

21 January, 2015

ASX Announcement

NOTICE OF GENERAL MEETING DISPATCHED

Ferrowest Limited ("the Company") is pleased to announce that it has dispatched a Notice of General Meeting to shareholders today. The Meeting will be held on Monday 23 February 2015 at 10AM at 3 Camden St Belmont, WA. The meeting will consider the sale of the Yogi Mine Project as announced on 19 December 2014. This sale is conditional on shareholder approval. Please refer to the Notice of Meeting (attached) for more details.

Currently Padbury Mining Limited (ASX Code: PDY) holds an option to purchase the Yogi Mine Project tenements for \$750,000. This option expires on 16 February 2015.

If the Company does sell the Yogi Mine Project and also completes the acquisition of its investment in Hubei Taifeng Investment and Development Co., Ltd. ("HTDC") in China, the result of these two transactions completing will be that the Company's main business activities will thereafter be a combination of "mineral exploration and property development".

If the Yogi Mine Project is sold, the Company intends to focus on securing further mineral exploration interests, preferably in more advanced projects with potential to move quickly toward production. This strategy will be in addition to ongoing exploration of the Company's existing projects.

The acquisition of a 21.8% interest in HTDC, and the other associated elements of that transaction remain pending Chinese Government approval but are progressing. The Company has established a subsidiary in Hong Kong called **Ferrowest Hong Kong Limited** and this company is currently establishing a subsidiary in Chengdu in China that will hold the Company's interest in HTDC. The Chengdu company will be called **Panaust (Chengdu) International Trading Co., Ltd.** Chinese Government approvals for the transaction are being obtained in parallel with the establishment of this company. The Company remains hopeful of completing the transaction in January or February.

HTDC is progressively constructing and selling the Tai Feng International City development.



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



ACN 074 009 091

NOTICE OF GENERAL MEETING

AND

EXPLANATORY STATEMENT

Date of Meeting: **23 February 2015**

Time of Meeting: **10:00 AM**

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

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT



Date of Meeting: **Monday, 23 February 2015**

Time of Meeting: **10:00 AM**

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 **Monday, 23 February 2015 at 10:00 AM, 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 21 February 2015 at 5:00PM (WST). The following agenda item to be considered at the Meeting is discussed in the Explanatory Statement to Shareholders included in this Notice.

SPECIAL BUSINESS

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

RESOLUTION 1 – CHANGE IN THE NATURE OF THE COMPANY'S ACTIVITIES

"That, for the purposes of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for a change in the nature of the Company's activities through the sale of its interests in mineral tenements comprising the Yogi Mine Project on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion Statement:

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associates of those persons. 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 20th day of January 2015

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 Resolution contained in the accompanying Notice of General Meeting for Ferrowest Limited.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation the Resolution.

Shareholders should note that all the Directors approved the proposal to put the Resolution 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.

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.

Padbury means *Padbury Mining Limited (ACN 009 076 242)*

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

Resolution means the 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

Tenements mean the Western Australian mineral tenements making up the Yogi Mine Project as specified in paragraph 3.3(f).

Yogi Mine Project means a proposal to mine, concentrate and sell magnetite iron ore from the Tenements.

3. PROPOSAL TO SELL THE YOGI TENEMENT PACKAGE (The Yogi Mine Project)

Resolution 1 proposes Shareholders approve a change in the nature of the Company's business through the sale by the Company of its interests in mineral Tenements comprising the Yogi Mine Project.

3.1 Background

On 19 December 2014, Ferrowest announced that it had granted a 60 day option to Padbury (ASX Code: PDY) for the right to acquire outright the Yogi Mine Project Tenements for \$750,000 ("the Proposed Transaction"). As the Yogi Mine Project is a significant part of the Company's business undertakings, the transaction is conditional on Ferrowest receiving shareholder approval for the sale.

The option has been granted for a non-refundable option fee of \$20,000. If Padbury exercises the option, the option fee will form part of the \$750,000 sale price.

If the Yogi Mine Project tenements are sold, the Company will be seeking new mineral project opportunities, while it continues exploration of its other existing mineral projects. The Company does not currently have any new proposals under consideration at the date of this Notice.

It would be the intention of the Company to focus on quality mineral projects that can be brought to development in a shorter timeframe than has previously been the case. It is the Board's view that being able to demonstrate defined and costed business outcomes is a steadier path to growth in the current market than potential 'green fields' mineral identification.

If the Company sells the Yogi Mine Project and also completes the currently pending transaction to acquire an interest in a property development company in China that was approved by shareholders of the Company in November 2014 (see 3.7 below), then the Company will have two main business interests being; mineral exploration and property development.

3.2 ASX Requirements

The Company has notified ASX of the Proposed Transaction in compliance with Listing Rule 11.1. ASX Listing Rule 11.1 provides that where a company proposes to make a significant change in the nature of its activities, it must, if ASX requires, first obtain the approval of its shareholders. ASX has advised the Company that it requires the issue to be put to Shareholders in accordance with Listing Rule 11.1.2.

Given the overall scope and nature of Ferrowest's business activities, the sale of the Yogi Mine Project would be significant for the Company and the directors also believe that it is appropriate to put the decision to Shareholders for approval.

3.3 Key Terms of the Proposed Transaction

The key terms of the Proposed Transaction are as follows:

- (a) An option is granted to Padbury over the right to acquire the Tenements (listed below) for 60 days for a non-refundable option fee of \$20,000. The Option Agreement was executed on 18 December 2014 and the option period ends at 5PM on 16 February 2015;
- (b) The Proposed Transaction is conditional on both Ferrowest shareholder approval and approval of the Minister for Mines to transfer the Mining Leases (The latter has been received);
- (c) If the option is exercised, Padbury will pay Ferrowest the balance of the sale price, being \$730,000, in cash for the acquisition of the Tenements;
- (d) The sale includes all of the intellectual property associated with the Yogi Mine Project and the Tenements but does not include any intellectual property associated with the value adding proposals to merchant pig iron (as contemplated under the Eradu MPI Project);
- (e) If the option is not exercised by the end of the option period or in the event that Shareholders reject the Proposed Transaction, the option lapses and the option fee is not refundable; and
- (f) The Yogi Mine Project Tenements are:

| Tenement | Tenure Type | FWL Ownership |
|-----------------|-----------------------|----------------------|
| a. M59/525 | Mining Lease | 100% |
| b. M59/634 | Mining Lease | 100% |
| c. M59/635 | Mining Lease | 100% |
| d. M59/636 | Mining Lease | 100% |
| e. M59/637 | Mining Lease | 100% |
| f. M59/740 | Mining Lease | 100% |
| g. E59/1097 | Exploration License | 100% |
| h. E59/1348 | Exploration License | 100% |
| i. P59/2028 | Prospecting License | 100% |
| j. L59/119 | Miscellaneous License | 100% |

3.3 Indicative Timetable

The option may be exercised by Padbury at any time up until 5PM on 16 February 2015. Provided Shareholder approval has been granted, settlement of the Proposed Transaction is to occur between three and ten days after exercise of the option by the execution of the Sale and Purchase Agreement and the contemporaneous payment of the balance of the purchase price.

3.4 Reason for the Proposed Transaction

With a sustained downturn in the iron ore market during 2014, the Board believes that meeting the holding costs associated with the Yogi Mine Project going into 2015, approximately \$750,000 per annum, presents a major challenge for the Company. It is also the Board's view that even if iron ore prices improve during 2015, it might be quite some time, possibly several years, before the Company would be in a position to raise the necessary funds to properly exploit this project.

Advantages:

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the Proposed Transaction;

- (i) The sale of the Tenements will relieve the Company of annual holding costs of approximately \$750,000 per annum for a commodity that it is currently extremely difficult to raise funds against;
- (ii) The Proposed Transaction provides working capital to fund exploration of other Company projects and for investigations and due-diligence into new project opportunities;
- (iii) The Proposed transaction may allow the Company to transition from a project that will be difficult to pursue at the moment to other opportunities that could provide better growth potential in the near term;
- (iv) The Company will be able to retire some debts and thereby reduce the operating costs of servicing those existing debts; and
- (v) The operation of the Company can continue with no dilutionary impact on Shareholders resulting from the Proposed Transaction in a current market environment where it is difficult to secure capital.

Disadvantages:

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the Proposed Transaction;

- (i) The Company will not participate or derive any future profits from the Tenements, if any, should they be developed into production;
- (ii) By selling the Tenements in a poor market for iron ore, the Company will incur a significant loss of monies already expended on the Yogi Mine Project;
- (iii) The selling of one of the Company's main projects in iron ore may not be consistent with the investment objectives of all Shareholders; and
- (iv) There is a risk that the Company's other projects will not be successful or that other new opportunities cannot be identified and/or acquired in a timely or economic manner that may then negatively impact on the Company and its prospects.

3.5 Financial Effect on the Company

The impact of the sale of the Yogi Mine Project is set out in the pro-forma balance sheet contained in Schedule 1 to this Notice.

There will be no impact on the capital structure of the Company.

Proceeds of the sale of the Yogi Mine Project will be applied as determined by the Directors at the appropriate time but are currently expected to be applied as follows:

| | |
|-------------------------------------|------------------|
| 1. Retirement of Company Debt | \$510,000 |
| 2. Search for new mineral projects | \$120,000 |
| 3. Exploration on existing projects | \$100,000 |
| 4. Working capital reserves | <u>\$ 20,000</u> |
| | \$750,000 |

3.6 Directors' Recommendation

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest, if any, arising solely in the capacity as Shareholders.

The Board has approved the proposal to put the Resolution to Shareholders.

The Board is disappointed that it is necessary to look at selling the Yogi Mine Project, but this has been forced upon the Company because of the devastating impact on the junior iron ore industry brought on by very low iron ore prices. These low iron ore prices have been caused by reduced world demand and the over-supply of iron ore by the major iron ore suppliers.

The sale will free the Company to pursue new opportunities that are better suited to growing the Company value in the near term.

It is the unanimous view of the Board that, barring any superior bid arising in the meantime that is capable of acceptance and implementation, the Proposed Transaction is in the best interests of the Company and the Board recommend that the Shareholders vote in favour of the Resolution.

As of the Date of this Notice, each Director intends to vote all of their shares in favour of the Resolution.

3.7 Other Information

A conditional agreement was previously executed with TFA International Pty. Ltd. ("TFA"), the Company's largest shareholder and the Australian subsidiary of the Tai Feng Group of Sichuan Province in China. This agreement was ratified by shareholders in November 2014 and is currently awaiting Chinese Government approval before it is implemented. This agreement is not related to the Proposed Transaction in any way but is described here because it is a significant transaction that remains pending completion.

The TFA agreement is expected to be implemented in January or February 2015 with the following to apply:

- TFA has provided \$600,000 in loan funding over the later part of 2014 to help sustain Company operations. TFA will convert the loan to equity at 1.35 cents per share (44,444,444 ordinary shares);
- TFA will 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; and
- TFA will sell a direct interest in the Chinese company "Hubei Taifeng Investment and Development Co., Ltd" ("HTDC") to Ferrowest. HTDC holds a residential and commercial precinct development in Hubei Province in China that is currently under construction. Consideration for the acquisition will be the issue of 111,251,158 Ferrowest shares to TFA at 1.8 cents per share (A\$2,002,525).

TFA currently holds a 29.17% interest in Ferrowest and upon completion of the TFA transaction, this will increase to a 60% controlling interest. For more details on the TFA agreement, please refer to the relevant announcements from 30 April 2014 onward.

SCHEDULE 1.**Proforma Balance Sheet**

| | 30 June 2014 Audited Balance Sheet \$ | Post Proposed Transaction Pro-forma Balance Sheet \$ |
|--------------------------------------|---|--|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | 34,736 | 784,736 |
| Other assets | 402 | 402 |
| Total Current Assets | 35,138 | 785,138 |
| Non-Current Assets | | |
| Other assets | 41,445 | 41,445 |
| Property, plant and equipment | 40,742 | 40,742 |
| Deferred exploration expenditure | 9,616,345 | 1,856,025 |
| Total Non-Current Assets | 9,698,532 | 1,938,212 |
| Total Assets | 9,733,670 | 2,723,350 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and other payables | 389,644 | 389,644 |
| Borrowings | 336,400 | 336,400 |
| Total Current Liabilities | 726,044 | 726,044 |
| Non-Current Liabilities | | |
| Borrowings | 539,000 | 539,000 |
| Total Non-Current Liabilities | 539,000 | 539,000 |
| Total Liabilities | 1,265,044 | 1,265,044 |
| Net Assets | 8,468,626 | 1,458,306 |
| Equity | | |
| Issued capital | 19,700,333 | 19,700,333 |
| Reserves | 39,341 | 39,341 |
| Accumulated losses | (11,271,048) | (18,281,368) |
| Total Equity | 8,468,626 | 1,458,044 |

Pro-forma Adjustments:

1. The write off of all deferred exploration and evaluation expenditure in respect of the Yogi Mine Project.
2. Funds received from the sale of the Yogi Mine Project.

Note:

1. The Proforma Balance Sheet above does not take into account the TFA transaction detailed at paragraph 3.7 above.

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**FERROWEST LIMITED
GENERAL MEETING**



PROXY FORM – 23 FEBRUARY 2015 (10:00AM)

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 **10:00AM** on **Monday, 23 February 2015** 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 | CHANGE IN THE NATURE OF THE COMPANY'S ACTIVITIES – SALE OF THE YOGI MINE PROJECT | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

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

Sole director & Sole Company Secretary

Security Holder 2

Director / Secretary

Security Holder 3

Director / Secretary

Dated this day of 2015

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