

15 June, 2015

ASX Announcement

RECONSTRUCTION PROPOSAL

As previously advised to the market, Ferrowest Limited ("the Company") has been evaluating a proposal ("the Proposal") by TFA International Pty Ltd ("TFA"), the Company's largest shareholder, to reconstruct and recapitalise the Company. TFA has been providing loan funding to sustain the basic operations of the Company while the details of the Proposal were worked out.

The Company is pleased to advise that it intends to put the Proposal to Shareholders for consideration at a General Meeting, which will be called as soon as the Meeting documentation has been reviewed by ASX and ASIC.

The Proposal is offered by TFA on the basis that the Company change the nature of its business from "**minerals exploration**" to "**property and infrastructure development**".

In TFA's view, this is essential to get away from reliance on an industry that is currently performing poorly and to move toward one where (if properly targeted) good growth potential currently exists and where projects can be brought to profitable stages in much shorter time frames than is typical in the mineral exploration industry.

TFA proposes that the Company focus on the development of commercial (retail and office) and high density residential space by targeting key development areas in inland China, where there is strong Government support for urbanisation. TFA believes that, with its assistance, the Company can successfully enter into property and infrastructure development in China. In time, with successful projects completed, the Company would aim to also enter property and infrastructure development projects in Australia.

Provided that Shareholders' support the change of business, TFA is prepared to support the reconstruction by:

- Converting its debt to equity (up to A\$1.4M) at the same price as Shareholders would be offered under a capital raising completed concurrently to re-capitalise the Company;
- Subscribing for a substantial placement of equity (up to A\$2.5M) to help with the re-capitalisation process for the Company;
- Allowing existing Shareholders (other than TFA) to participate in a Priority Entitlement Issue as part of the re-capitalisation process (to raise up to a further A\$1.57M before costs); and
- If required, partially underwriting (A\$500,000) the proposed Priority Entitlement Issue in order to increase the chances of a successful outcome.

The Proposal would also see a consolidation of capital and all new equity issues to shareholders and TFA would be at the same price of 20 cents per share. These measures, together with the previously approved sale of the Yogi Mine Project to a third party, would clear the majority of the Company's debts, recapitalise it for its new business activities and see the Company's requoted on the ASX.

TFA intends to work with an associate company to meet its obligations under the Proposal and would offer balance sheet and other in-country support in China to facilitate the identification, acquisition and debt funding of the initial property development project. This first project would be identified after shareholder approval of the Proposal and then would form the centrepiece of a full prospectus for the Priority Entitlement Issue to shareholders. The prospectus will also provide information necessary as a re-compliance disclosure document for the ASX.

As a result of TFA's support for the reconstruction Proposal in both debt conversion and cash, it's shareholding in the Company would increase from 29.17% pre-Proposal to a minimum of 63.90% post-Proposal. It could also increase up to as much as 72.46% in circumstances where:

- TFA is required to meet its entire partial underwriting commitment due to an unsubscribed shortfall in the Priority Entitlement Issue; and
- only the minimum subscription level for the Priority Entitlement Issue (planned to be A\$1.5M) is achieved.

In either case, TFA would have a controlling interest in the Company if Shareholders support the reconstruction Proposal and it is successfully implemented.

TFA will continue to loan further funds to the Company until shareholders vote on the Proposal to ensure that it can remain a going concern and to allow time for both the consideration of the reconstruction Proposal and for the sale of the Yogi Mine Project.

While the Proposal is both a major departure from the Company's current business and will result in a change in control of the Company, the Directors that are not associated with TFA unanimously agree that the Proposal is superior to any other potential option before the Company at this time. Given the significant uncertainty in the junior iron ore sector at the moment and the currently high debt and low cash position of the Company, there remains significant uncertainty for the Company if shareholders choose to reject the Proposal.

Full details will be provided in the Notice of Meeting to consider the Proposal and a Detailed Directors' Report has also been prepared to assess whether the proposal is fair and reasonable for non-associated shareholders. The Company hopes to be able to dispatch these documents to shareholders in the near future.

Under the Proposal, the Company would not proceed with the previously approved acquisition of a small stake in a project in the Hubei Province in China. That project would be unsuitable as the main business of the Company because the proposed interest was not a controlling one and the project had fairly long lead times.

The Company is still talking to parties about the outright sale of the Yogi Mine Project but has not, as yet, concluded any agreement in this regard.

In other news, the Company has completed the registration of its subsidiary in the Chengdu Province of China and if the Proposal is approved by shareholders, this subsidiary will likely be the vehicle for the property developments in China in the future.

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

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