

29 April, 2015

ASX Announcement

GENERAL UPDATE

As Ferrowest Limited ("the Company") previously advised the market, the sale of the Yogi Mine Project ("Yogi") to Padbury Mining Limited ("Padbury") was cancelled on 14 April 2015 after Padbury failed to provide the sale proceeds.

Padbury's failure to settle the sale of Yogi after such long delays has negatively impacted Ferrowest. The Company's plans to secure new mineral project opportunities were premised on being able to make initial investments using the sale proceeds and to also be able to retire some medium term debt and meet ongoing operating costs. Without these sale proceeds, the Company was placed in a very difficult position.

On termination of the contract of sale to Padbury, the Directors commenced an urgent review of the options available to the Company but were constrained by the following impediments:

- The junior iron ore sector has been largely 'wiped out' by the major companies flooding the market with iron ore in order to secure market share, causing the price to more than halve;
- There are no prospects of raising capital against iron ore assets at the moment and very poor prospects for resources based capital raisings in general;
- The company had consumed its available cash reserves during the delayed settlement of the Yogi sale;
- The Company has significant medium term debt, which makes it less attractive for the acquisition of new business in any form of restructure; and
- While the Board believes that the Yogi project will sell as planned, time would be needed for new parties to assess the purchase opportunity.

In these circumstances, the Board faced an extremely difficult situation. However, TFA International Pty Ltd, the Company's largest shareholder (with 29.17% of the shares) and creditor for around 60% of the debt owed by the Company, has offered a reconstruction proposal. This proposal is in a formative stage at this point and is not ready for presentation to shareholders, however the Board notes, if successful, it would appear materially superior for shareholders and creditors than any other alternate before the Company at this time.

TFA has agreed to loan additional funds to maintain the Company's operations until the details of the proposal can be properly worked through and necessary discussions can be held with parties such as the ASX. This work to properly define the reconstruction proposal is underway at the moment and is being pursued as quickly as possible. If the Board believes the proposal is viable, it will put it to shareholders for consideration at the earliest opportunity.

The further loan funding by TFA will hopefully provide time to complete the sale of Yogi and thereby retire most of the non-TFA debt. TFA is also uniquely placed to offer such a proposal because it can include its debt in any reconstruction and the combination of this and the sale of Yogi could clear the Company's debt entirely and set it up for much better prospects for shareholders in the future.

It should be emphasised that at this moment the Board has no other proposal or option before it that delivers, in the Board's opinion, anywhere near the level benefit for shareholders and creditors, hence the Board's decision to work toward defining the TFA proposal.

Since the end of the Quarter, TFA has provided \$65,000 in loan funding. Further funding will be provided while the proposal is prepared and put to shareholders but will only extend to essential operational matters necessary to achieve this goal.

As part of the proposal, the parties are looking at the appropriateness or otherwise of proceeding with the acquisition of the interest in the Hubei Taifeng Investment and Development Co., Ltd. given the current circumstances of the Company but no decisions have been taken at this time. This will be reviewed as part of the reconstruction proposal.

The Company's shares will remain in voluntary suspension as appropriate until the future business direction of the Company is determined.

Further information will be made available as it becomes available.

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

