and a separate value for exploration potential for these tenements is not considered warranted.*

The remainder of the **Western Australian and Northern Territory Projects,** including the potential for further iron ore discoveries, Exploration Licences and Prospecting Licences, are exploration projects. Several methods of valuation are available for such projects where a Mineral Resource has not yet been estimated in accordance with the JORC code. These include the use of valuations based on past exploration expenditure and valuations based on perceived prospectivity.

Exploration projects can be extremely variable and the use of comparable transactions is unlikely to produce a statistical spread of values for "similar" projects. This method can be used with any certainty where a Mineral Resource has been estimated. The *Prospectivity Exploration Multiplier (PEM)* is based on past expenditure while the Kilburn Geoscience Rating *(Geo-factor Rating)* is based on opinions of the prospectivity hence tenements can have marked variation in value between the methods.

The 'Geo-factor Rating' method of valuation for exploration tenements is the preferred valuation method for the Company's current tenements as it focuses on the future prospectivity of the area.

The Geo-factor Rating method systematically assesses four key technical attributes of a tenement to arrive at a series of factors that are multiplied together to produce a prospectivity rating. The Basic Acquisition Cost (BAC) is the important input to the method and it is calculated by summing the application fees, annual rent, work required to facilitate granting (e.g. native title, environment etc) and statutory expenditure for a period of 12 months. This is usually expressed as average expenditure per square kilometre. Equity and grant status are also taken into account. Each factor is then multiplied serially to the BAC. The 'Base Value' is multiplied by the prospectivity rating to establish the overall technical value of each mineral property.

COMPARABLE TRANSACTIONS – Mineral Resources

MINERAL RESOURCE ESTIMATES

Resource Estimates in accordance with the JORC Code have been compiled for the Yogi and Yalyirimbi Deposits, by independent consultants and are accepted here for the purpose of the valuation.

Mineral Resource Estimates – Yogi Project

Mineral Resource Estimate	Million Tonnes (Mt)	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
Inferred (Fresh)	500.0	27.68	48.19	5.40	0.06	0.08
Inferred (Transitional)*	72.5	26.28	45.38	5.59	0.05	1.39
Inferred Total	**572.5**	**27.51**	**47.84**	**5.42**	**0.06**	**0.25**

Notes: Tonnages rounded to nearest 10,000 tonnes. Cut-off Grade 23.0% total Fe. Surficial oxide material is not reported as part of the mineral resource estimate.
*Transitional material is partially oxidised but magnetite-bearing.
The target potential is conceptual in nature as insufficient data exists to define a Mineral Resource and it is uncertain if further exploration will result in further Mineral Resource. The target potential is based upon calculations prepared by Ferrowest Limited with reference to current experience at Yogi and available data.

Mineral Resource Estimates – Yalyirimbi Project

Ferrowest Limited Yalyirimbi Haematite deposits - Mineral Resource estimate as at November 2013								
Deposit	**Category**	**Tonnes**	**Fe %**	**SiO_2 %**	**Al_2O_3 %**	**P %**	**S %**	**LOI %**
A	Indicated	3.2	33.4	42.4	5.6	0.02	0.03	3.4
	Inferred	1.3	29.4	45.8	7.2	0.02	0.02	3.7
M	Indicated	4.1	25.1	58.8	3	0.02	0.14	1.6
	Inferred	4.8	24.1	59.4	3.8	0.02	0.07	1.8
Combined	Indicated	7.2	28.7	51.6	4.2	0.02	0.09	2.4
	Inferred	6.1	25.2	56.5	4.5	0.02	0.06	2.2
	Indicated + Inferred	13.3	27.1	53.9	4.3	0.02	0.08	2.3

Note: The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 15%Fe. The Mineral Resource is quoted from blocks above a 15%Fe cut-off grade. Differences may occur due to rounding

Exploration targets have not been formally estimated and represent internal estimates by the Company. They will be addressed in the section on Exploration projects.

Valuation Methodology

Contained metal is calculated from the deposit tonnes and grade in the categories of the JORC code. The estimated contained value for the Indicated and Inferred Resource is estimated based on current metal prices.

The current price for China import Iron Ore Fines 62% FE spot (CFR Tianjin port), US Dollars per Dry Metric Ton (tonne). The Iron ore spot price is effective on 2 September 2014 and represents a significant decline over the last few months.

Prices	Close	Change	%
Iron Ore 12M Swap	84.88	-1.88	-2.2%
Iron Ore Spot	85.70	-1.00	-1.2%
Rebar average	3,024	-9.00	-0.3%
Dalian Futures	613	-13.00	-2.1%

Iron ore prices have shown extreme volatility and some commentators predict a rebound to higher prices. For this valuation a current price of **US$85.70** per tonne of 62% Fe ore is selected.

Iron Ore Value	Yogi	Yalyirimbi
Current Iron Ore Price (3 Month Ave.)	**$85.70**	**$85.70**
Base Units for Current Price	62.00	62.00
Unit Price US$/dmtu	1.38	1.38
Units in Total Tesource	27.51	27.09
AUD:USD Exchange Rate	$1.07	**$1.07**
Long Term Average, AUD/dmt	**$40.74**	**$40.12**

Base Value

A discount factor is applied to the contained value to recognise the JORC category and allow for resource estimate risk.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

Allowances for operating factors are also included in the assessment:

Operations Factors	Yogi	Yalyirimbi	
Estimated Mass Recovery	**75.00%**	90.00%	Magnetite/Haematite bodies
Mining	80.00%	75.00%	Multiple pits and blending
Processing	50.00%	85.00%	Magnetite - high power costs
Rail/Road	50.00%	50.00%	Road to existing/proposed Rail
Port	50.00%	50.00%	Use of Okajee/public Port
Capex	70.00%	70.00%	Normal
Marketing	50.00%	75.00%	Off-take agreement to be settled
Total Operating Discount	**3%**	**8%**	

The base value for the project is estimated by multiplying the contained value by the discount factors.

Base Value = [Contained Value][Resource Discount]*[Operating Discounts]*

Ferrowest Base Value, A$M	Yogi	Yalyirimbi
Measured	-	-
Indicated	-	15.2
Inferred	367	11.1
Exploration Target	-	-
Total	367	26.3

Average Acquisition Cost

A range of average acquisition cost (“AAC”) percentages are estimated based on a database of Merger and Acquisitions activity for the period 2006 to 2013. The percentage represents the amount paid for deposits compared to the contained value at the current metal price.

The AAC for projects lies in the range of 2.5% to 6.6%. The data set does not differentiate between resource categories and operational factors and this has been taken into account with risk related discounts applied to the Base Value. Information on sales internationally has shown a pattern for the AAC as shown in the percentile table.

AAC Percentiles					
Percentile	10th	25th	50th	75th	90th
AAC	2.2%	2.7%	3.5%	5.6%	6.2%

For the purpose of this valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25^{th}, 50^{th} and 75^{th} percentiles. The Base Value is multiplied by AAC values at those percentiles to arrive at the estimated project technical value.
The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided $/ounce values for producing and non-producing asset sales for a period of years and Agricola has recalculated this as a percentage of current metal value so the information can be related to current metal prices in other metals. This, of course, is a subjective decision and AAC percentiles are used in conjunction with the operational factors to "normalise' the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (i.e. the combination of AAC and Operational Factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 and the valuation method is considered to be realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

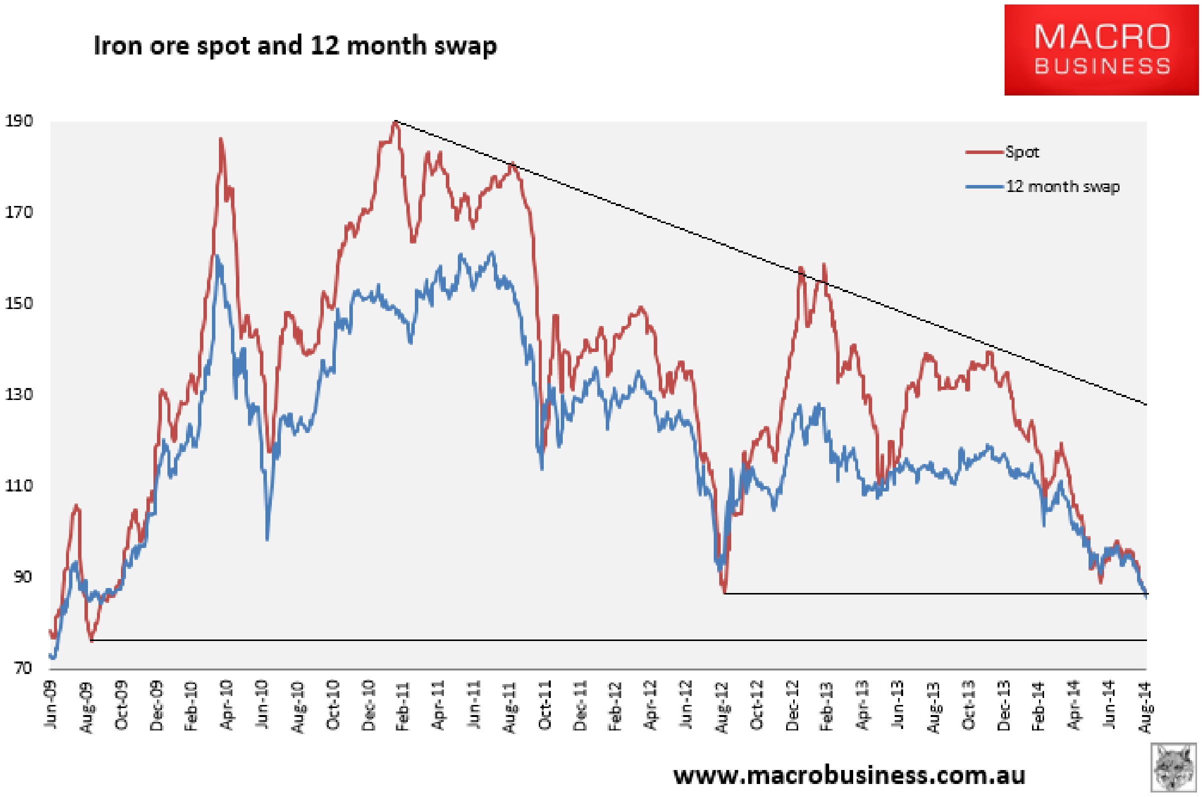
Technical Value

Technical Value = [Base Value][Average Acquisition Cost%]*

Ferrowest Technical Value, A$M	Yogi	Yalyirimbi
Low	9.92	0.71
High	20.57	1.47
Preferred	12.86	0.92
A$ per tonne	0.022	0.069

Sensitivity to Metal Price

The Steel Index (TSI) 62% fines price dropped to $US84.30 per tonne, CFR Tianjin, a level not seen since September 25, 2009. Iron ore prices are down 37.5% since the start of the year and 11.4% down since the start of August.



Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

Price Changes over the last 12 months are shown below and an estimate of technical value for the mineral resources at Yogi and Yalyirimbi have been estimated to provide an idea of sensitivity to metal price.

c	Price	Change
Aug-13	137.06	-
Sep-13	134.19	-2.09%
Oct-13	132.57	-1.21%
Nov-13	136.32	2.83%
Dec-13	135.79	-0.39%
Jan-14	128.12	-5.65%
Feb-14	121.37	-5.27%
Mar-14	111.83	-7.86%
Apr-14	114.58	2.46%
May-14	100.56	-12.24%
Jun-14	92.74	-7.78%
Jul-14	96.05	3.57%
Aug-14	92.61	-3.58%

The combined technical value of the Yogi and Yalyirimbi deposits at different iron Spot prices is as follows:

Sensitivity to Metal Price, A$M			
Fe Price	Low	High	Preferred
120	14.9	30.9	19.3
100	12.4	25.7	16.1
85.7	10.6	22	13.8
80	9.9	20.6	12.9

GEO-FACTOR RATING METHOD – EXPLORATION POTENTIAL

BASE VALUE

This represents the exploration cost for the current period of the tenements. The current Base Acquisition Cost (BAC) for exploration projects or tenements at a similar stage is considered to be the average expenditure for the first year of the licence tenure. This is considered to be a **BAC of $400 to $450 per square kilometre**.

The assessment of value is based on equity in the various projects is shown in the following table.

The Mineral Resources are assumed to encapsulate all the value for ***the surrounding ground and prospect area*** *and a separate value for exploration potential for these tenements is not considered warranted.*

A detailed list of all tenements is provided separately in the Tenement Schedule

Base Value = [Area][Grant Factor]*[Equity]*[Base Acquisition Cost]*

Ferrowest Limited							
						BAC	
Project		**Km^2**	**Status**	**Grant**	**Equity**	**Low**	**High**
Yogi	E59/1348	22.05	Granted	100%	100%	400	450
Yogi	E59/1097	217.35	Granted	100%	100%	400	450
Yogi	P59/2028	0.29	Pending	60%	100%	400	450
Lake Halbert East	E63/1585	176.40	Pending	60%	100%	400	450
Yalyirimbi	EL 24548	787.50	Granted	100%	100%	400	450
Marvel loch							
Edward	E77/1998	9.45	Granted	100%	100%	400	450
Jaccoletti	P77/4108	1.25	Granted	100%	100%	400	450
Jaccoletti	P77/4109	1.36	Restoration	80%	100%	400	450
Jaccoletti	P77/4110	1.75	Restoration	80%	100%	400	450
Edward's north	P77/4111	2.00	Granted	100%	100%	400	450
Edward's north	E77/2015	3.15	Granted	100%	100%	400	450
Jaccoletti	E77/2016	9.45	Granted	100%	100%	400	450
Edward	E77/2108	34.65	Renewal	80%	80%	400	450
Toomey hills	E77/1999	28.35	Granted	100%	100%	400	450
East bounty	E77/2000	44.10	Granted	100%	100%	400	450

Prospectivity Assessment Factors

An assessment of the prospectivity of tenements was carried out. This includes a consideration of

- Regional mineralization, old and current workings and the validity of conceptual models.
- Local mineralization within the tenements and the application of conceptual models within the tenements.
- Identified anomalies warranting follow up within the tenements.
- The proportion of structural and lithological settings within the tenements and difficulty encountered by cover rocks and other factors.

E59/1348 hosts Dan's Knob (Wownaminya Hill), a major topographical feature rising out of the plain that is composed almost entirely of iron. There is extensive iron outcropping along north south extent of tenement (Sylvester Deposit). The banded iron has also been mapped with 400m ground magnetics along the full north south extent of the tenement. Additionally gold soil samples of up to 1.68 Au ppm have been located and there are numerous old gold workings on the tenement. It is the same geological unit that also host the Golden Grove copper lead mine. E59/1348 forms a part of the Exploration Target discussed earlier in the report.

E59/1097 hosts the Tweety deposit which is a potentially very large flatter lying magnetic anomaly that outcrops as a substantially magnetite hill at its southern end. This has been ground magnetics mapped and modelled. It is horse shoe shaped and 4 holes have been drilled in its north east extremity that intercepted banded iron magnetite of good grade. E59/1097 forms a part of the Exploration Target discussed earlier in the report. E59/1097 also hosts the northern extension of Sylvester deposit with visible outcropping and corresponding ground magnetic surveys at 400m spacings.

Three gold anomalies have been identified with soil sampling on E77/2015, P77/4111 and P77/4109 (ASX Announcement 12 April 2013). A nickel anomaly has also been identified on E77/2015. Each of these anomalies were of sufficient grade and scope to justify further in-fill soil sampling.

KILBURN RATING CRITERIA - SIMPLIFIED				
Rating	Off Site Factor	On Site Factor	Anomaly Factor	Geological Factor
1	Indications of Prospectivity	Indications of Prospectivity	No targets outlined	Generally favourable geological environment
2	Resource targets Identified	Targets identified with successful early drilling	Exposure of mineralised zones or surface drilling (RAB)	Generally favourable lithology with structures or exposures of mineralised zones
3	Along Strike or adjacent to known mineralization	Grade intercepts on adjacent sections - Exploration Targets Estimated from sound evidence	Significant grade intercepts not yet linked on cross and long sections	Significant mineralised zones exposed in prospective host rocks
4		Inferred Resource identified not yet estimated	Grade intercepts on adjacent sections	

Assessments in each category are based on a set scale (see above and Appendix 1) and are multiplied together to arrive at a “prospectivity index.

Prospectivity Index = [Off Site Factor][On Site Factor]*[Anomaly Factor]*[Geology Factor]*

Ferrowest Limited Prospectivity Factors									
Project		Off Site		On Site		Anomaly		Geology	
		Low	High	Low	High	Low	High	Low	High
Yogi	E59/1348	2.00	2.05	1.50	1.55	1.50	1.55	1.50	1.55
Yogi	E59/1097	2.00	2.05	1.75	1.80	2.00	2.05	1.50	1.55
Yogi	P59/2028	2.00	2.05	1.25	1.30	1.25	1.30	1.00	1.05
Lake Halbert East	E63/1585	1.00	1.05	1.25	1.30	1.25	1.30	1.20	1.25
Yalyirimbi	EL 24548	2.00	2.05	2.00	2.05	1.00	1.05	0.75	0.80
Marvel loch									
Edward	E77/1998	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25
Jaccoletti	P77/4108	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25
Jaccoletti	P77/4109	1.50	1.55	1.50	1.55	2.00	2.05	1.50	1.55
Jaccoletti	P77/4110	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25
Edward's north	P77/4111	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25
Edward's north	E77/2015	1.50	1.55	1.20	1.25	2.00	2.05	1.50	1.55
Jaccoletti	E77/2016	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25
Edward	E77/2108	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25
Toomey hills	E77/1999	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25
East bounty	E77/2000	1.25	1.30	1.20	1.25	1.20	1.25	1.20	1.25

TECHNICAL VALUE

An estimate of technical value has been compiled for the tenements based on the base acquisition cost, area, grant status, equity and ratings for prospectivity.

Technical Value = [Base Value][Prospectivity Index]*

Ferrowest Limited				
Project	**Tenement**	**Technical Value**		
		Low	**High**	**Preferred**
Yogi	E59/1348	60,000	76,000	68,000
Yogi	E59/1097	913,000	1,147,000	1,030,000
Yogi	P59/2028	-	-	-
Lake Halbert East	E63/1585	79,000	106,000	92,500
Yalyirimbi	EL 24548	945,000	1,251,000	1,098,000
Marvel loch				
Edward	E77/1998	8,000	11,000	9,500
Jaccoletti	P77/4108	1,000	1,000	1,000
Jaccoletti	P77/4109	3,000	4,000	3,500
Jaccoletti	P77/4110	1,000	2,000	1,500
Edward's north	P77/4111	2,000	2,000	2,000
Edward's north	E77/2015	7,000	9,000	8,000
Jaccoletti	E77/2016	8,000	11,000	9,500
Edward	E77/2108	19,000	25,000	22,000
Toomey hills	E77/1999	24,000	32,000	28,000
East bounty	E77/2000	38,000	50,000	44,000
Total		**2,108,000**	**2,727,000**	**2,417,500**

Exploration Tenements – Alternative Valuation Methods:

There is a preference for the use of more than one valuation methodology for the same tenements expressed in Paragraph 65 of Regulatory Guide 111. An alternative method to the Geo-factor Rating method might consider past expenditure on the tenements and the uplift of value provided by encouraging result indicated by the Prospectivity Enhancement Multiplier (PEM).

PEM Range	**Criteria**
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralization
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed

Complete records of past expenditure for the Projects are not available from the previous explorers. The project has been extensively explored in the past with mapping, satellite imagery, geophysics, surface geochemistry and historical drilling forming part of the data base.

It is considered reasonable to suggest that the current value of these work elements would be as shown in the following table. This is considered speculative (but plausible) and the successful results of the work indicate that detailed drilling has defined targets with potential economic interest with the potential to contain medium sized deposits and small Inferred Resources may be estimated. This would attract Prospectivity Enhancement Multipliers as set out below.

Technical Value - Prospectivity Enhancement Method						
Project	**Spend, A$M**	**PEM**		**Technical Value, A$M**		
		Low	High	Low	High	Preferred
Yogi	0.50	*1.00*	*1.15*	0.50	0.58	0.54
Yalyirimbi	0.25	*1.00*	*1.15*	0.25	0.29	0.27
Marvel Loch	0.03	*1.00*	*1.15*	0.03	0.03	0.03
Lake Halbert East	0.50	*1.00*	*1.15*	0.50	0.58	0.54

The two methods indicate a consistent value for exploration tenements without estimates of mineral resources and Geofactor Rating Method is considered the most reliable estimate of Technical Value.

Comparison with Yardstick (Rule of Thumb) Method

A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into two groups:

- Exploration area in known mineral fields relatively close to published mineral resources. Such areas attract values in the range of $700 to $1300 per square kilometer.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of $400 to $800 per square kilometer

Based on the values estimated in this report, the exploration ground at Yogi and Yalyirimbi fall in the range $900 to $1200 per square kilometer; Marvel Lock falls in the range $800 to $1000 per square kilometer and Lake Halbert East falls in the range $450 to $600 per square kilometer.

Summary of Technical Value

Technical Value Summary, A$M			
Project	**Low**	**High**	**Preferred**
Mineral Resources			
Yogi	9.92	20.57	12.86
Yalyimbiri	0.71	1.47	0.92
Exploration Potential			
Yogi	0.97	1.22	1.10
Yalyimbiri	0.95	1.25	1.10
Marvel Loch	0.11	0.15	0.13
Lake Halbert East	0.08	0.11	0.09
Total	12.74	24.77	16.19

The combined technical value of the mineral assets at different iron Spot prices is as follows:

Sensitivity to Metal Price, A$M			
Fe Price	Low	High	Preferred
120.00	16.7	33.6	21.7
100.00	14.5	28.5	18.5
85.70	12.7	24.8	16.2
80.00	12.0	23.3	15.3

MARKET VALUE

Assessment of country risk and an assessment of the Business Climate has been provided by a specialist firm (source: www.coface.com). The rating for Australia is 'A1' for country risk and 'A1' for business climate, which are considered to be low. This rating will affect the market factor in assessing market value.

In arriving at a fair market value for a particular exploration tenement, the current market for exploration properties in Australia and overseas has been considered.

The Steel Index (TSI) 62% fines price dropped to $US84.30 per tonne, CFR Tianjin, a level not seen since September 25, 2009. Iron ore prices are down 37.5% since the start of the year and 11.4% down since the start of August. It comes as iron ore exports from Port Hedland last month reached a record 37.3 million tonnes last month, while Dampier port exported 16.2Mt. Fortescue Metals Group shipped a record 15.16Mt in August. TSI said the market was in oversupply and the additional tonnes had come at a bad time.

Many of the country's steelmakers are now struggling to sell their finished goods into an oversupplied market, as demand from construction and other steel-intensive sectors tapers off – a problem only made worse during the typically slow summer season when Chinese construction winds down, Iron ore prices have come under renewed pressure at the start of this month after a steady decline through August, as worries over the financial health of a number of mills in China gathered pace. (Source: Miningnews.net, 5 September 2014

The current market value for mineral projects in Australia is considered to be depressed and it is considered appropriate to apply a significant discount to the technical value of the exploration potential of the tenements. A market discount factor of **75%** has been applied to the technical value of the iron mineral resources and exploration ground at Yogi and Yalyimbiri and **50**% has been applied to the technical value for the exploration projects at Marvel Lock amd Lake Halbert East.

Market Value = [Technical Value][Adjusted Market Factor]*

Market Value Summary, A$M				
Project	**Market Factor**	**Low**	**High**	**Preferred**
Mineral Resources				
Yogi	25%	2.48	5.14	3.21
Yalyimbiri	25%	0.18	0.37	0.23
Exploration Potential		-	-	-
Yogi	25%	0.24	0.31	0.27
Yalyimbiri	25%	0.24	0.31	0.27
Marvel Loch	50%	0.06	0.07	0.06
Lake Halbert East	50%	0.04	0.05	0.05
Total		3.23	6.26	4.10

Differences between the values for Technical and Market Value stated above and the detail of the report are due to rounding of the values in this table.

EQUITY POSITION

The Company holds 100% of the Yogi Project and has acquired the rights to earn a 60% interest in the Yalyirimbi Iron Project located in the Northern Territory, and in November 2013 secured the right to an initial 51% interest.

The market value of the Company's equity position has been assessed as:

Equity Position - Market Value Summary, A$M				
Project	**Equity**	**Low**	**High**	**Preferred**
Mineral Resources				
Yogi	100%	2.48	5.14	3.21
Yalyimbiri	51%	0.09	0.19	0.12
Exploration Potential				
Yogi	100%	0.24	0.31	0.27
Yalyimbiri	51%	0.12	0.16	0.14
Marvel Loch	100%	0.06	0.07	0.06
Lake Halbert East	100%	0.04	0.05	0.05
Total		3.03	5.92	3.86

COMPARISON WITH PEER GROUP COMPANIES

A short review of peer group non-producing companies was compiled based on the Market Capitalization at 5 September 2014. While this is not considered to be directly comparable with this valuation it does provide an indication of the market value of exploration companies with low grade assets.

The companies selected have significant resource tonnages and similar grade to the Yogi and Yalyimbiri Deposits and are considered comparable on that basis.

Company - Non Producers	Ferrowest Limited	Mindax Limited	Legacy Iron Ore	Australasian Resources	Iron Ore Holdings	Iron Road	Padbury Mining
ASX Code	FWL	MDX	LCY	ARH	IOH	IRD	PDY
No Shares (M)	225	253	588	489	10,894	582	1,660
Price 5 Sept 14	0.008	0.075	0.012	0.022	0.015	0.255	0.010
Market Capitalisation (M)	1.80	18.98	7.05	10.76	163.41	148.39	16.60
Project Ownership	100%	100%	100%	100%	100%	100%	100%
Resources (Mt)							
Total	586	1,725	2,260	859	1,665	3,691	938
Grade	27.5%	31.9%	27.6%	31.2%	39.5%	15.9%	27.6%
Market Cap/resource	0.003	0.011	0.003	0.013	0.098	0.040	0.018

Percentile distribution of the Market Capitalisation per tonne of resource is shown below.

Percentiles - Market Capitalisation per Resource tonne				
10%	25%	50%	75%	90%
0.003	0.007	0.013	0.029	0.063

The Ferrowest mineral assets are valued at a preferred value of $3.9 million. This is the mineral asset value and not directly comparable with market capitalization which is estimated at $1.80 million. The asset value translates to $0.006 per resource tonne compared to $0.003 based on the Market Capitalization. This places it at the lower end of the peer group.

VALUATION OPINION

Based on an assessment of the factors involved the estimate of market value of 100% of the Company's Projects is in the range of A$3.2 million to A$6.3 million with a preferred value of A$4.1 million.

The estimate the market value for the current equity position of the Company's Projects is in the range of A$3.0 million to A$5.9 million with a preferred value of A3.9 million.

This valuation is effective on 19 September 2014.

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

In the event that the Iron ore spot price were to recover to a level of $100 per tonne (62% Fe) the technical value of the mineral assets would lie in the range $14.5 million to $28.5 million. If the Iron ore spot price were to recover to a level of $120 per tonne (62% Fe) the technical value of the mineral assets would lie in the range $17.0 million to $33.6 million.

MINERAL ASSETS VALUATION FOR EXPLORATION TENEMENTS

M. Castle – Updated 18 September 2014

Agricola Mining Consultants Pty Ltd ("Agricola") has prepared these notes as background to the Independent Valuation Report. The appendix is general in nature and references to Western Australia are an example of exploration expenditures. They are appropriate for other states and other countries based on Agricola's experience in many areas of Australia and elsewhere.

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The Meaning of Value – Scope of the Report

A Mineral asset valuation should endeavour to ascertain the price that a willing but not anxious vendor could reasonably expect to obtain and a hypothetical willing but not too anxious purchaser could reasonably expect to have to pay for the property if the vendor and the purchaser had got together and agreed on a price in friendly negotiation.

The test for determining the market value is based on the consideration of a hypothetical negotiation, namely, what is the price that a willing but not anxious purchaser would have to offer to induce a willing but not anxious vendor to sell the property rather than the price which an anxious vendor would obtain upon a forced sale. This is the price that a hypothetical prudent purchaser would entertain, if he desired to purchase it for the most advantageous purpose for which the property was adapted.

This test contemplates a prudent purchaser who has informed himself or herself of all of the relevant attributes and advantages that the property enjoyed which means not just being conversant with the property in its existing state but also any profitable uses to which it might be put. This embodies the concept of the highest and best use of the property.

Judicial interpretation

The High Court cast light on the ordinary meaning of 'market value' in 1907 in Spencer v. The Commonwealth of Australia. In this case, the Commonwealth had compulsorily acquired land for a fort at North Fremantle in Western Australia.

In discussing the concept of market value, Griffith CJ commented (page 432) that:

… the test of value of land is to be determined, not by inquiring what price a man desiring to sell could have obtained for it on a given day, i.e. whether there was, in fact, on that day a willing buyer, but by inquiring: What would a man desiring to buy the land have had to pay for it on that day to a vendor willing to sell it for a fair price but not desirous to sell?

Isaacs J subsequently expanded on the concept (page 441):

… to arrive at the value of the land at that date, we have … to suppose it sold then, not by means of a forced sale, but by voluntary bargaining between the plaintiff and a purchaser willing to trade, but neither of them so anxious to do so that he would overlook any ordinary business consideration. We must further suppose both to be perfectly acquainted with the land and cognisant of all circumstances which might affect its value, either advantageously or prejudicially, including its situation, character, quality, proximity to conveniences or inconveniences, its surrounding features, the then present demand for land, and the likelihood as then appearing to persons best capable of forming an opinion, of a rise or fall for what reasons so ever in the amount which one would otherwise be willing to fix as to the value of the property.

In this case, the High Court recognised the principles of:

- the willing but not anxious vendor and purchaser
- a hypothetical market
- the parties being fully informed of the advantages and disadvantages associated with the asset being valued (in the specific case, land)
- both parties being aware of current market conditions.

This is commonly known as the *Spencer test* after the High Court decision upon which these principles are based and to which the Courts have used in their determinations of market value or property. (*Spencer v Commonwealth* (1907) 5 CLR 418 at 432 per Griffiths CJ and 441 per Isaacs J.).

Although the *Spencer test* is based on both a hypothetical vendor and a hypothetical purchaser and therefore the market value from either hypothetical party’s point of view should be the same, in some cases emphasis has been placed on what would be the best price which the vendor could hope to obtain.

The question as of “special value” of particular property has often been raised in cases. However in reality this is only part of the *Spencer* test that in attributing the price that would be paid to the hypothetical vendor by the hypothetical purchaser it is to be assumed that the property will be put to its “highest and best use”.

Applying the *Spencer test* may not be confined to a technical valuation exercise but may involve a consideration of market factors. In a highly speculative market during ‘boom’ conditions or a depressed market during 'bust' conditions the hypothetical purchaser may expect to pay a premium or receive a discount commensurate with market conditions.

The *Spencer test* has been applied in stamp duty cases in determining the value of the dutiable property.

These principles apply equally to mineral assets

Regulatory Authorities

Mineral asset valuations are prepared in accordance with the *Code for Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the "VALMIN Code", 2005)*, which is binding upon Members of the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG"), as well as the rules and guidelines issued by the Australian Securities and Investments Commission ("ASIC") and the ASX Limited ("ASX") which pertain to Independent Expert Reports (*Regulatory Guides RG111, 2011 and RG112, 2011*).

Where mineral resources have been referred to in this report, the classifications are consistent with the *"Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("JORC Code"),* prepared by the Joint Ore Reserves Committee of the AusIMM, the AIG and the Minerals Council of Australia, effective 2012.

The VALMIN Code, 2005

The main requirements of the *VALMIN Code* are

Transparency The report needs to explain how the valuation was done and the assumptions used in calculating the value. The objective is to provide sufficient information that other people can come up with the same answer. Transparency and Transparent means that the Material data and information used in (or excluded from) the Valuation of a Mineral Property, the assumptions, the Valuation approaches and methods, and the Valuation itself must be set out clearly in the Valuation Report, along with the rationale for the choices and conclusions of the Qualified Valuer.

Materiality This means the valuer has to ensure that all important data that could have a significant impact on the valuation is included in the report. Materiality and Material refer to data or information which contribute to the determination of the Mineral Property value, such that the inclusion or omission of such data or information might result in the reader of a Valuation Report coming to a substantially different conclusion as to the value of the Mineral Property. Material data and information are those, which would reasonably be required to make an informed assessment of the value of the subject Mineral Property.

Competence The valuer must be competent at doing valuations. The person needs to be an expert in the particular exploration target being evaluated. Typically the person needs at least 5 years' experience in that commodity. *For Example*:

Competent Persons Statement

The information in this report that relates to Exploration Results and Mineral Resources of the Company has been reviewed by Malcolm Castle who is a member of the Australasian Institute of Mining and Metallurgy. Mr Castle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as an Expert and Competent Person as defined under the VALMIN Code and in the 2004 and 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Castle consents to the inclusion in this report of the matters based on the information in the form and context in which they appear.

Independence. The valuer must act in a professional manner and not favour the buyer or the seller. In other words the price must be set at a "fair market value". To achieve independence, the valuer must not receive any special benefit from doing the study. This subject is addressed fully in RG112 (112.42). Independence or Independent means that, other than professional fees and disbursements received or to be received in connection with the Valuation concerned, the Qualified Valuer or Qualified Person (as the case requires) has no pecuniary or beneficial (present or contingent) interest in any of the Mineral Properties being valued, nor has any association with the Commissioning Entity or any holder(s) of any rights in Mineral Properties which are the subject of the Valuation, which is likely to create an apprehension of bias. The concepts of "Independence" and "Independent" are questions of fact. For example, where a Qualified Valuer's fees depend in whole or in part on an understanding or arrangement that an incentive will be paid based on a certain value being obtained, such Qualified Valuer is not Independent.

Reasonableness, in reference to the Valuation of a Mineral Property, while not specifically mentioned in VALMIN, 2005, is a requirement in other jurisdictions. It means that other appropriately qualified and experienced valuers with access to the same information would value the property at approximately the same range. A Reasonableness test serves to identify Valuations, which may be out of step with industry standards and industry norms. It is not sufficient for a Qualified Valuer to determine that he or she personally believes the value determined is appropriate without satisfying an objective standard of proof

Methodology The decisions as to the valuation methodology or methodologies to be used and the content of the Report are solely the responsibility of the Expert or Specialist whose decisions must not be influenced by the Commissioning Entity. The Expert or Specialist must state the reasons for selecting each methodology used in the Report. Methods chosen must be rational and logical and be based upon reasonable grounds.

The Expert or Specialist should make use of valuation methods suitable to the Mineral or Petroleum Assets under consideration. Selection of the appropriate valuation method will depend on, inter alia:

(a) the purpose of the Valuation;

(b) the development status of the Mineral or Petroleum Assets;

(c) the amount and reliability of relevant information;

(d) the risks involved in the venture; and

(e) the relevant market conditions for commodities.

The Expert or Specialist should choose, discuss and disclose the selected valuation method(s) appropriate to the Mineral Assets under consideration in the Report, stating the reasons why the particular valuation methods have been selected in relation to those factors and to the adequacy of available data. It may also be desirable to discuss why a particular valuation method has not been used. The disclosure should give a sufficient account of the valuation methods used so that another Expert could understand the procedure used and assess the Valuation. Should more than one valuation method be used and different valuations result, the Expert or Specialist should comment on the reasons for selecting the Value adopted.

Regulatory Guides RG111 and RG112, March 2011

It is not the Australian Securities and Investment Commission – ASIC's role or intention to limit the expert's exercise of skill and judgment in selecting the most appropriate method or methods of valuation. However, it is appropriate for the expert to consider:

(a) the discounted cash flow method;
(b) the amount which an alternative acquirer might be willing to offer if all the securities in the target company were available for purchase;

ASIC does not suggest that this list is exhaustive or that the expert should use all of the methods of valuation listed above. The expert should justify the choices of valuation method and give a sufficient account of the method used to enable another expert to replicate the procedure and assess the valuation. It may be appropriate for the expert to compare the values derived by more than one method and to comment on any differences.

The complex valuations in an expert's report necessarily contain significant uncertainties. Because of this an expert who gives a single point value will usually be implying spurious accuracy to his or her valuation. An expert should, however, give as narrow a range of values as possible. An expert report becomes meaningless if the range of values is too wide. An expert should indicate the most probable point within the range of values if it is feasible to do so.

The expert should carry out sufficient enquiries or examinations to establish reasonable grounds for believing that any profit forecasts, cash flow forecasts and unaudited profit figures that are used in the expert's report, and have been prepared on a reasonable basis. If there are material variations in method or presentation the expert should adjust for or comment on them in the report.

The expert should discuss the implications to his or her valuation if:

(a) the current market value of the subject of the report is likely to change because of market volatility (for example, boom or depression); or
(b) the current market value differs materially from that derived by the chosen method.

The JORC Code, 2012

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code') is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves.

The JORC Code provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The JORC Code was first published in 1989, with the most recent revision being published late in 2012. Since 1989 and 1992 respectively, it has been incorporated in the Listing Rules of the Australian and New Zealand Stock Exchanges, making compliance mandatory for listing public companies in Australia and New Zealand.

The current edition of the JORC Code was published in 2012 and after a transition period the 2012 Edition came into mandatory operation from 1 December 2013.

Changes to the JORC Code, 2012

- Table 1 reporting on an 'if not, why not?' basis – Clauses 2, 5, 19, 27, 35 and the introduction of Table 1.
- Competent Person Attributions – Clause 9
- Exploration Targets – Clause 17
- Pre-Feasibility required for Ore Reserves – Clause 29
- Technical Studies definitions – Clause 37-40
- Annual Reporting – Clause 15
- Metal Equivalents – Clause 50
- *In situ* values – Clause 51
- Additional guidance on reporting in Table 1

VALUATION METHODOLOGY FOR EXPLORATION TENEMENTS

Fair Market Value of Mineral Assets

Mineral assets include, but are not limited to, mining and exploration tenements held or acquired in connection with the exploration, the development of, and the production from those tenements together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of minerals in connection with those tenements.

Mineral assets classification	
Exploration areas	Mineralisation may or may not have been identified, but where a mineral resource has not been defined. Available information includes exploration results such as outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results. *Valuation Methods: Geoscience Factor, Prospectivity Enhancement Multiplier, Yardstick (Rule of Thumb)*.
Advanced exploration areas	Mineral resources have been identified and their extent estimated (possibly incompletely). This includes properties at the early stage of assessment. Available information includes estimates of Exploration Targets, Inferred Resources, Indicated Resources, Measured Resources in accordance with the JORC Code 2012 and the exploration results from the surrounding area or prospect used to compile the estimates. Additional value for exploration potential in the immediate area is not considered to be warranted. *Valuation Methods: Comparable Transactions.*
Pre-development projects	A positive development decision has not yet been made. This includes properties where a development decision has been negative, properties on care and maintenance and properties held on retention titles. Available information includes Mineral Resource estimates in accordance with the JORC Code and a scoping study. If a recent and valid Pre Feasibility Study has been prepared an Ore Reserve may have been estimated with due regard to modifying factors. *Valuation Methods: Comparable Transactions*, *Discounted Cash Flow (if Ore Reserves have been estimated)*
Development projects	Committed to production, but which, are not yet commissioned or not initially operating at design levels. Available information includes a Feasibility Study with supporting technical studies. *Valuation Methods: Discounted Cash Flow.*
Operating Mines	Mineral properties, particularly mines and processing plants, which have been fully commissioned and are in production. *Valuation Methods: Discounted Cash Flow.*

The value of a mineral asset usually consists of two components,

- The underlying or Technical Value (or stand alone value) which is an assessment of a mineral asset's future net economic benefit under a set of appropriate assumptions, excluding any premium or discount for market, strategic or other considerations.
- The Market Component, which is a premium relating to market, strategic or other considerations which, depending on circumstances at the time, can be either positive, negative or zero.

When the technical and market components of value are combined the resulting value is referred to as the market value. A consideration of country risk should also be taken into account for overseas projects.

The value of mineral assets is time and circumstance specific. The asset value and the market premium (or discount) changes, sometimes significantly, as overall market conditions, commodity prices, exchange rates, political and country risk change.

Valuation is based on a calculation in which the geological prospectivity, commodity markets, financial markets, stock markets and mineral property markets are assessed independently.

Valuation of exploration properties is exceptionally subjective. If an economic resource is subsequently identified then a new valuation will be dramatically higher, or possibly lower. Alternatively if expenditure of further exploration dollars is unsuccessful then it is likely to decrease the value of the tenements. There are a number of generally accepted procedures for establishing the value of exploration properties and, where relevant, the use of more than one such method to enable a balanced analysis and a check on the result has been undertaken. The value will always be presented as a range with the preferred value identified. The preferred value need not be the median value, and will be determined by the Independent Valuer based on his experience.

The Independent Valuer, when determining a value for a mineral asset, must assess a range of technical issues prior to selection of a valuation methodology. Often this will require seeking advice from a specialist in specific areas. The key issues are:

- geological setting and style of mineralisation
- level of knowledge of the geometry of mineralisation in the district
- results of exploration including geological mapping, costeaning and drilling of interpretation of geochemical anomalies
- parameters used to identify geophysical and remote sensing data anomalies
- location and style of mineralisation identified on adjacent properties
- appropriate geological models
- mining history, including mining methods
- location and accessibility of infrastructure
- milling and metallurgical characteristics of the mineralisation
-

In addition to these technical issues the Independent Expert needs to make a judgement about the market demand for the type of property, commodity markets, financial markets and stock markets. The technical value of a property should not be adjusted by a "market factor" unless there is a marked discrepancy between the technical value and the market value. When this is done the factor should be clearly identified.

Where there are identified Ore Reserves it is appropriate to use financial analysis methods to estimate the net present value ("NPV") of the properties. This technique (the DCF Method) has deficiencies, which include assessment of only a very narrow area of risk, namely the time value of money given the real discount rate, and the underlying assumption that a static approach is applicable to investment decision making, which is clearly not the case.

When assessing value of exploration properties with no identified Ore Reserves it is inappropriate to prepare any form of financial analysis to determine the net present value. The valuation of exploration tenements or licences, particularly those without identified resources, is highly subjective and a number of methods are appropriate to give a guide as discussed below.

All of these valuation methods are relatively independent of the location of the mineral property. Consequently the valuer will make allowance for access to infrastructure etc when choosing a preferred value. It is observed that the Prospectivity Exploration Multiplier ("PEM") is heavily based on the expenditure; while the Geoscience Factor is more heavily based on opinions of the prospectivity hence tenements can have marked variation in value between the methods. If the Geoscience Factor assessment is high and the PEM is low it indicates effective well focused exploration, if the Geoscience Factor is low and the PEM high it suggests that the tenement is considered to have lower prospectivity.

Truly Comparable Transactions are rare for early stage properties without defined drill targets. This is natural in a recession, as companies focus on brownfields exploration. Inflated prices paid for property in fashionable areas should not be discounted because they reflect the true market value of a property at the transaction date. If however, the market sentiment is not so buoyant then adjustments must be made.

Methodologies commonly used for the valuation of early stage or exploration assets in order of the evidentiary value provided by each include:

Contemporaneous transactions in the asset

Where a transaction has taken place around the valuation date in the mineral asset in question, this provides the best evidence of value. This may occur when a body of mineralisation or confined geological domain is split by a tenement boundary and one part is sold.

If a property in the recent past was the subject of an arms-length transaction, for either cash or shares (i.e. from a company whose principal asset was the mineral property) then this forms the most realistic starting point, provided that the deal is still relevant in today's market. Complicating matters is the knowledge that properties rarely change hands for cash, except for liquidation purposes, estate sales, or as raw exploration property when sold by an individual prospector, or entrepreneur.

Any underlying royalty or net profits interests or rights held by the original vendor of the claims should be deducted from the resultant property value before determination of the company's interest. Also, reductions in value should be made where environmental, legal or political sensitivities could seriously retard the development of exploration properties.

It should be noted again that exploration is cyclical, and in periods of low metal prices there is often no market, or a market at very low prices, for ordinary exploration acreage (inventory property) unless it is combined with a significant mineral deposit, or with other incentives.

DCF value

Where a financial model has been prepared which considers the exploration results to date, the costs involved in taking the project to production and the probability-weighted returns expected from the project, in the absence of a contemporaneous transaction in the actual exploration interest, this provides the best evidence as to the value of the exploration interest. This method requires that a reasonable estimate can be made of expected cash flows. In accordance with the JORC Code 2012, the estimation of an Ore Reserve must be based on a Pre Feasibility Study or a Feasibility Study. The DCF Method, therefore, is only possible then these studies are available and an Ore Reserve has been estimated. ***(DCF Method – see below)***

Contemporaneous transactions in comparable assets

Where a transaction has taken place recently in an Asset of similar prospectivity in a similar or comparable mineral market, this provides evidence of value in the absence of an actual transaction or a financial model for the exploration interest. The comparison is typically made on the basis of a value per unit of contained resource. ***(Comparable Transactions Method – see below)***

Potential for Further Discoveries

The Geoscience Factor method provides the most appropriate approach to utilise in the technical valuation of the *exploration potential* of mineral properties on which there are no defined resources. Kilburn, a Canadian mining engineer was concerned about the haphazard way in which exploration tenements were valued. He proposed an approach that essentially requires the valuer to justify the key aspects of the valuation process in a systematic and defendable manner. The valuer must specify the key aspects of the valuation process and must specify and rank aspects that enhance or downgrade the intrinsic value of each property. The intrinsic value is the base acquisition cost ("BAC"), which is the average cost incurred to acquire a base unit area of mineral tenement and to meet all statutory expenditure commitments for a period of 12 months. Different practitioners use slightly differing approaches to calculate the BAC and its use with respect to different tenement types.

The Geoscience Factor method systematically assesses and grades four key technical attributes of a tenement to arrive at a series of multiplier factors. The multipliers are then applied serially to the BAC of each tenement with the values being multiplied together to establish the overall technical value of each mineral property. A fifth factor, the market factor, is then multiplied by the technical value to arrive at the fair market value.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. ***(Geoscientific Factor Method – see below)***

Past Expenditure

Where the other methods cannot be used, a valuer could also consider *previous exploration expenditure*, and apply a multiple to this based on its effectiveness and the valuer's judgment as to the prospectivity of the project based on the results as at the valuation date. The application of this method is very subjective, and is best used for very early stage exploration interests without resources or significant drilling results. ***(Prospectivity Enhancement Method – see below)***

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km^2 or per ha). It is probably the most difficult comparative tool to justify.

Share market trading in companies holding comparable exploration interests

Where information on the exploration tenements is not directly observable, valuers sometimes consider the recent share market trading in companies holding comparable exploration interests. This method may require the valuer to apportion the value of the company between its various assets, to determine the proportion of the enterprise value of the company that should be attributed to the comparable exploration interest. Once the valuer has estimated the proportion of the market capitalization or enterprise value of the company that should be attributed to the comparable exploration interest, the value per unit of contained resource or the value per km^2 of tenement approaches can be applied. This typically provides weak evidence of the value of specific exploration interests due to the difficulty in apportioning the enterprise value of a listed company to specific exploration interests, and the likelihood that the share price may include other 'noise' unrelated to the exploration interest.

Market Capitalisation (MCap) and Enterprise Value (EV: Mcap + Debt – Cash) are often used in comparable transaction valuations, often quoted as EV per unit of Resource or reserve. These measures say *nothing* about the technical value of individual mineral assets and are usually influenced by many commercial and emotional factors both within and external to the Company.

It is fair to assume that a company's share price is a reflection of the market value of the company and this is strongly influenced by the market value of mineral assets in the light of current market conditions. If a 'willing but not anxious buyer' were to make an offer for the company based on share price, appropriate due diligence has been completed and the offer may also include a premium for control.

MCap per unit and EV per unit for peer group companies may be a satisfactory measure of 'reasonableness' of the market value of the bundle of assets and should be viewed in that light and not as a direct measure of technical value.

Valuation of Development Projects by Discounted Cash Flow Methods

Agricola believes that the Discounted Cash Flow/Net Present Value method should never be applied to the valuation of a Mineral Property that is only at an exploration stage, based on the hypothetical cash flows from a postulated exploitation scenario. Valuers tend to consider before or after tax values only in the context of the DCF/NPV Method, with a general preference for determinations of after-tax value.

Of course, some owners can use tax losses and structure their affairs to minimise the impact of corporate taxes, but others cannot do so. Hence, it should be clearly stated on what taxation basis the fair market value is determined. This is another reason why care must be taken when using project sales data as a comparable basis for assessing value. The 'comparable' projects may be in different places subject to different taxation regimes, in any event.

Discounted cash flow analysis

A discounted cash flow ("DCF") analysis determines the Technical Value of a project by approximating the value if it were developed under the prevailing economic conditions.

Once a Mineral Resource has been assessed for mining by considering revenues and operating costs, the economically viable component of the resource becomes the Ore Reserve. When this is scheduled for mining, and the capital costs and tax regime are considered, the net present value (“NPV”) of the project is established by discounting future annual cash flows using an appropriate discount rate.

The resulting ’classical’ NPV has several recognised deficiencies linked to the fact that the approach assumes a static approach to investment decision making, however the NPV represents a fundamental approach to valuing a proposed or on-going mining operation and is widely used within the mining industry.

In terms of cash flow analysis, the DCF valuation technique is the most commonly used valuation tool. The technique has specific strengths over the methods considered in the market and cost approaches. These include its ability to consider the effects of royalties, leases, taxation and financial gearing on the resulting cash flow. In addition, the beneficial impact of unredeemed capital balances, assessed losses, depreciation and amortization on free cash flows can also be modelled.

Compiling cash flows on resources categorized as inferred, or those with even less geoscientific confidence (which in some cases are referred to as inventory), is prohibited by some international codes. It is only under exceptional circumstances that many securities exchanges will accept such cash flows and the effect of cash flow contributions from inferred resources on project performance should be demonstrated separately from those derived from other resource and reserve categories.

The DCF method is used to produce numerous quantitative results. On its own and as an investment tool, it is based on the principle that for any initial investment, the investor will look to the future cash flows of that entity to provide a minimum return. This return will be at least a predetermined return over the investor’s hurdle rate for that investment. The hurdle rate represents the minimum return of a project, below which the decision to invest or develop a new project will be negative, and above which the project will be developed. The hurdle rate should always be greater than the cost of capital for the investor.

For a mining project, in a macroeconomic environment that is sufficiently favourable and stable for this method to be applied, the critical input data will generally be incorporated in a life of mine (LoM) plan. The LoM plan, such as that accompanying a pre-feasibility, feasibility or a bankable feasibility study, will include:

➤reserve and resource estimates in accordance with the JORC Code

➤forecast mining schedules of tonnage on a daily, monthly or annual basis

➤forecast grade profiles and associated recoveries from a processing facility. This, together with the tonnage profile, allows the valuer to calculate the volume of saleable product

➤estimated working costs, preferably unitized to either an amount per tonne mined or milled or an amount per unit of metal or product sold

➤forecast capital expenditure profiles over the life of the operation, including ongoing or sustainable capital expenditure amounts and

➤rehabilitation liabilities or trust fund contributions, retrenchment costs, plant metal lock-up and any other specific factor that will impact on costs or revenue.

Changes in working capital balances are generally calculated based on historical balance ratios, applied to forecast revenues and working costs. They impact on short term cash flows and therefore must be modelled into the cash flows. Naturally, any working capital locked up during the life of the operation will be released at the end of this life.

Once the economic inputs have been assumed, the DCF can be determined. This is often stated as EBITDA (Earnings before Interest, Taxation, Depreciation and Amortisation) and is frequently taken as the technical value of the project, subject to a consideration of sensitivity to the assumptions.

The resultant cash flow is then used to derive the net present value (NPV) of the operation at a predetermined discount rate or a range of discount rates. The derived NPV, on which the return on investment can be calculated, is used as a proxy for the operation's implicit value. This is often compared with the value or returns the market attributes to the operation, if it is a listed entity, or compared with other investment opportunities in order to optimize investment or development schedules.

In any cash flow determination, the impact of inflation on the final result cannot be overstated. One only has to consider the effect of taxation as applied to real taxable income as opposed to being levied against nominal taxable income. Converting the final cash flows to real money terms, the values derived from two similar cash flows will be quite different. The unredeemed capital balance will last longer in the real terms case, incorrectly enhancing the value of the same project. The real cash flow lines in Table X must be compared to recognize the impact of taxation on real and nominal cash flows.

As a result of the difficulty in obtaining agreement on appropriate inflation forecasts to use in the specific valuation of a project, valuers often exclude a forecast on inflation rates. This in itself may be construed as an inflation assumption, in that inflation is taken to be zero per cent per year. However, this reflects an ideal world, which is unrealistic.

Valuation of Resources by Comparable Transactions

When only a resource or defined body of mineralisation has been outlined and its economic viability has still to be established (i.e. there is no ore reserve) then a **Comparable Transactions** approach is usually applied, often stated as a percentage of metal value. This can be applied to Mineral Resource estimates and Exploration Targets in accordance with the JORC code with appropriate discounts for risk in the different Mineral Resource categories and operational factors to differentiate between deposits.

Agricola Mining Consultants prefers the comparable transactions approach where mineral resources have been estimated. The DCF method is inappropriate because there is no Pre Feasiblity or Feasibility Study available and no Ore Reserves has been (or can be) estimated under the JORC Code.

The Geoscientific Factor method (potential for further discoveries) and Past Expenditure methods are appropriate for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola is not aware of a method to cross check the valuation for the technical value (as apposed to the Market value) under these circumstances except by comparison with earlier valuations.

With metal projects the Comparable Transactions method requires allocating a dollar value to resource tonnes or ounces in the ground. The dollar value must take into account a number of aspects of the resources including:

- The confidence in the resource estimation (the JORC Category)
- The quality of the resource (grade and recovery characteristics)
- Possible extensions of the resource in adjacent areas
- Exploration potential for other mineralisation within the tenements
- Presence and condition of a treatment plant within the project
- Proximity of infrastructure, development and capital expenditure aspects

This approach can be taken with metals or bulk commodities sold on the spot market and where current price can be estimated with appropriate adjustments for impurities if required. Value is estimated as a percentage of contained value once appropriate discounts for uncertainty relating to resource categorisation are taken into account.

Resource Category Discounts	
Measured Resource	80%
Indicated Resource	70%
Inferred Resource	60%
Exploration Target	50%

An example of appropriate discounts for operational factors is included below but these must be considered on a case-by-case basis.

Operations Factors	**Base Metals**	**Iron Ore**	**Coal**	**Gold**	**Rare Earths**
Recovery	75%	75%	70%	95%	60%
Mining	75%	90%	75%	90%	100%
Processing	80%	70%	70%	95%	50%
Rail	80%	90%	70%	95%	75%
Port	80%	90%	50%	100%	90%
Capex	80%	70%	75%	90%	50%
Marketing	75%	80%	75%	100%	75%
Total Operating Discount	**17%**	**21%**	**7%**	**69%**	**7%**

Mergers and Acquisitions Activity

A recent review of Mergers and Acquisitions over the last eight years covering the mining boom, the GFC and the recovery phase of the Mining Market indicates the price paid for gold assets.

Merger and Acquisitions Activity (CAD)

	2006	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Gold Price	$709	$778	$920	$1,154	$1,277	$1,590	$1,665	$1,488
Producing Assets*	$74	$94	$115	$89	$207	$202	$200	$121
Percent of Price	10.40%	12.10%	12.50%	7.70%	16.20%	12.70%	12.00%	8.10%
Exploration Assets*	$54	$28	$31	$29	$71	$90	$47	$23
Percent of Price	7.60%	3.60%	3.40%	2.50%	5.60%	5.70%	2.80%	1.50%

*Estimated price paid per ounce of gold in the ground, updated December 31, 2013

Source: http://www.ibkcapital.com/capital-market-highlights/merger-acquisition-activity/

The information is based on Canadian experience and closely replicates values reported in Australia and similar metal markets elsewhere. The 'Apparent Acquisition Cost' ("AAC") for gold projects lies in the range of 1.5% to 7.6% of the gold price at the time. The data set does not differentiate between resource categories or variations in deposits type and individual assessment. It is implicit that this has been taken into account with risk related discounts. Information on sales internationally has shown a pattern for AAC. For the purpose of valuation the Average Acquisition Cost for the lower, preferred and higher value is selected at the 25th, 50th and 75th percentiles of the spread of values.

AAC Percentiles 2006 - 2013

Percentile	10%	25%	50%	75%	90%
AAC	2.2%	2.7%	3.5%	5.6%	6.2%

The AAC method percentiles are derived from Canadian Merger and Acquisitions activity in the gold industry. The original database provided $/ounce values for producing and non-producing asset sales for a period of years and I have recalculated this as a percantage of metal value so it can be related to current metal prices in other metals. This, of course, is a subjective decision and AAC perceltiles are used in conjunction with the operational factors to "normalise' the rates for gold acquisitions to other metals. In the absence of a useful database of project sales for other metals this is considered to be a reasonable proxy for sales in most metal projects (the combination of AAC and Operational factors). Mineral asset sales are related to the current mineral price (or contained value) which is provided by the M & A database over the period 2006 - 2013 and the valuation method is realistic when adjusted by factors that relate specifically to the metal involved and more specifically to the individual deposits.

Sensitivity to Metal Price

Valuation of mineral resources is estimated at a specific date as stated in the report and metal prices are estimated from current information available at that time. Metal markets may be quite volatile from time to time and it is appropriate to consider the effect of variations in metal price (which may change on a daily basis).

Geoscience Factor Method

The Geoscience Factor method attempts to convert a series of scientific opinions about a subject property into a numeric evaluation system. The success of this method relies on the selection of multiplying factors that reflect the tenement's prospectivity.

Agricola Mining Consultants prefers the Geoscientific Factor method (potential for further discoveries) for exploration ground that is not advanced enough to estimate mineral resources. The contemporaneous transactions over adjacent ground may be appropriate but the absence of such information the only viable method (in Agricola's opinion) is to compare the sale of other deposits on a 'dollar per unit' basis for the mineral resource estimated in accordance with the JORC Code. Agricola uses Past Expenditure and yardstick (Rule of Thumb) methods as an appropriate way of cross checking the reasonableness of the valuation.

The Geoscience Factor method is essentially a technique to define a value based on geological prospectivity. The method appraises a variety of mineral property characteristics:

- location with respect to any off-property mineral occurrence of value, or favourable geological, geochemical or geophysical anomalies;
- location and nature of any mineralisation, geochemical, geological or geophysical anomaly within the property and the tenor (grade) of any mineralisation known to exist on the property being valued;
- geophysical and/or geochemical targets and the number and relative position of anomalies on the property being valued;
- geological patterns and models appropriate to the property being valued.

It is recognised that application of this method can be highly subjective, and that it relies almost exclusively on the geoscience ratings adopted by the valuer. As such, it is good practice for valuers using this method to provide sufficient discussion supporting their selection of the various multiplying factors to allow another suitably qualified geoscientist to assess the appropriateness of the factors selected.

The successful application of this method depends on the selection of appropriate multipliers that reflect the tenement prospectivity. Furthermore, there is the expectation that the outcome reflects the market's perception of value, hence the application of the market factor. Agricola Mining

Consultants prefers the Geoscience Factor approach because it endeavours to implement a system that is systematic and defendable. It also takes account of the key factors that can be reasonably considered to impact on the exploration potential. The keystone of the method is the BAC, which provides a standard base from which to commence a valuation. The acquisition and holding costs of a tenement for one year provides a reasonable, and importantly, consistent starting point. Presumably when a tenement is pegged for the first time by an explorer the tenement has been judged to be worth at least the acquisition and holding cost.

It may be argued that on occasions an EL may be converted to a ML expediently for strategic reasons rather than based on exploration success, and hence it is unreasonable to value such a ML starting at a relatively high BAC compared to that of an EL.

It has also been argued that the method is a valuation-by-numbers approach. In Agricola's opinion, the strength of the method is that it reveals to the public, in the most open way possible, just how a tenement's value was systematically determined. It is an approach that lays out the subjective judgements made by the valuer.

Area

The area of a tenement is usually stated in terms of square kilometres as a matter of convenience and cosistency. A graticular boundary (or block) system was introduced for exploration licences in mid 1991 in W.A. and a block is defined as one minute of latitude by one minute of longitude. The square kilometres contained within a block varies from place to place. For instance, at Kunnanurra (Latitude 15 deg. S) one block equals 3.31 square kilometres, at Mt Isa (Latitude 20 deg. S) one block equals 3.22 square kilometres. at Carnarvon or Bundaberg (Latitude 25 deg. S) one block equals 3.11 square kilometres and at Albany or Adelaide (Latitude 35 deg. S) one block equals 2.81 square kilometres.

Prospecting Licences and Mining Leases are granted in Hectares (100 hectares equals one square kilometre.

Basic Acquisition Cost

The Basic Acquisition Cost ("BAC") is the important input to the Geoscience Factor Method and it is estimated by summing the annual rent, statutory expenditure for a period of 12 months and administration fees for a first stage exploration tenement such as an Exploration Licence(the first year holding cost).

The notes are general in nature and references to Western Australia are an example of exploration expenditures. they are appropriate for other states and other countries based on Agricola's experience in many areas of Australia and elsewhere.

The current holding cost for exploration projects is considered to be the average expenditure for the first year of the licence tenure. Exploration Licences in Western Australia, for example, attract a minimum annual expenditure for the first three years of $300 per square kilometre per year with a minimum of $20,000 and annual rent of $46.80. A 15% administration fee is taken into account to imply a holding cost of $400 per square kilometre. A similar approach based on expenditure commitments could be taken for Prospecting Licences and Mining Leases (effective 1 July 2014). The

Benchmark minimum expenditure for Exploration Licences in the Northern Territory is $10,000 plus $150 per block.

In Western Australia (from February 2006), an application for a Mining Lease required either a mining proposal OR a statement describing when mining is likely to commence; the most likely method of mining; and the location, and the area, of land that is likely to be required for the operation of plant, machinery and equipment and for other activities associated with those mining operations. A mineralisation report is also required that has been prepared by a qualified person.

The mineralisation report must be completed by a qualified person and shall contain information of sufficient standard and detail to substantiate, to the satisfaction of the Director Geological Survey, that significant mineralisation exists within the ground applied for. A 'qualified person' means a person who is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) or the Australian Institute of Geoscientists (AIG). Significant mineralisation means a deposit of minerals located during exploration activities and that there is a reasonable expectation that those minerals will be extracted by mining operations.

The implication of the mineralisation report suggests that Mining leases should be valued on the body of significant mineralisation (usually a Mineral Resource estimated in accordance with the JORC Code) and not on the basis of prospectivity. The preferred method for valuing resources is by comparable transactions (Market Based).

The Mineral Resources are assumed to encapsulate all the value for the tenements on which they occur and the exploration results considered for the estimate. A separate value for exploration potential for this tenement is not considered warranted.

It is recognised that further exploration potential may exist within the tenement boundaries but when a mineral resource has already been estimated in accordance with the JORC Code a hypothetical willing but not too anxious purchaser would be unlikely to consider additional value for surrounding untested ground.

Mining Leases granted prior to 2006 and Prospecting Licences may not have a mineralisation report available and may cover old workings or simply an expedient or strategic method of securing ground at the expiry of an Exploration Licence rather than based on exploration success. While these Licences carry all the obligations set out in the Mining Act, from a valuation point of view they are equivalent to Exploration Licences and it is unreasonable to value such these MLs (or PLs) starting at a relatively high holding cost compared to that of an EL where only exploration results are available. These tenements should be considered on the basis of a a **BAC of $400 to $450**. To value these areas at the higher levels may not be considered to be reasonable under the VALMIN Code.

Tenement Status

Uncertainty may exist where a tenement is in the application stage. Competing applications may be present where a ballot is required to determine the successful applicant or Native Title issues and negotiations may add to the risk of timely grant. Other issues may also be present such as state parks or forestry and wildlife reserves, competing land use and compensation agreements. There is an inherent risk that the tenement may not be granted and this needs to be recognised in the base value assessment. A 'grant factor' of zero may be applied where there is no realistic chance of approval (e.g. sacred sites) and where no significant impediments are known the factor may increase to about 60% to reflect delays and compliance with regulations.

Equity

The equity a Company may hold in a tenement through joint venture arrangements or royalty commitments may be addressed in assessing base Value but it is often considered at the end of a valuations report.

Geoscience Factors

The multipliers or ratings and the criteria for rating selection across these four factors are summarised in the following table.

GEO-FACTOR RATING CRITERIA - **GUIDELINES**

	Rating	Address - Off Property	Mineralisation - On Property	Anomalies	Geology
Low	0.5	Very little chance of mineralisation, Concept unsuitable to environment	Very little chance of mineralisation, Concept unsuitable to environment	Extensive previous exploration with poor results - no encouragement	Unfavourable lithology over >75% of the tenement
	0.75				Unfavourable lithology over >50% of the tenement
Average	1	Indications of Prospectivity, Concept validated	Indications of Prospectivity, Concept validated	Extensive previous exploration with encouraging results - regional targets	Deep alluvium Covered favourable geology (40-50%)
	1.5	RAB Drilling with some scattered results	Exploratory sampling with encouragement, Concept validated	Several early stage targets outlined from geochemistry and geophysics	Shallow alluvium Covered favourable geology (50-60%)
	2	Significant RC drilling leading to advance project status	RAB &/or RC Drilling with encouraging intercepts reported	Several well defined surface targets with some RAB drilling	Exposed favourable lithology (60-70%)
	2.5	Grid drilling with encouraging results on adjacent sections	Diamond Drilling after RC with encouragement	Several well defined surface targets with encouraging drilling results	Strongly favourable lithology (70-80%)
High	3	Resource areas identified	Advanced Resource definition drilling - early stage	Several significant subeconomic targets - no indication of	Highly prospective geology (80 - 100%)

				volume	
	3.5	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Resource areas identified	Subeconomic targets of possible significant volume - early stage drilling	
	4	Along strike or adjacent to Resources at Definitive Feasibility Stage	Along strike or adjacent to known mineralisation at Pre-Feasibility Stage	Marginal economic targets of significant volume - advanced drilling	
	4.5	Along strike or adjacent to Development Stage Project	Along strike or adjacent to Resources at Definitive Feasibility Stage	Marginal economic targets of significant volume - well drilled at Inferred Resource stage	
Very High	5	Along strike or adjacent to Operating Mine	Along strike or adjacent to Development Stage Project	Several significant ore grade correlatable intersections with estimated resources	

The selection of factors from the table must be tempered with an eye to the reasonableness of the outcome and an awareness of the inherent exploration risks in achieving progress to the next level. Some exploration licences are overly large and may cover several domains of prospective (or entirely unprospective) ground and this should be recognised in the Geology Factor. A conservative approach is considered mandatory.

Estimate of project value is carried out on a tenement-by-tenement basis and uses four calculations as shown below. The value estimate is shown as a range with a preferred value.

Base Value = [Area][Grant Factor]*[Equity]*[Base Acquisition Cost]*

Prospectivity Index = [Off Site Factor][On Site Factor]*[Anomaly Factor]*[Geology Factor]*

Technical Value = [Base Value][Prospectivity Index]*

Market Value = [Technical Value][Market Premium/Discount Factor]*

Prospectivity Enhancement Multiplier ("PEM")

Various valuation methods exist which make reference to historical exploration expenditure. One such method is based on a 'multiple of historical exploration expenditure'. Successful application of this method relies on the valuer assessing the extent to which past exploration expenditure is likely to lead to a target resource being discovered, as well as working out the appropriate multiple to apply to such expenditure.

Another such method is the 'appraised value method'. When adopting this approach, the valuer should only account for meaningful past exploration expenditure plus warranted future expenditures. Warranted future expenditures reflect a reasonable and justifiable exploration budget to test the identified potential of the target.

When historical expenditure approaches are adopted, it is good practice for valuers to provide full transparency in relation to all historical exploration expenditure on the subject property, details of those expenditures selected for use in the method (including details in relation to warranted future expenditures), and justification for any multiples applied.

Past expenditure on a tenement and/or future committed exploration expenditure can establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented results, a PEM can be derived which takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database.

PEM Factors Used in this valuation method

PEM Range	Criteria
0.2 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources have been identified and economic parameters are available for assessment.

Future committed exploration expenditure is discounted to 60% by some valuers to reflect the uncertainty of results and the possible variations in exploration programmes caused by future undefined events. Expenditure estimates for tenements under application are often discounted to 60% of the estimated value by some valuers to reflect uncertainty in the future granting of the tenement. The PEM Factors are defined in the table.

Yardstick (Rule of Thumb) Method

A Rule-of-Thumb method sometimes used for valuing Mineral Assets without identified Resources is based upon conversion of comparable sales data to a unit area (per km^2 or per ha). It is probably the most difficult comparative tool to justify. This Method has found greater acceptance in North America, where tenement sizes appear to be smaller and where there are many more transactions forming a deep and liquid market than elsewhere. In addition, dealing in tenements is not discouraged by the mining legislation, especially in the US with its historic focus on property rights. It is used in Canada and Australia, though to a much lesser extent.

In Australia, many State jurisdictions grant large exploration tenements (say 300km2 maximum) on a graticular block system. This means a tenement is usually larger than geometrically necessary to cover the specific geologically prospective terrane. Also, most jurisdictions here require periodic significant reductions in the tenement's size, so it is common to apply for more area than is actually needed to provide for this obligatory reduction. The sale of exploration tenements to third parties is discouraged (although sales, particularly if interests, certainly occur) because the basis of grant is that the applicants will carry out the granted tenement's exploration obligations themselves. The State sees itself as the centralised, timely distributor of exploration rights, not the free market.

That said, some valuers still attempt to use this Rule-of-Thumb (based upon area) in Australia with an emphasis on market value. A review of technical value (which is not influenced by market conditions) of exploration areas carried out by Agricola over the last few years suggests that ground without resources can be categorized as a matter of convenience into two groups:

- Exploration area in known mineral fields relatively close to published mineral resources. Such areas attract values in the range of $700 to $1300 per square kilometer.
- Exploration areas in green fields or early exploration domains remote from mineral resources. Such areas attract values in the range of $400 to $800 per square kilometer

Adjustments to the Technical Value – Market Value

Mineral Assets are often bought and sold at a price that is different than their technical value or stand-alone value. To the extent that it exists, the amount of the transacted value differs from the technical value is often described as the 'acquisition premium or discount'.

The concept of market value implies the construction of a hypothetical transaction between willing, knowledgeable, but not anxious buyers and sellers. Therefore, when assessing the market value of resource projects, it is likely that valuers will consider whether it is appropriate to make an adjustment to the technical value of the project to reflect any observed 'acquisition premium or discount', or other adjustments. Such adjustments can either be implicit or explicit in the valuation method chosen. However, care should be taken not to treat as acquisition premium or discount something that is properly part of technical value, such as where assumed forward values for commodity prices are reflected in the technical value.

Particularly when valuing early stage exploration and development projects the technical value may be assessed for a project with reference to parameters that may be above or below those present in the financial markets as at the valuation date. Consequently, when applying these exploration valuation methods, it may be appropriate to reflect a series of high level adjustments to the technical value to account for differences in market conditions relative to those embedded within the method itself.

However, other valuation methods (particularly the DCF valuation method) are able to explicitly reflect a series of parameters that may apply to future financial market expectations. This is particularly the case if valuers adopt commodity price, exchange rate, inflation rate, and discount rate parameters which are forecast with reasonable confidence, and resource to reserve conversion, cost structure and capital expenditure parameters which are consistent with the expectations in the market. Doing so will limit the need to make further adjustments to the resulting stand alone value to account for such factors as 'market considerations'.

To the extent that valuers choose to apply further adjustments to their assessed stand alone value, it is good practice to clearly identify how they have applied the adjustments are applied, and the rationale for doing so.

GLOSSARY OF TERMS

'Real Property' – A non-physical, legal concept and it includes all the rights, interests and benefits related to the ownership of **'Real Estate'** and normally recorded in a formal document (eg, deed or lease). The rights are to sell, lease, enter, bequeath, gift, etc. There may be absolute single or partial ownership (subject to limitations imposed by Government, like taxation, planning powers, appropriation, etc). These rights may be affected by restrictive covenants or easements affecting title; or by security or financial interests, say conveyed by mortgages.

'Real Estate' – A physical concept, including land and all things that are a natural part of the land (eg, trees and Minerals). In addition it includes all things effectively permanently attached by people (eg, buildings, site improvements, and permanent physical attachments, like cooling systems and lifts) on, above or below the ground.

Personal Property – Covers all items other than **'Real Estate'** and may be tangible (like a chattel or goods) or intangible (like a patent or debt). It has a moveable character.

'Mineral(s)' – Any naturally occurring material found in or on the Earth's crust, that is useful to and/or has a value placed on it by mankind. The term specifically includes coal, shale and materials used in building and construction, but excludes crude oil and natural gas (*VALMIN Code*).

'Minerals Industry' (also Extractive Industry) – Defined as encompassing those engaged in exploring for, extracting, processing and marketing **'Minerals'**.

'Mineral Asset(s)' (Resource Assets or Mineral Properties) - All property including, but not limited to 'Real Property', intellectual property, mining and exploration tenements held or acquired in connection with the exploration, the development of and the production from those tenements; together with all plant, equipment and infrastructure owned or acquired for the development, extraction and processing of Minerals in connection with those tenements. Most can be classified as 'Exploration Areas', 'Advanced Exploration Areas', 'Pre-Development Projects', 'Development Projects' or 'Operating Mines' (VALMIN Code).

'**Operating Mines'** – Mineral Properties, particularly mines and processing plants, which have been fully commissioned and are in production (VALMIN Code).

'**Development Projects'** – Mineral Properties which have been committed to production, but which are not yet commissioned or not operating at design levels (VALMIN Code).

'Advanced Exploration Areas' and 'Pre-development Projects' – Mineral Properties where Mineral Resources have been identified and their extent estimated (possibly incompletely) but where a positive development decision has not been made. Mineral Properties at the early assessment stage, those for which a development decision has been negative, those on care and maintenance and those held on retention titles are all included in this category if Mineral Resources have been identified. This is even if no further valuation or technical assessment work, delineation or advanced exploration is being undertaken (VALMIN Code).

'**Exploration Areas'** – Mineral Properties where mineralisation may or may not have been identified, but where a Mineral Resource has not been identified (VALMIN Code).

'Price' – The amount paid for a good or service and it is a historical fact. It has no real relationship with 'Value', because of the financial motives, capabilities or special interests of the purchaser; and the state of the market at the time.

'Value' (also Valuation which is the result of determining 'Value') - The estimated likely future 'Price' of a good or service at a specific time, but it depends upon the particular qualified type of value (eg 'Market Value', 'Salvage Value', 'Scrap Value', 'Special Value', etc). There is also a particular value for tax and rating, or insurance purposes.

'**Fair Market Value'** (Market Value or Value) – The object and result of the Valuation. It is the estimated amount of money (or the cash equivalent of some other consideration) for which the 'Mineral Asset' should change hands on the 'Valuation Date'. It must be between a willing buyer and a willing seller in an 'arm's length' transaction in which each party has acted knowledgeably, prudently and without compulsion. It is usually comprised of two components, the underlying or 'Technical Value' and a premium or discount, relating to market, strategic or other considerations (VALMIN Code,).

'Market Value' (IVS Definition) – The result of an objective Valuation of specific identified ownership rights to a specific asset as at a given date. It is the value in exchange not **'Value-in-Use'** set by the market place. It is the *"estimated amount for which a property should exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had acted knowledgeably, prudently, and without compulsion"*.

'Fair Value' (IVS definition) – An accountancy term used for values envisaged to be derived under <u>any and all conditions</u>, not just those prevailing in an open market for the normal orderly disposal of assets. Being a transaction price it reflects both existing and alternative uses, too. It is also a legal term for values involved in dispute settlements which may not also meet the strict **'Market Value'** definition. Commonly, it reflects the service potential of an asset ie, value derived by DCF/NPV analysis, not merely the result of comparable sales analysis. It is still the *"amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction"*.

'Technical Value' – An assessment of a **'Mineral Asset's'** future net economic benefit at the **'Valuation Date'** under a set of assumptions deemed most appropriate by the **'Valuer'**, excluding any premium or discount to account for market, strategic or other considerations (*VALMIN Code*,).

'Highest-and-Best-Use' – for physical property, it is the reasonably probable and legal use of property, which is physically possible, appropriately supported and financially feasible, that results in the <u>highest value</u>. In the case of personal property, it is the same with the additional qualification that the highest value must be in the appropriate market place, consistent with the purpose of the appraisal. It may be, in volatile markets, the holding for a future use.

'Value-in-Use' – in contrast to '**Highest-and-Best-Use**', it is the specific value of a specific tangible asset that has a specific use to a specific user. It is not market-related. The focus is on the value that a specific property contributes to the enterprise of which it is a part (being part of a **'Going Concern Valuation'**). It measures the contributory value of a specified asset(s) used within that specific enterprise, although it is not the **'Market Value'** for that individual asset. It is the Value-to-the-Owner/Entity/Business in accountancy terms and may be the lower of net current replacement cost and its recoverable amount. It is also the net present value of the expected future net cash flows from the continued use of that asset, plus its disposal value at the end of its useful life (**'Scrap Value'**). At the **'Valuation Date'**, there must be recognition of its existing use by a particular user. This is in contrast to the alternative reasonable use to which an asset might be put by unspecified owner(s).

'Going Concern Value' – A business valuation concept rather than one relating to individual property valuation. It is the value of an operating business/enterprise (ie one that is expected to continue operating) <u>as a whole</u> and it includes goodwill, special rights, unique patents or licences, special reserves, etc. Apportionment of this total value may be made to constituent parts, but none of these components constitute a basis for **'Market Value'**.

'Market Capitalization' - The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures. Frequently referred to as "market Cap" or MCap

'Enterprise Value - EV' - A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. In the event of a buyout, an acquirer would have to take on the company's debt, but would pocket its cash. EV differs significantly from simple market capitalization in several ways, and many consider it to be a more accurate representation of a firm's value.

'Market Premium' - A control premium is an amount that a buyer is usually willing to pay over the current market price of a publicly traded company in order to acquire a controlling share in that company. The reason the buyer of a controlling interest is willing to offer a premium over the price currently established by other market participants is the additional prerogatives of control, including electing the company directors, firing and hiring key employees, declaring and distributing dividends, divesting or acquiring additional business assets, and entering into merger and acquisition transactions. The opposite of control premium is the minority discount.

'**Investment Value' (Worth)** – this is the value of a specific asset to a specific investor(s) for identified investment objectives or criteria. It may be higher or lower than 'Market Value' and is associated with 'Special Value'.

'**Property-with-Trading-Potential'** – refers to the valuation of specialised property (eg, hotel, petrol station, restaurant, etc) that is sold on an operating or going concern basis. It recognises that assets other than land and buildings are to be included in the 'Market Value' and it is often difficult to separate the component values for land and property.

'Special Value' – An extraordinary premium over and above the 'Market Value', related to the specific circumstances that a particular prospective owner or user of the property attributes to the asset. It may be a physical, functional or economic aspect or interest that attracts this premium. It is associated with elements of 'Going Concern Value' or 'Investment Value' since it also represents synergistic benefits. In a strict sense it could apply to very specialised or special purpose assets which are rarely sold on the open market, except as part of a business, because their utility is restricted to particular users. In some circumstances, it may be the lower value given by 'Value –in–Use'.

'Salvage Value' – The expected value of an asset at the end of its economic life (ie, being valued for salvage disposal purposes rather than for its originally intended purpose). Hence, it is the value of property, excluding land, as if disposed of for the materials it contains, rather than for its continued use, without special repairs or adaptation.

'Scrap Value' (Residual Value) – The remaining value (usually a net value after disposal costs) of a wasting asset at the end of a prescribed or predictable period of time (usually the end of its effective life) that was ascertained upon acquisition.

'Forced Sale Value' (Liquidated Value) – The amount reasonably expected to be received from the sale of an asset within a short time frame for completion that is too short to meet the 'Market Value' definition. This definition requires a reasonable marketing time, having taken into account the asset's nature, location and the state of the market). Usually it also involves an unwilling seller and buyers who have knowledge to the disadvantage of the seller.

'Valuation Date' - Means the reference date to which a Valuation applies. Depending on the circumstances, it could be different to the date of completion or signing of the Valuation Report or the cut-off date of the available data (VALMIN Code,).

'Valuer' (also Valuer [Canada] or Appraiser [USA]) – Either the 'Expert' or 'Specialist' (Qualified Person in Canada) who is the natural person responsible for the Valuation to determine the 'Fair Market Value' after consideration of the technical assessment of the 'Mineral Asset' and other relevant issues. They must have demonstrable 'Competence' (and 'Independence', when required).

'Expert' – Means a **'Competent' (**and **'Independent',** where relevant) natural person who prepares and has overall responsibility for the Valuation Report. He/she must have at least 10 years of relevant '**Minerals Industry'** experience, using a relevant **'Specialist'** for specific tasks in which he/she is not **'Competent'**. An **'Expert'** must be a corporate member of an appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

'Specialist' – Means a **'Competent' (**and **'Independent',** where relevant) natural person who is retained by the 'Expert' to provide subsidiary reports (or sections of the Valuation Report) on matters on which the 'Expert' is not personally expert. He/she must have at least 5 years of suitable and preferably recent '**Minerals Industry'** experience relevant to the subject matter on which he/she contributes. A **'Specialist'** must be corporate member of appropriate, recognised professional association having an enforceable Code of Ethics, or explain why not (*VALMIN Code*).

'Material/Materiality' - with respect to the contents and conclusions of a relevant Report, it means data and information of such importance that the inclusion or omission of the data or information concerned might result in a reader of the Report reaching a different conclusion than might otherwise be the case. **'Material'** data (or information) is that which would reasonably be required in order to make an informed assessment of the subject of the Report. The Australian Society of Accountants' Standard AAS5 indicates that **'Material'** data (or information) is such that the omission or inclusion of it could lead to changes in total value of greater than 10% (between 5% and 10% it is discretionary). Also the Supreme Court of New South Wales has stated that something is **'Material'** if it is significant in formulating a decision about whether or not to make an investment or accept an offer (*VALMIN Code*).

'Transparent/Transparency' - as applied to a valuation it means, as in the Concise Oxford Dictionary, "*easily seen through, of motive, quality, etc".* It applies to the factual information used, the assumptions made and the methodologies applied, all of which must be made plain in the Report (*VALMIN Code*).

'Competence' – it means having relevant expertise, qualifications and experience (technical or commercial), as well as, by implication, the professional reputation so as to give authority to statements made in relation to particular matters. (*VALMIN Code*).

'Competent Person - A 'Competent Person' is a minerals industry professional who is a Member or Fellow of The Australasian Institute of Mining and Metallurgy, or of the Australian Institute of Geoscientists, or of a 'Recognised Professional Organisation' (RPO), as included in a list available on the JORC and ASX websites. These organisations have enforceable disciplinary processes including the powers to suspend or expel a member. A Competent Person must have a minimum of five years relevant experience in the style of mineralisation or type of deposit under consideration and in the activity which that person is undertaking. If the Competent Person is preparing documentation on Exploration Results, the relevant experience must be in exploration. If the Competent Person is estimating, or supervising the estimation of Mineral Resources, the relevant experience must be in the estimation, assessment and evaluation of Mineral Resources. If the Competent Person is estimating, or supervising the estimation of Ore Reserves, the relevant experience must be in the estimation, assessment, evaluation and economic extraction of Ore Reserves. (*JORC 2012*)

'Independent/Independence' – Means that the person(s) making the Valuation have no '**Material**' pecuniary or beneficial (present or contingent) interest in any of the **'Mineral Assets'** being assessed or valued, other than professional fees and reimbursement of disbursements paid in connection with the assessment or Valuation concerned; or any association with the commissioning entity, or with the owners or promoters (or parties associated with them) likely to create an apprehension of bias. Hence, they must have no beneficial interest in the outcome of the transaction or purpose of the technical assessment/Valuation of the **'Mineral Asset'** (VALMIN Code). ASIC RG112, which deals with the Independence of Expert Reports, provides more detail on this concept. (*JORC 2012*)

'Exploration results' - Exploration Results include data and information generated by mineral exploration programmes that might be of use to investors but which do not form part of a declaration of Mineral Resources or Ore Reserves. The reporting of such information is common in the early stages of exploration when the quantity of data available is generally not sufficient to allow any reasonable estimates of Mineral Resources. Examples of Exploration Results include results of outcrop sampling, assays of drill hole intersections, geochemical results and geophysical survey results.

'Exploration Target' - An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade (or quality), relates to mineralisation for which there has been insufficient exploration to estimate a Mineral Resource. Any such information relating to an Exploration Target must be expressed so that it cannot be misrepresented or misconstrued as an estimate of a Mineral Resource or Ore Reserve. The terms Resource or Reserve must not be used in this context. (*JORC 2012*)

'Inferred Mineral Resource' - An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration**.** (*JORC 2012*)

'Indicated Mineral Resource' - An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve. (*JORC 2012*)

'Measured Mineral Resource' - A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve. (*JORC 2012*)

'Modifying Factors' - are considerations used to convert Mineral Resources to Ore Reserves. These include, but are not restricted to, mining, processing, metallurgical, infrastructure, economic, marketing, legal, environmental, social and governmental factors**.** (*JORC 2012*)

'Scoping Study' - A Scoping Study is an order of magnitude technical and economic study of the potential viability of Mineral Resources. It includes appropriate assessments of realistically assumed Modifying Factors together with any other relevant operational factors that are necessary to demonstrate at the time of reporting that progress to a Pre-Feasibility Study can be reasonably justified. A Scoping Study must not be used as the basis for estimation of Ore Reserves. (*JORC 2012*)

'Pre Feasibility Study' - A Preliminary Feasibility Study (Pre-Feasibility Study) is a comprehensive study of a range of options for the technical and economic viability of a mineral project that has advanced to a stage where a preferred mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, is established and an effective method of mineral processing is determined. It includes a financial analysis based on reasonable assumptions on the Modifying Factors and the evaluation of any other relevant factors which are sufficient for a Competent Person, acting reasonably, to determine if all or part of the Mineral Resources may be converted to an Ore Reserve at the time of reporting. A Pre- Feasibility Study is at a lower confidence level than a Feasibility Study. (*JORC 2012*)

'Feasibility Study' - A Feasibility Study is a comprehensive technical and economic study of the selected development option for a mineral project that includes appropriately detailed assessments of applicable Modifying Factors together with any other relevant operational factors and detailed financial analysis that are necessary to demonstrate at the time of reporting that extraction is reasonably justified (economically mineable). The results of the study may reasonably serve as the basis for a final decision by a proponent or financial institution to proceed with, or finance, the development of the project. The confidence level of the study will be higher than that of a Pre-Feasibility Study. (*JORC 2012*)

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FERROWEST LIMITED
GENERAL MEETING

FERROWEST
LIMITED

PROXY FORM – 11 NOVEMBER 2014 (2:00PM)

The Secretary
Ferrowest Limited
Reply Paid 383
BELMONT WA 6104

Appointment of Proxy

I/We (full name) ____

of____

being a member(s) of Ferrowest Limited, hereby appoint as my/our proxy:

[ ] **Or** ☐ the Chair of the General Meeting or, failing the person or body corporate named above, the Chair of the General Meeting, to attend and vote for me/us at the General Meeting of the Company to be held at **2:00PM** on **Tuesday**, **11 November 2014** and at an adjournment thereof in respect of __________% of my/our shares or, failing any number being specified, ALL of my/our shares in the Company.

Voting Directions

Please mark "X" in the box to indicate your voting directions to the Proxy. The Chairperson of the Meeting intends to vote undirected proxies in FAVOUR of all the resolutions.

	RESOLUTIONS	FOR	AGAINST	ABSTAIN
1	ISSUE OF SHARES TO RETIRE DEBT	☐	☐	☐
2	ISSUE OF SHARES ON CONVERSION OF CONVERTIBLE NOTES	☐	☐	☐
3	ISSUE OF SHARES TO ACQUIRE A 21.8% INTEREST IN HUBEI TAIFENG INVESTMENT AND DEVELOPMENT CO., LTD.	☐	☐	☐
4	RATIFICATION OF SHARE PLACEMENT ON 18 FEBRUARY 2014	☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

Signature of Security Holder(s)

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Security Holder	Security Holder 2	Security Holder 3
Sole director & Sole Company Secretary	Director / Secretary	Director / Secretary

Dated this day of 2014

NOTES

1. A member entitled to attend and vote is entitled to appoint not more than two proxies.

2. Where more than one proxy is appointed and that appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes.

3. A proxy need not be a member of the Company.

4. A proxy is not entitled to vote unless the instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed is either deposited at the registered office of the Company (3 Camden Street, BELMONT WA 6104) or sent by facsimile to that office on Fax: *08 9277 5303* to be received not less than 48 hours prior to the time of the General Meeting.

5. Signing Instructions

   Individual: where the holding is one name, the Shareholder must sign.
   Joint Holding: where the holding is in more than one name, all of the Shareholders must sign.
   Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director may sign alone. Otherwise this form must be signed by a Director jointly with either another Director or Company Secretary. Please indicate the office held in the appropriate place.

   If a representative of the corporation is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be lodged with the Company before the meeting or at the registration desk on the day of the meeting.

6. The Chair of the General Meeting intends to vote all undirected proxies in favour of the resolutions where he or she is entitled to cast such votes.

7. Reply paid postal address (no stamp required):

   Ferrowest Limited
   Reply Paid 383
   BELMONT WA 6984