



28 January, 2015

ASX Announcement

QUARTER ACTIVITY REPORT

During the December 2014 Quarter, Ferrowest Limited ("Ferrowest" or "the Company") undertook the following activities:

Yalyirimbi Iron Project

On 30 October 2014 Ferrowest Limited ("Ferrowest" or "the Company") advised the market that it had secured 51% share ownership in the private company, Arafura Iron Pty Ltd ("AIPL"). The Company had been progressing work in relation to the **Yalyirimbi Iron Project** to earn up to a 60% interest in the iron ore rights on EL 24548 in the Northern Territory through an incorporated joint venture. The iron rights are held by AIPL, which is the joint venture vehicle now jointly held with Arafura Resources Limited ("Arafura" ASX Code: ARU).

The Company has appointed two Ferrowest nominated directors, being Mr. Brett Manning and Mr. Graeme Johnston to the Board of AIPL. AIPL has two existing Arafura Board nominee directors who will remain on the AIPL Board. The on-going management of AIPL is governed by a shareholder agreement between Arafura and Ferrowest.

In order to earn the remaining 9% for a total of 60%, the Company must complete a Bankable Feasibility Study for the Yalyirimbi Iron Project at its own cost.

Proposed Funding Agreement

During the Quarter the Company received the remaining funds due under the Funding Agreement ("the Funding Agreement") between the Ferrowest and TFA International Pty Ltd ("TFA") (announced to the market on 30 April 2014).

On 9 October 2014, the Company announced that a further condition precedent to the Funding Agreement had been satisfied when the Board of Directors resolved at a Board Meeting held on 30 September 2014 that it was satisfied with its due-diligence inquiries in respect of the acquisition by Ferrowest of a 21.8% interest in the Hubei Taifeng Investment and Development Co., Ltd. ("HTDC") and the transaction contemplated in the Funding Agreement.

Ferrowest also advised the market during December 2014 that it had registered a subsidiary company in Hong Kong, called *Ferrowest Hong Kong Limited*, and was in the process of registering a subsidiary of that company in Chengdu, China in order to hold the 21.8% interest in HTDC.

Settlement of this process, subject to Chinese Government approval, is now expected to be completed sometime in February 2015. Profits from HTDC will be applied to operations in Australia including the Company's mineral exploration activities.

The Company held a General Meeting of shareholders on the 11 November 2014 where shareholders approved the Funding Agreement. The only remaining approvals before settlement of the Funding Agreement can occur are those required from the Chinese Government authorities.

Other Corporate Matters

The Company also held its Annual General Meeting on 11 November 2014. All resolutions put to both the General Meeting and the Annual General Meeting were passed on a show of hands.

Ferrowest announced that it had moved the Company's registered address and principal place of business to **3 Camden Street, BELMONT WA 6014** on 7 October 2014. The Company's facsimile number has also changed to: **+61 8 9277 5303**. All other contact details remain unchanged.

Waiver - Listing Rule 10.13.3

ASX has granted the Company a waiver in respect of Listing Rule 10.13.3 for the issue of shares upon settlement of the Funding Agreement.

Listing Rule 10.13.3 relevantly provides that securities must be issued within 1 month after the date of the meeting at which that approval is granted. As the issue of shares anticipated under the Funding Agreement ("the TFA Shares") can only occur at a settlement date after Chinese Government approval has been received, 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.

In satisfaction of items c. and d. above:

- No TFA Shares were issued during the Quarter;
- 173,295,602 TFA Shares will be issued on settlement; and
- The only remaining condition for settlement is Chinese Government approval of the transaction.

Option to Purchase the Yogi Mine Project

On 19 December 2014 Ferrowest granted a 60 day option to Padbury Mining Limited ("Padbury") (ASX Code: PDY) for the right to acquire outright the Yogi Mine Project Tenements for \$750,000.

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.

With a sustained downturn in the iron ore market during 2014, meeting the holding costs associated with the Yogi Mine Project going into 2015 presents a major challenge for the Company. It is 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. Consequently, on receiving a proposal from Padbury to purchase the tenements, the Board decided it was in the best interest of the Company to enter the option agreement and recommend the sale to shareholders.

A General Meeting of the Company has been called for 23 February 2015 to vote on the proposal from Padbury. Subject to shareholder approval, Padbury has until the 16th of February 2015 to decide whether to exercise the option to purchase the tenements. The option has been granted for a non-refundable option fee of \$20,000, which has been paid by Padbury. 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 seek new mineral project opportunities, while it continues exploration of its other existing mineral projects. In recognition of market place changes, the Company will be investigating new mineral opportunities that are at a more advanced stage of development and more readily able to be funded. As part of this process, the Company will also review whether the changes in the iron ore industry will provide new opportunities to pursue its value-adding plans in iron manufacture, independent of its own source of iron ore.

The Board is disappointed that it is necessary to consider 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 the global over-supply of iron ore by the majors. However, the sale will free the Company to pursue new opportunities that are better suited to growing the Company's value in the near term. In this regard, the Board is excited at the prospect of exploring new opportunities for the benefit of all shareholders.

Events Subsequent

On 21 January 2015, the Company called a General Meeting for Monday 23 February 2015 at 10AM to consider the sale of the Yogi Mine Project as announced on 19 December 2014. This sale is conditional on shareholder approval.

Ongoing Funding

The Company has the need for further funding of its operations during the current Quarter. There are three potential sources of funding anticipated, as follows:

1. Proceeds from the sale of the Yogi Mine Project (\$730,000 net balance, subject to Padbury exercising its option and shareholder approval);
2. A capital raising as foreshadowed in December 2014; and
3. Such other actions (not yet defined) as the Directors' may determine prudent at the time, depending on the result of the first two processes.

It is anticipated that these actions, or a combination of them, will meet the Company's requirements for the current Quarter.

Mineral Tenement Interests as at 31 December 2014

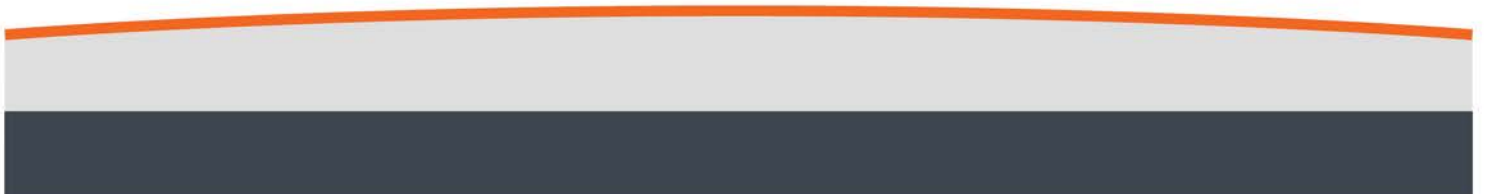
In accordance with ASX Listing Rule 5.3.3, the Ferrowest Group had the following changes to tenement interests as at 31 December 2014:

- Ferrowest subsidiary Urban Minerals Pty Ltd surrendered P77/1998, P77/4108, P77/4109, P77/4110, E77/2016, E77/1999, E77/2000 and E39/1727 on 5 December 2014 as part of a rationalisation of project areas.

The Company's beneficial interests in any farm-in or farm-out agreements in respect of any mining tenement interests did not change during the December 2014 Quarter except as follows:

Ferrowest secured 51% of the share capital of Arafura Iron Pty. Ltd. ("AIPL") during the Quarter. AIPL holds 100% of the iron rights to the Northern Territory tenement EL24548 that in turn forms the basis of the Yalyirimbi Iron Project.

A complete tenement schedule is provided below.



Ferrowest Tenement Schedule - 31 December 2014				
Name	Tenement	Tenure Type	Status	Ferrowest Group Interest
YOGI MINE PROJECT - 14Km East of Yalgoo in WA				
YOGI	M59/525	Mining Lease	Granted	100%
YOGI	E59/1348	Exploration Licence	Granted	100%
YOGI	E59/1097	Exploration Licence	Granted	100%
YOGI	L59/119	Miscellaneous Licence (Ground Water)	Granted	100%
YOGI	M59/740	Mining Lease	Granted	100%
YOGI	M59/634	Mining Lease	Granted	100%
YOGI	M59/635	Mining Lease	Granted	100%
YOGI	M59/636	Mining Lease	Granted	100%
YOGI	M59/637	Mining Lease	Granted	100%
YOGI	P59/2028	Prospecting Licence	Granted	100%
OTHER PROJECTS (Ferrowest Limited)				
LAKE HALBERT EAST	E63/1585	Exploration Licence	Granted	100%
YALYIRIMBI IRON PROJECT North West of Alice Springs in the NT (Ferrowest Limited)				
YALYIRIMBI	EL 24548	Exploration Licence	Granted	51% [#]
MARVEL LOCH PROJECT - South of Southern Cross in WA (Urban Minerals Pty Ltd)				
EDWARD'S NORTH	P77/4111	Prospecting Licence	Granted	100%
EDWARD'S NORTH	E77/2015	Exploration Licence	Granted	100%
EDWARD	E77/2108	Exploration Licence	Granted	100%
# Ferrowest holds the right to earn up to 60% in the future.				

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Ferrowest Limited

ABN

14 074 009 091

Quarter ended ("current quarter")

31 December 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(30)	(140)
(b) development	-	-
(c) production	-	-
(d) administration	(202)	(368)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(3)	(7)
1.6 Income taxes paid	-	-
1.7 Other (GST recoverable/payable)	9	12
Net Operating Cash Flows	(226)	(503)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	11
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Non-refundable option fee	20	20
Other – Refund of Bond	8	8
Net investing cash flows	28	39
1.13 Total operating and investing cash flows (carried forward)	(198)	(464)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(198)	(464)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	223	463
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	Net financing cash flows	223	463
	Net increase (decrease) in cash held	25	(1)
1.20	Cash at beginning of quarter/year to date	8	34
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	33	33

Payments to directors of the entity and associates of the directors

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	57
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	75
4.2 Development	-
4.3 Production	-
4.4 Administration	125
Total	200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	33	8
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	33	8

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	P77/1998 P77/4108 P77/4109 P77/4110 E77/2016 E77/1999 E77/2000 E39/1727	Urban Minerals Pty Ltd Urban Minerals Pty Ltd Urban Minerals Pty Ltd Urban Minerals Pty Ltd Urban Minerals Pty Ltd Urban Minerals Pty Ltd Urban Minerals Pty Ltd Urban Minerals Pty Ltd	100% 100% 100% 100% 100% 100% 100% 100%	0% 0% 0% 0% 0% 0% 0% 0%
6.2 Interests in mining tenements acquired or increased	EL24548	51% interest in Arafura Iron Pty Ltd which holds the iron rights.	0%	51%*

* Iron Rights

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	224,819,808	224,819,808		
7.4 Changes during quarter (a) Increases through issues				
7.5 +Convertible debt securities 2 year 10% convertible at 80% VWAP	1,078		\$500	\$500
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	3,500,000	-	<i>Exercise price</i> \$0.25	<i>Expiry date</i> 19 April 2015
7.8 Issued during quarter				
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act [or other standards acceptable to ASX \(see note 5\)](#).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 28 January 2015

Print name: Brett Manning
 Managing Director

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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