

14 September, 2015

ASX Announcement

ZIGONG GUODUN FARMERS MARKET

Ferrowest Limited ("the Company") is pleased to announce that it has entered into conditional acquisition agreements ("the Acquisition Agreements") to acquire a 51% interest in the Zigong Guodun Farmers Market project ("the Project"). The Project is a proposed 5 story shopping centre complex to be located in Zigong, China that was previously announced to the market by the Company on 17 August 2015.

Under the terms of a proposal to reconstruct the Company's business to property and infrastructure development announced on 15 June 2015 ("the Proposal"), the Company needed to identify and secure its first proposed property development project for shareholders to consider as part of the overall Proposal at a General Meeting to be held in the near future.

The Project is wholly owned by Sichuan Fuchuang Property Co., Ltd. ("SFP"). SFP holds the 40 year 'Land Use Right' to the Project site and various initial Government approvals for the Project. No detailed design or site construction works have commenced at this stage. Further Government approvals will be needed after the detailed design phase and before construction can begin.

The Company has entered into agreements with the two current shareholders of SFP to acquire a total 51% share interest in SFP and, as a result, a controlling interest in the Project. This acquisition is conditional only on shareholder approval of the Proposal and its successful implementation, including re-compliance with the ASX Listing Rule requirements for the re-quotation of the Company's Shares on the ASX.

The total acquisition price for the 51% interest in SFP is 9.28 million Chinese Yuan ("CNY") (A\$2,047,977*).

In addition to the 51% of the shares in SFP, the Company will also secure a 4,800,000 CNY (A\$1,059,299) receivable from SFP (a debt SFP will owe the Company) as part of the total assets purchased for the consideration specified above. The receivable is unsecured and not interest bearing and would only be repaid on successful construction and sale of the Project.

Under the terms of the Acquisition Agreements, the cash purchase prices must be paid on the following dates:

- (a) 1,000,000 CNY on 16 August 2015
- (b) 7,800,000 CNY on 25 August 2015
- (c) 480,000 CNY on 8 December 2015

In order to meet the cash payment obligations ((a) and (b) having already been paid), the Company has entered into an agreement ("the Trust Agreement") with a Chinese company called Chengdu Yaopeng Electrics and Machinery Trading Co., Ltd. ("Chengdu Yaopeng").

*** Note: An exchange rate of 4.5313 CNY to 1.0000 A\$ is used in this Announcement**

Chengdu Yaopeng is a company that has been identified by the Company's largest shareholder, TFA International Pty Ltd ("TFA") to take the lead role in the Proposal to reconstruct the Company.

Chengdu Yaopeng and TFA do not have any common directors or shareholders but are classed as 'related parties' for the purposes of the Proposal because they would, subject to shareholder approval, work in concert in order to implement it.

Chengdu Yaopeng has made the payments (a) and (b) specified above securing 45.5% of the Company's interest in SFP. The payment for the last 5.5% is due in December 2015.

Chengdu Yaopeng will hold the Company's interest in SFP on trust for the Company while the Proposal is considered by Shareholders. Under the terms of this Trust Agreement, Chengdu Yaopeng receives no payment or other benefit from the Company for holding the Company's interest on trust on its behalf.

There is a cash penalty of 20% of the consideration that applies to each party to the Acquisition Agreements. In the event that a party fails to perform their responsibilities under the contract on time, the cash penalty must be paid. In the case of the Company, this would occur if the purchase price installments are not paid on the due dates specified in the Acquisition Agreements. However, under the terms of the Trust Agreement, Chengdu Yaopeng is also solely responsible for the penalties specified above in the event that the payments are not made on time.

One of the components of the Proposal that will be considered by shareholders is a A\$2,500,000 cash share subscription. Under the current plan, Chengdu Yaopeng's Australian subsidiary Yaopeng International Trade Pty Ltd is proposed to make that investment in the event that shareholders approve the Proposal.

At the time when all the conditions are met for the issue of the Post Consolidation Shares (upon the successful completion of the Proposal), Chengdu Yaopeng is obliged under the Trust Agreement to deliver the Company's interest in SFP, for which it paid cash on the Company's behalf, to the Company's wholly owned Chinese subsidiary Pan Aust (Chengdu) International Trade Co., Ltd. and will also provide the balance of the A\$2,500,000 cash due under the Subscription Agreement to the Company (i.e. A\$2,500,000 cash, less the cash already paid on the Company's behalf). The Company will then issue the 12,500,000 Post Consolidation Shares for the A\$2,500,000 consideration at the same time as the other Post Consolidation Shares are issued as contemplated under the Proposal.

In the event that shareholders reject the Proposal or the Proposal fails for any reason to be successfully completed, then no Post Consolidation Shares will be issued and under the terms of the Trust Agreement, Chengdu Yaopeng will retain the interest in SFP which it has paid for on the Company's behalf. The Company will lose its rights to this interest but there will be no trailing liability whatsoever on the Company if this occurs. The Trust Agreement also terminates in the event that the Company enters external administration or, by the efflux of time, on 31 December 2015.

A summary of the Project and the Proposal are provided below.

As announced on 17 August 2015, ASX rejected the Company's draft Notice of Meeting for a second time. The Company is working toward meeting the Notice requirements as quickly as possible and hopes to be in a position to put the Proposal to shareholders for consideration in the near future.

It has been necessary to increase the size of the reconstruction Proposal to accommodate the additional costs incurred by the delays in being able to put the proposal forward to shareholders. The new revised Proposal details are included in the summary below.

The Zigong Guodun Farmers Market

The Zigong Guodun Farmers Market 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 9,057m² 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.

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.

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 planned to be contracted out to qualified building companies and the total cost of the Project (including financing) is expected to be in the order of AUD\$20.0M but this cannot be confirmed until detailed design has been completed.



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)

The Terms of the Proposal

The terms of the Proposal have been announced previously but it is currently proposed to increase the scale of the Proposal to cover the additional costs that have been caused by the delay in securing approval to put the Proposal to shareholders.

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\$1.95M) 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 and Yaopeng) to participate in a Priority Entitlement Issue as part of the re-capitalisation process (to raise up to a further A\$2.39M 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/Yaopeng or their 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.

As a result of the combined support of TFA and Yaopeng for the reconstruction Proposal in both debt conversion and cash, their collective shareholding in the Company would increase from 29.17% pre-Proposal to a minimum of 60.0% post-Proposal. It could also increase up to as much as 70.1% 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\$1.95M) is achieved.

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

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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