

17 August, 2015

ASX Announcement

RECONSTRUCTION PROPOSAL

On 15 June 2015, Ferrowest Limited ("the Company") announced the terms of a proposal ("the Proposal") by TFA International Pty Ltd ("TFA"), the Company's largest shareholder, to change the business of the Company to "property and infrastructure development" and reconstruct and recapitalise the Company. As part of this process, the Company needed to identify an initial property development project, which it would pursue if the shareholders approve the Proposal.

The Company is pleased to announce that it has identified what would become the first property development project if shareholders approve the Proposal. The project is summarised below and detailed information about this project will be included in the Notice of Meeting for shareholders to assess as a part of the decision on whether to accept the Proposal.

The Zigong Guodun Farmers Market

The Zigong Guodun Farmers Market project ("the Project") is a property development project located in the City of Zigong in Chengdu Province in China. The Project envisages the construction of a proposed 5 story commercial property (shopping centre) on a 9,000m² site in an area already undergoing urbanisation. There are two new cities in the vicinity of the development with an eventual combined population of around 132,000 people. The area has 'high-end' residential developments nearby, creating a good market for potential buyers of the commercial space in the development.

The Company will have a controlling interest in the Project of more than 51%, with the final percentage holding and price still to be finalised, subject to shareholders agreeing to the Proposal. The land for the development is owned by a private company project vehicle already established for the Project. The Company would hold a controlling interest in the shares of this vehicle. The main approvals relating to scope, nature and scale of the Project have already been granted by the Government Authorities. Further approvals will be required once the detailed design phase is completed.

Construction of the Project is expected to take around 18 months to complete. The construction of nearby multi-story apartment buildings is already well advanced and they will start to be occupied next year (2016). Infrastructure to the surrounding area is in place and there are nearby education, health care and recreational facilities.

The foot print of the shopping centre itself will be approximately 3,600m². The first, third and fourth floors will be commercial space totalling about 7,900m². The second floor will be a 4,100m² farmers market area. The fifth floor will have 218m² of office space.



Above: Model showing a place holder box on the Zigong Guodun Farmers Market location (Gold plaque on top)



Above: View of the empty Zigong Guodun Farmers Market site in the foreground, behind the fence.
(Note the nearby residential complexes under construction)

Prospective Financial Information on the Project

Important Information:

As the Project is at a very early stage, shareholders should note that the numbers provided below are very preliminary and should be used only as an 'order of magnitude' assessment and not as a financial forecast. More reliable prospective financial information will only be available after the Project purchase is finalised and the detailed design phase and formal costings are complete. This work can only occur after both shareholder approval and successful implementation of the Proposal.

*The Company has commissioned **China United Asset Appraisal Group (Australia)** to provide an Independent Technical Specialist Report ("ITSR") on the Project and this ISTR will be included in the Notice of Meeting that will be dispatched to shareholders to decide on the Proposal.*

If shareholders approve the Proposal, a full Prospectus will be prepared around this initial project for the Priority Entitlement Issue and to meet the re-compliance requirements of the ASX Listing Rules (Listing Rule 1.2, Condition 3).

Construction of the Project is planned to be contracted out to qualified building companies and the total cost of the Project (including financing) is expected to be around 90.8M Yuan or AUD\$20.0M (4.5313Yuan/AUD\$ is used in this announcement). All of the commercial space will be sold for an estimated 167.3M Yuan or AUD\$36.9M.

Given the detailed design of the Project is yet to be completed and firm construction quotes obtained, the costs and returns quoted here should be considered 'indicative', for general guidance only at this time.

The cost for the controlling interest in the project vehicle company is yet to be finalised, pending shareholder approval of the Proposal, but is expected to be around 10.6M Yuan (+/- 1M Yuan) or around AUD\$2.34M.

The Terms of the Proposal

The terms of the Proposal have been announced previously but are summarised again below. The Proposal will be detailed in the Notice of Meeting for the General Meeting that the Company hopes to call shortly, following ASX and ASIC approval of the Notice. A Detailed Directors' Report will also be dispatched with the Notice of Meeting because adoption of the Proposal would see a change in control of the Company. The Detailed Directors' Report will advise shareholders whether the Proposal is fair and reasonable to shareholders not associated with the Proposal.

The Proposal

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 debt owed by the Company to equity (up to A\$1.7M) at the same price as Shareholders would be offered under a capital raising completed concurrently to re-capitalise the Company (This amount has increased from that previously announced as a result of increased costs caused by the delay in being able to present the Proposal to shareholders);
- Facilitating 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, facilitating the partial underwriting (A\$500,000) of 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 or its associates 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 and its associates have assisted the Company in the identification and acquisition of the first proposed property development project and would facilitate balance sheet and other in-country support in China to facilitate debt funding of the initial property development project.

As a result of TFA's support for the reconstruction Proposal in both debt conversion and cash, the shareholding of TFA and its associates in the Company would increase from 29.17% pre-Proposal to a minimum of 65.46% post-Proposal. It could also increase up to as much as 73.68% in circumstances where:

- The partial underwriting commitment is required to meet 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 and its associates would have a controlling interest in the Company, if Shareholders support the reconstruction Proposal and it is successfully implemented.

TFA has continued to loan further funds to the Company to ensure that it can remain a going concern until shareholders can vote on the Proposal. This has also allowed time for discussions with new potential buyers of the Yogi Mine Project.

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

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

