

26 October, 2015

ASX Announcement

CORPORATE UPDATE

- **General Meeting called to consider Reconstruction Proposal**
- **Notice of Annual General Meeting called**
- **ASX Waiver from Listing Rule 10.13.3 granted**

Reconstruction Proposal to be put to Shareholders

Ferrowest Limited ("the Company") is pleased to advise that it has today dispatched a Notice of General Meeting to shareholders to consider a proposal for the reconstruction of the Company ("the Proposal"). The Proposal was offered in May 2015 by the Company's largest shareholder, TFA International Pty Ltd ("TFA") and TFA have brought in a further investor Yaopeng International Trade Pty Ltd ("Yaopeng"). Collectively TFA and Yaopeng and referred to here as the Proponents.

The Proposal has undergone some changes since originally announced. The Proposal now has the following components:

- (a) A proposed change of the main business activities of the Company from '*mineral exploration*' to '*property and infrastructure development*';
- (b) A proposed change the Company's name to "Living Cities Development Group Limited";
- (c) A proposed consolidation of capital on a 1 for 40 basis;
- (d) A public capital raising pursuant to a Prospectus to raise up to A\$3M at 20 cents per share with a priority entitlement to existing shareholders contained within the public raising for up to A\$1.5M;
- (e) A share placement for cash to the Proponents at 20 cents per share to raise up to A\$2.5M;
- (f) A share placement at 20 cents per share to the Proponents of the restructure to retire A\$1.95M of debt owed by the Company; and
- (g) A partial underwriting of a further A\$0.5M of the public capital raising by the proponents.

Another key component of the Proposal would be the acquisition of a 51% controlling interest in the Zigong Guodun Farmers Market development project in Zigong in the Sichuan Province of China as the Company's first property development. This proposed shopping centre complex would be developed by the Company and then the retail space would be sold. Under the proposed business model, the proceeds of the sale would then be applied to acquisition of the next development project.

The Proposal, if successfully implemented, would aim to clear all material previous debt of the Company, recapitalise the Company, have its shares requoted on the ASX and provide the resources to commence development activities on the first project.

If shareholders approve the Proposal and it is successfully implemented, the Proponents will hold a controlling interest in the Company of between 54.8% and 61.6% of the Company.

The Notice of Meeting documentation itself will be released in a separate ASX announcement to follow this one. The General Meeting will be held at 9:30AM on 30 November 2015.

Full details of the Proposal, the first proposed project and the change of control of the Company are provided in the Notice of Meeting documentation, which has been dispatched to shareholders today.

Annual General Meeting

The Annual General Meeting of the Company has also been called for 30 November 2015 and will be held at 9:00AM, before the General Meeting to consider the Proposal. The Notice of Meeting documentation for the Annual General Meeting has also been dispatched to shareholders today.

ASX Waiver for Listing Rule 10.13.3

ASX has granted the Company a waiver from Listing Rule 10.13.3 in regard to the Proposal and the Notice of General Meeting.

Listing Rule 10.13.3 relevantly provides that securities issued to ‘persons in a position of influence’ (such as a related party) pursuant to a shareholder approval must be issued no later than 1 month after the date of the meeting at which that approval is granted.

Under the Proposal, Shares will be issued to Yaopeng, a related party of the Company, under Resolutions 5 to 7 inclusive.

The Company has applied for and been granted a waiver from Listing Rule 10.13.3 to the extent necessary to allow the Shares issued under Resolutions 5 to 7 inclusive to be issued at the same time as the other Shares pursuant to the Prospectus for the capital raising.

ASX Decision

1. Subject to resolution 2 below, and based solely on the information provided, ASX Limited (“ASX”) grants the Company a waiver from listing rule 10.13.3 to the extent necessary to permit the Company’s notice of meeting to seek approval for the issue of the following securities:

- 1.1. Up to 9,750,000 post-consolidation shares to Yaopeng International Trade Pty Ltd or its nominee (“Yaopeng”), at a deemed issue price of \$0.20 per Share in satisfaction of up to \$1,950,000 in moneys owed by the Company to Yaopeng;
- 1.2. Up to 12,500,000 post-consolidation shares to Yaopeng at an issue price of \$0.20 per Share to raise up to \$2,500,000;
- 1.3. Up to 2,500,000 post-consolidation shares to Yaopeng at an issue price of \$0.20 per Share pursuant to an underwriting agreement with respect to a capital raising of up to \$3,000,000 under a prospectus through the issue of up to 15,000,000 post-consolidation shares at an issue price of \$0.20 per share (“Capital Raising”),

(together, the “Related Party Securities”) not to state that the Related Party Securities will be issued within 1 month after the date of shareholder approval.

2. Resolution 1 above is conditional on the following:

2.1. The notice of meeting states that the Related Party Securities will be issued no later than the other securities to be issued under the Capital Raising and otherwise on the same terms as approved by shareholders.

2.2. The terms of the waiver are released to the market immediately.

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