



28 October, 2015

ASX Announcement

QUARTER ACTIVITY REPORT

During the September 2015 Quarter, Ferrowest Limited (“the Company”) undertook the following activities:

The Company continued to advance the proposal to change the business of the Company to “property and infrastructure development” and reconstruct and recapitalise the Company (“the Proposal”). On 17 August 2015 the Company announced that it had identified what would become the first property development project if shareholders approve the Proposal. The project is summarised below.

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 Sichuan 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.

Subject to shareholder approval of the Proposal, the Company will have a controlling interest in the Project of 51%. The land for the development is owned by a private company project vehicle already established for the development of 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)

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 report). The business model plans the sale of all of the commercial space constructed.

Given the detailed design of the Project is yet to be completed and firm construction quotes obtained, the costs 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 9.28M Yuan (AUD\$2.05M). An option fee to secure the rights to the project interest until completion of the reconstruction process is expected to cost around AUD\$60,000 and is based on the time taken to complete the process.

The Terms of the Proposal

The terms of the reconstruction Proposal were altered several times during the quarter in response to regulatory requirements but was finalised with the dispatch of the Notice of General Meeting subsequent to the end of the reporting period on 26 October 2015.

The Proposal is being sponsored by TFA International Pty Ltd (the Company's largest shareholder) and another investor Yaopeng International Trade Pty Ltd (together referred to in this report as "the Proponents"). The Proposal is summarised below:

It is proposed that the Company change the nature of its business from "*minerals exploration*" to "*property and infrastructure development*".

Initially the Company would 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. In time, with successful projects completed, the Company would aim to also enter property and infrastructure development projects in Australia.

The Proposal will also include:

- A 1 for 40 consolidation of capital
- A A\$2.5M placement of equity to the Proponents at A\$0.20/share to help with the re-capitalisation process for the Company;
- A A\$3.0M public capital raising by way of a prospectus at A\$0.20/share, which will include a priority entitlement for existing shareholders of up to A\$1.5M; and
- Conversion of \$1.95M of debt at A\$0.20/share (the same price as Shareholders and the public would be offered under a capital raising), completed concurrently to re-capitalise the Company;
- If required, a partial underwriting of A\$500,000 of the public capital raising by the Proponents in order to increase the chances of a successful outcome.

If shareholders support the Proposal and it is successfully implemented, it would clear all of the Company's previous debts, recapitalise it for its new business activities and see the Company's quoted on the ASX.

As a result of the Proponents support for the reconstruction Proposal in both debt conversion and cash, their interest in the Company would increase from 29.17% pre-Proposal to between 54.8% and 61.6% post-Proposal. Regardless of the final interest, the Proponents would have a controlling interest in the Company if Shareholders support the reconstruction Proposal and it is successfully implemented.

During the Quarter, the Company re-submitted its proposed Notice of Meeting for the Proposal on 17 August 2015, following its previous rejection by ASX on 24 June 2015. This second submission was rejected on 26 August 2015 by ASX.

On 14 September 2015 the Company announced that it had entered into conditional acquisition agreements ("the Acquisition Agreements") to acquire a 51% interest in the Zigong Guodun Farmers Market project ("the Project") and re-submitted the Notice of Meeting to ASX for approval.

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. The Company had entered into the Acquisition 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 was conditional only on shareholder approval of the Proposal and its successful implementation, including re-compliance with the ASX Listing Rule requirements for the re-quotations 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*).

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

In addition to the 51% of the shares in SFP, the Company would 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 non interest bearing and would only be repaid on successful construction and sale of the Project commercial space.

Under the terms of the Acquisition Agreements, the cash purchase installments shown below were to 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, the Company entered into an agreement (“the Trust Agreement”) with a Chinese company called Chengdu Yaopeng Electrics and Machinery Trading Co., Ltd. (“Chengdu Yaopeng”), which is the parent company of Yaopeng (one of the Proponents to the Proposal).

Under the terms of the Trust Agreement, Chengdu Yaopeng was to make the cash payments on the Company’s behalf and hold the Company’s interest in SFP on trust for the Company while the Proposal is considered by Shareholders. Under the terms of the Trust Agreement, Chengdu Yaopeng was to receive no payment or other benefit from the Company for holding the Company’s interest on trust on its behalf.

As one of the components of the Proposal is that Yaopeng would make a A\$2,500,000 cash share subscription, under the Trust Agreement Chengdu Yaopeng was obliged 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 would 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 would 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 were issued as contemplated under the Proposal.

In the event that shareholders rejected the Proposal or the Proposal failed for any reason to be successfully completed, then no Post Consolidation Shares would be issued and under the terms of the Trust Agreement, Chengdu Yaopeng would 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 would have been no trailing liability whatsoever on the Company if that occurred.

This transaction, however, had to be undone subsequent to the end of the Reporting Period as described in Events Subsequent section below.

Yalyirimbi Iron Project

On 22 September 2015, the Company announced that it had entered into a Deed of Cancellation with Arafura Resources Limited ("Arafura"), Ferrowest's joint venture partner in the Yalyirimbi Iron Project and owner of the underlying mineral tenement, in order to formally unwind Ferrowest's participation in the project.

This included, among other things:

- Transfer of the 51% of the shares in Arafura Iron Pty Ltd held by Ferrowest back to Arafura;
- Resignation of the two Ferrowest nominee directors from the Arafura Iron Pty Ltd Board;
- Transfer of all project information and samples back to Arafura;
- Withdrawal of Ferrowest as manager of the mineral tenement on which the project is based;
- Withdrawal of the tenement environmental bond and settlement of money owed by Ferrowest to Arafura; and
- Complete cancellation of all future Ferrowest rights in the project and the tenement on which it is based.

As previously announced to the market, the Board of Ferrowest made the decision to write off the carrying value of its interest in the Yalyirimbi Iron Project at 30 June 2015 in the Company's accounts. The project proposed a 1.5 million tonne per annum haematite mining and concentrating operation but given the location of this project in central Australia, it was highly sensitive to future iron ore pricing. At the current low iron ore prices, which have persisted now for an extended period, the project would not be viable. It also seemed unlikely that this situation would change for some time into the future, hence the decision of the Company to write off the value of the project.

Some of the administrative processes involving the Northern Territory Mines Department may take a period to complete but the last of these should be complete by no later than 30 November 2015.

Yogi Mine Project

The Company received further fresh inquiries about the possible purchase of the Yogi Mine Project both during and subsequent to the end of the Reporting Period but these remain preliminary inquiries at the date of this Report.

Corporate

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.

During the Quarter, the Company received a further A\$146,000 to fund operations and pay reconstruction Proposal related costs.

The 2015 Annual Report of the Company was released on 30 September 2015 and then dispatched to shareholders after the end of the Reporting Period, on 26 October 2015.

EVENTS SUBSEQUENT

On 19 October 2015, the Company announced that the transaction (as described above) which the Company had announced on 14 September 2015 to conditionally acquire its interest in the Project (“the Transaction”), had been ruled by ASX to have put the Company in breach of Listing Rule 10.1.

Listing Rule 10.1 prohibits a company from disposing of a material asset to a related party without shareholder approval. Listing Rule 10.1 prevents ‘value shifting’ away from shareholders to related parties. It was the action of giving the Proponent (a related party) security over the Asset (for which in this case the proponent had paid cash) that ASX had determined invoked Listing Rule 10.1.

In formulating the Transaction, the Company believed that as the acquisition of the Asset was conditional on shareholder approval and successful implementation of the Proposal, the acquisition remained incomplete and the Company therefore was unable to ‘dispose’ of an asset it did not unconditionally own. The Transaction very neatly secured the A\$2.05M Asset conditionally but without any risk or cost to shareholders, until such time as they had agreed on the reconstruction and it was successfully implemented. It was not possible for the Transaction to shift value away from shareholders to the related party because shareholders would have paid nothing for the Asset prior to completion of the reconstruction, at which point the security would no longer exist in any event.

However, the breach had to be addressed and so the Company opted to cancel the Transaction in its entirety. The Company entered into Deeds of Cancellation with the two vendors of the Asset and the Proponent that financed the Transaction, in order to undo it completely.

The Company then negotiated option agreements with the two vendors for the right to purchase the Asset in the future upon the successful completion of the Proposal (“the New Transaction”).

However, the vendors were naturally reluctant to defer the sale of the Asset for several months while the reconstruction is completed and so the Company has had to agree to option fees payable upon exercise of the option, based upon 7.2% interest per annum on the sale value around A\$2.05M. Depending on the time it takes to complete the reconstruction, this may cost the Company around A\$60,000. These actions rectified the Listing Rule breach.

This cleared the way for the General Meeting of the Company to vote on the reconstruction Proposal to be called on 26 October 2015. The Annual General Meeting of the Company was called on the same day and both meetings are to be held on 30 November 2015.

ASX Waiver 10.13.3

Also on 26 October 2015, the Company announced that ASX had 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.

Ongoing Funding

Since the end of the September Quarter, the Company has received a further A\$50,000 in loan funding in the current Quarter to fund operations and pay reconstruction proposal related costs.

MINERAL TENEMENT INTERESTS AS AT 30 JUNE 2015

In accordance with ASX Listing Rule 5.3.3, the Company advises that it withdrew from its 51% interest in the Yalyirambi Iron Project situated on EL24548 in the Northern Territory pursuant to the Deed of Cancellation signed with Arafura Resources Limited on 22 September 2015 (as detailed above).

No other farm-in or farm-out agreements in respect of any mining tenement interests changed during the Quarter. No other tenement interests were acquired or disposed of during the Quarter.

The complete Tenement Schedule for the Company as at 30 September 2015 is:

Ferrowest Tenement Schedule - 30 September 2015

Name	Tenement	Tenure Type	Status	Ferrowest Group Interest
YOGI MINE PROJECT - 14Km East of Yalgoo in WA				
YOGI	M59/525	Mining Lease	Granted	100%
YOGI	L59/119	Miscellaneous Licence (Ground Water)	Granted	100%
YOGI	M59/740	Mining Lease	Granted	100%
YOGI	M59/634	Mining Lease	Granted	100%
YOGI	M59/635	Mining Lease	Granted	100%
YOGI	M59/636	Mining Lease	Granted	100%
YOGI	M59/637	Mining Lease	Granted	100%
YOGI	P59/2028	Prospecting Licence	Granted	100%
MARVEL LOCH PROJECT - South of Southern Cross in WA (Urban Minerals Pty Ltd)				
EDWARD	E77/2108	Exploration Licence	Granted	80%

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

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Ferrowest Limited

ABN

14 074 009 091

Quarter ended ("current quarter")

30 September 2015

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(46)	(46)
(b) development	-	-
(c) production	-	-
(d) administration	(147)	(147)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(197)	(197)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	12	12
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	12	12
1.13 Total operating and investing cash flows (carried forward)	(185)	(185)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(185)	(185)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	146	146
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	Net financing cash flows	146	146
	Net increase (decrease) in cash held	(39)	(39)
1.20	Cash at beginning of quarter/year to date	48	48
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	9	9

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	59
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	200
Total	250

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9	48
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	9	48

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	EL24548 (NT)	51% iron rights Yalyirimbi Iron Project	51%	0%
6.2 Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	224,819,808	224,819,808		
7.4 Changes during quarter (a) Increases through issues				
7.5 +Convertible debt securities 2 year 10% convertible at 80% VWAP	1,078		\$500	\$500
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter				
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	-	-		
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 28 October 2015

Print name: Brett Manning
 Managing Director

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

== == == == ==