

25 March, 2013

ASX Announcement

NEW HAEMATITE PROJECT SECURED

- **Strategic haematite addition to Ferrowest's iron portfolio**
- **Ferrowest to acquire 60% of the Yalyirimbi Iron Ore Project**
- **Early cash flow potential target of 12 to 18 months**
- **Existing 14Mt Inferred Mineral Resource**
- **Transport via the existing railway for export from Darwin**
- **Acquisition through shares and cash, staged on milestones**
- **Potential for some initial shipments of high grade lump ore**

Ferrowest Limited ("Ferrowest" or "the Company") is very pleased to advise that it has executed a Sale and Purchase Agreement with Ngalia Resources Pty Ltd ("Ngalia") to acquire up to 60% of the Yalyirimbi Iron Ore Project ("the Project") in the Northern Territory.

The Project is located on Northern Territory Exploration Licence 24548 covering 787Km² and has an existing Inferred Resource of 14.1 million tonnes of haematite at 27.1%Fe classified and reported in accordance with the JORC Code [2004 Edition] (Full details are provided on page 6 of this report).

Ferrowest currently estimates the Exploration Target[#] at the Project to be 50 to 70 million tonnes at between 25% and 29%Fe.

The current Resource is located in two zones totalling 1.5Km in length, out of a 30 to 40Km long formation that is yet to be explored. Early stage test work carried out at Yalyirimbi demonstrated that with a crush to 1mm and gravity upgrading, a haematite fines concentrate of **63.5%Fe** with 7.1% SiO₂, 0.84% Al₂O₃ and negligible phosphorus can be produced.

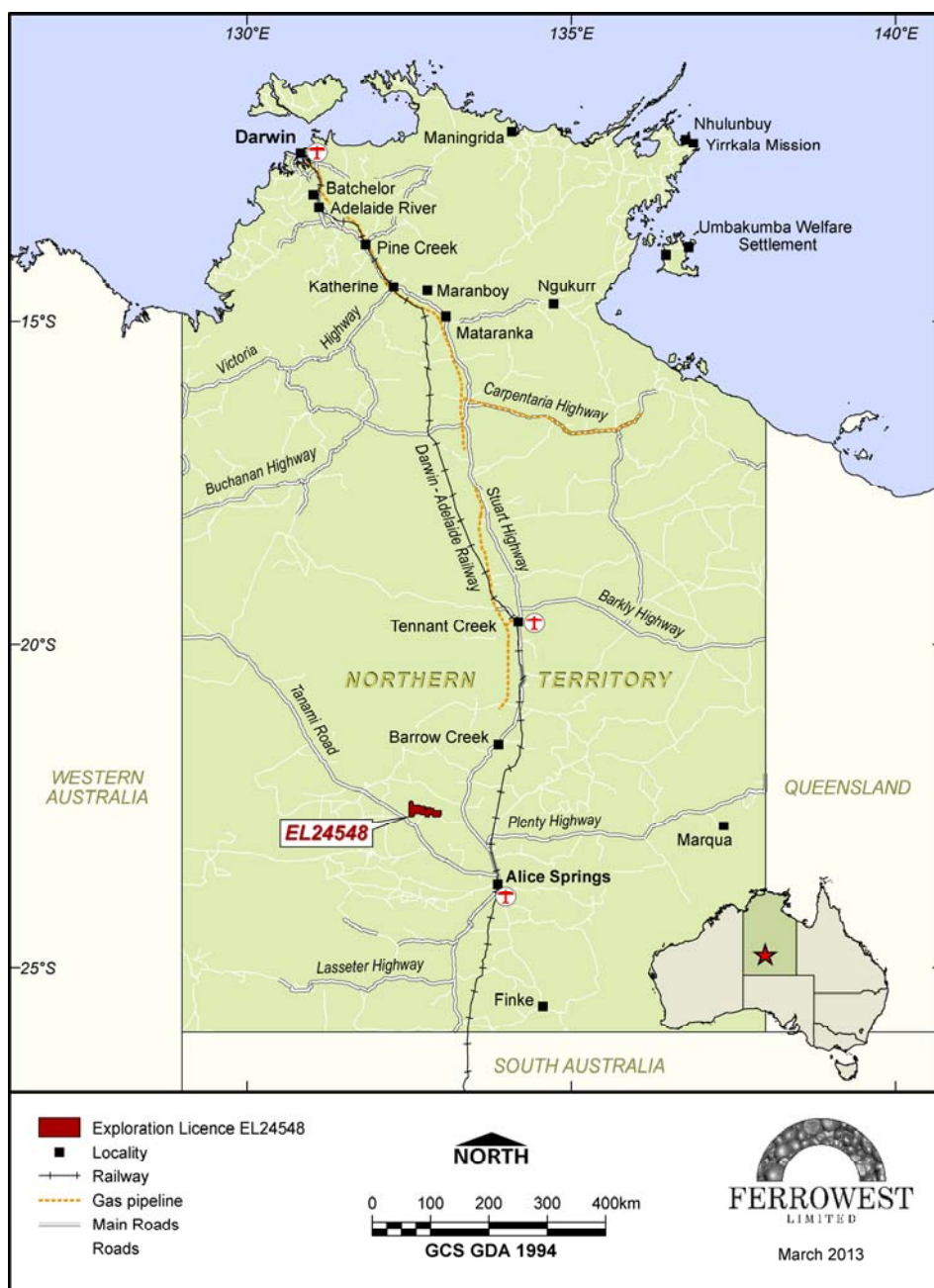
Ngalia has completed an in-house scoping study that suggests the project is robust and profitable at an assumed long term average iron ore price for 62%Fe fines of A\$120 per tonne.

[#] *An Exploration Target is conceptual in nature as insufficient data exists to define a Mineral Resource and it is uncertain if further exploration will result in further Mineral Resource. The Exploration Target is based upon calculations prepared by Ferrowest Limited with reference to current experience and available data.*

About the Yalyirimbi Iron Ore Project

Ferrowest has acquired Ngalia's rights to earn a 60% interest in the Project. This earn-in requires the expenditure of A\$2M on exploration and the establishment of an Indicated Resource estimated and reported in accordance with the JORC Code (2004). Approximately A\$1.4M of the earn-in has already been expended by Ngalia and Ferrowest believes that the current Inferred Resource will only require selected diamond drilling and project related works to attain an Indicated Resource status.

The other 40% of the Project will remain held by Arafura Resources Limited and the Project will be developed under an incorporated joint venture, subject to the successful completion of a bankable feasibility study, to be managed by Ferrowest as it completes the earn-in of its 60% interest.



Operational Concept

The Project envisages open cut mining of the specular haematite, before crushing and gravity based upgrading to produce a 63.5%Fe haematite fines concentrate at a nominal rate of 1.8 million tonnes per annum. The current Ngalia proposal is to truck the haematite to the Alice Springs to Darwin railway for transport by rail to the Port of Darwin for export.

Some high grade haematite (63%Fe) rock chip and RC drilling samples have been obtained from the Project at ground surface and Ferrowest will also be assessing the extent of this material, to determine the potential for a number of direct shipping grade lump cargoes during the commissioning phase for the concentrate production facilities.

Financial Potential

The Ngalia scoping study will be reviewed in detail by Ferrowest as an advanced starting point for its own feasibility studies. While data from this scoping study should be considered for 'information only' purposes at this time, it does indicate the potential benefit that could be delivered by the project, subject to successful continued exploration and studies. Highlights of the existing study are:

Capital cost estimate: A\$35M ^{1. & 2.} [Possibly funded: Ferrowest \$8.4M, Arafura \$5.6M, Debt A\$21M]
 Proposed Annual Production: 1.8Mtpa [Ferrowest 1Mtpa, Arafura 0.8Mtpa]
 Operating Cost (FOB): A\$94/t ^{3.}
 Development timetable: 12 to 18 months ^{4.}

The table below considers project financial parameters based on an assumed long term average iron ore price of US\$120/t and an approximation of the current iron ore price at US\$145/t.

Assumed 62%Fe Fines Price ^{6.}	At 120 US\$/t ^{7.}	At US\$145/t ^{7.}
Total Project Revenues:	A\$2.44B	A\$2.90B
Total EBITDA:	A\$454.0M	A\$823.2M
Average Annual EBITDA	A\$41.1M	A\$78.0M
Average EBITDA Margin	18.6%	28.4%
Project NPV ₁₀ (After Tax)	A\$89M	A\$225M
Project IRR (After Tax)	36%	63%
Ferrowest share of annual cash flow (average, after tax)	A\$14.5M	A\$30.0M

- Notes:
1. Ngalia's current estimate is A\$35M, however Ferrowest's very preliminary review suggests that this estimate may need to be increased and therefore the financial results calculated in the table above have been prepared using a \$50M capital cost. A more exact estimate will be achieved following Ferrowest studies on the Project.
 2. Ferrowest would bear 60% of the capital cost and Arafura would bear 40%.
 3. Includes Northern Territory royalties, corporate administration and all costs to free-on-board in Darwin Harbour.
 4. Subject to continued exploration success, continued feasibility and all required government approvals.
 5. Other assumptions include: 13 years project life based on 60Mt; 1.8Mtpa production; A\$9M for exploration and studies; A\$50M capital cost.
 6. Product anticipated at 63.5%Fe, which will achieve a premium over the 62%Fe price for the additional iron units
 7. Average long term US\$:A\$ exchange rate of 1:1.

Terms of the Acquisition

Ferrowest will acquire all of Ngalia's interest in the Yalyirimbi Iron Project (up to 60% of the total project) on the following terms:

The Company will issue Ngalia 1,500,000 ordinary shares in Ferrowest for a 60 day exclusive option period during which the Company will undertake a detailed due-diligence review of all available technical and commercial information.

If Ferrowest is satisfied with its due-diligence investigations and proceeds with the Project acquisition, the Company will:

1. issue a further 20,000,000 ordinary shares to Ngalia or its nominees* ;
2. within 90 days of signing, pay Ngalia A\$500,000 cash;
3. upon any future announcement by Ferrowest of a JORC Reserve (probable and/or proven) capable of providing 10 million tonnes or more of haematite concentrate product ready for export, the Company will issue the lesser of either 10,000,000 ordinary shares or such lower number of ordinary shares to the value of A\$1,000,000 based on the volume weighted average price of Ferrowest shares for the 10 trading days prior to the issue; and
4. A further A\$2,000,000 cash is payable to Ngalia immediately prior to the start of construction of the Project where a decision to mine is taken by the Company.

A royalty shall be payable to Ngalia from Ferrowest's share of the Project at the rate of A\$1.00 per tonne of product loaded for export at Darwin. This royalty reduces on a stepped scale in the event that the sale price for the Haematite product falls below A\$120 per tonne.

** These shares will be subject to a voluntary escrow for a period of 12 months.*

Strategic Aim of the Acquisition

The strategic aim for acquiring the 60% interest in the Yalyirimbi Iron Ore Project is to provide early cash flow potential in the context of development of the Company's wider development goals under the Yogi Mine Project and Eradu MPI Projects. These latter projects underpin Ferrowest's unique business plan to value add to iron ore to produce merchant pig iron ("MPI"), a high value, high margin product that can be sold into a largely untapped niche market in Asia.



The Yalyirimbi Iron Ore Project has the potential to transition the Company from explorer to producer coincident with the start of construction on the larger projects, providing cash flow at a critical time and building customer relationships ahead of the potential MPI sales to follow.

“Yalyirimbi delivers on a number of key fronts for Ferrowest. We can apply the excellent experience and talent we have in the iron space to a project that can be advanced quickly. It has quite a low capital requirement and it can generate solid returns for the Company as we start to develop our larger projects,” said Ferrowest Chairman, Mr. Bryan Hughes.

Subject to the Company’s satisfaction with the due-diligence investigations, Ferrowest’s first order of business will be to commence a diamond drilling programme with the aim of establishing Indicated and Measured Resources at the Project. At the same time, the Company will open negotiations on rail and port options and commence the necessary environmental and approvals processes. Sample material from the diamond drilling will also be used to optimise the metallurgical testwork and to determine a suitable flow sheet for the upgrading.



6mm crushed 63%Fe specular haematite from Yalyirimbi

Ferrowest Managing Director, Mr Brett Manning, is pleased with the acquisition, ***“Recent developments in the iron ore industry have made us even more certain that our plans to value add to MPI at Eradu is a superior long term business model and while Yogi would provide long term, stable concentrate supply for that plant, we have always lacked a small start up haematite operation of the type that has been so successful in getting iron ore juniors on their way to mining operations. The Yalyirimbi Iron Ore Project will change that for us.”***

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

Geology of the Yalyirimbi Project

Inferred Mineral Resource (JORC 2004)

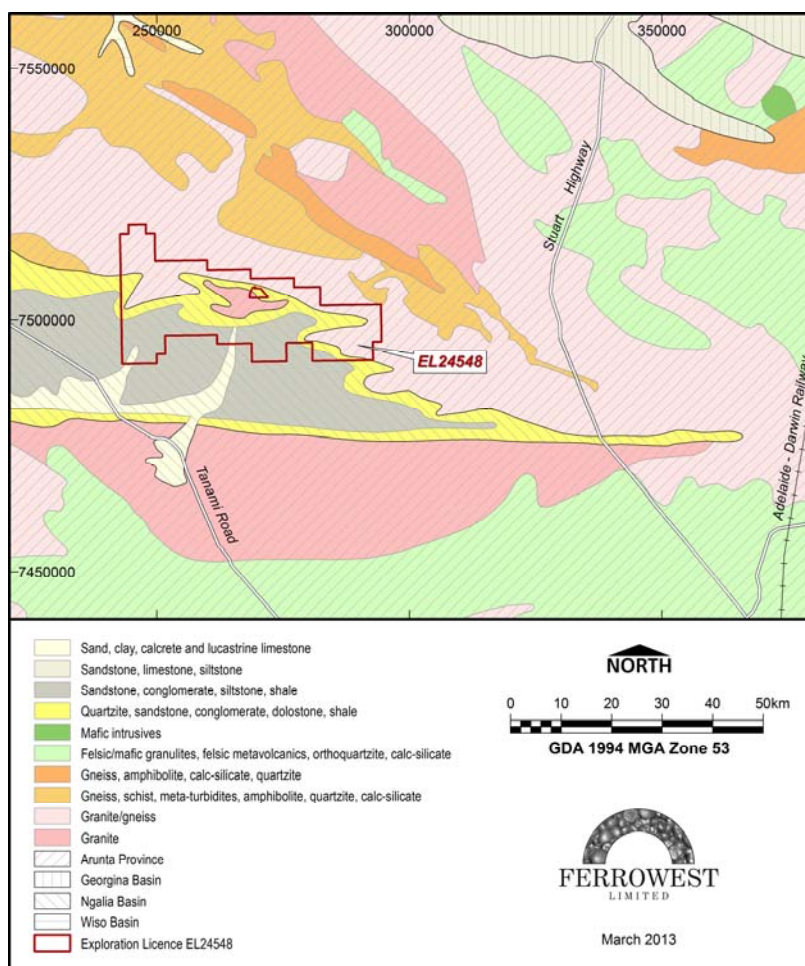
Yalyirimbi Haematite Deposits – Inferred Mineral Resource as at February 2012								
Deposit	Category	Tonnes	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%	LOI%
A	Inferred	4,500,000	31.9	46.0	6.1	0.02	0.03	3.6
M	Inferred	9,600,000	24.9	58.0	3.5	0.03	0.14	1.8
Combined	Inferred	14,100,000	27.1	54.2	4.3	0.02	0.10	2.4

Note: The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 25%Fe. The Mineral Resource is quoted from blocks above a 15%Fe cut-off grade. Differences may occur due to rounding.

Geology

The Yalyirimbi Haematite deposits occur in the late Proterozoic Vaughan Springs Formation in the Ngalia Basin. The basin is a lens shaped depression in the Arunta inlier with a faulted northern boundary (Thompson 1995). Massive and specular haematite outcrops in several areas. The two existing drilled areas are very gently dipping at around 3°. (Dale 2011) states that primary haematite mineralisation has been deposited within brecciated quartzites of the Vaughan Springs Formation.

The haematite mineralisation appears to be strata-bound if not strati-form. There is evidence of haematite layering and preferential replacement as well as remobilisation into breccia and fault zones. The assumption has been made that these are primary, likely hydrothermal deposits. This has been supported by regional airborne magnetometer surveys and an initial ground magnetic survey. These surveys have demonstrated that the haematite deposits are completely non-magnetic.





ABOUT FERROWEST

Ferrowest is an Australian public company established in 2005 and listed on the Australian Securities Exchange in 2006. Set up to value add to iron ore through the production of merchant pig iron, Ferrowest now boasts exploration and project development activities in magnetite, haematite, gold and nickel.

IRON

Ferrowest is actively pursuing three major iron related projects:

- **Yogi Iron Project** – 4.5Mtpa magnetite concentrate at 67%Fe;
- **Eradu MPI Project** – 1.0Mtpa merchant pig iron (MPI) at 96%Fe; and
- **Yalyirimbi Iron Project** – 1.8Mtpa haematite concentrate at 63.5%Fe

Each of these projects is detailed below and each plays a strategic role in an innovative business plan that sets Ferrowest apart from other iron ore juniors in the resources sector. The proposed Eradu MPI plant is the centre piece of this plan with the aim to produce high quality merchant pig iron (“MPI”) at a grade of 96%Fe as a dedicated MPI producer to the Asian region. This will differentiate Ferrowest from other producers of iron ore in Western Australia and make it a unique supplier into Asia. MPI is a high value, low volume and high margin product. Most competition in the market for MPI comes from Brazil at double the shipping cost of the big Asian markets of Korea, China and Japan.

The Yogi Mine Project will provide the long term, consistent supply of high quality magnetite needed to support the MPI manufacturing operations at Eradu for more than 25 years. These two projects, linked by key existing infrastructure will combine to make a very long term strategic business.

The Yalyirimbi Iron Project will also play a key role in the development of the Company’s iron plans by providing a low capital cost, cash generating business that can be brought into operation relatively quickly. Yalyirimbi will play a critical role in transforming the Company from explorer to producer ahead of the construction of the Yogi Iron Project and the Eradu MPI Project, whilst also meeting some of the ongoing costs of operations across the Company.

Ferrowest also holds early stage exploration projects for iron south east of Cue, north of Talling Peak at New Forest and adjacent to the Jack Hills mine, which will continue to be explored.

GOLD & BASE METALS

Under a commodity diversity strategy implemented by the Company in late 2012, Ferrowest secured a 100% owned subsidiary called Urban Minerals Pty Ltd (“Urban”) with a portfolio of tenements near Marvel Loch on the Southern Cross Greenstone belt that are prospective for gold, nickel and other base metals. Other projects are being added to Urban’s portfolio, such as Lake Halbert East (on the Albany Fraser Orogen) and at Camel Back, 50Km south east of Leonora.

PROJECT OUTLINES

The Yogi Mine Project – Outline

The Yogi Mine Project proposes the development of a magnetite mining and concentration operation at the Yogi iron deposit near Yalgoo in the mid west region of Western Australia. Proposed production of magnetite concentrate will target 4.5M tonnes per annum (“tpa”) at 67%Fe. 3Mtpa would be exported through the new proposed Port of Oakajee with the other 1.5Mtpa planned to supply the Eradu MPI Project (detailed below). If Oakajee Port is delayed, Ferrowest can stage the Yogi Mine Project to match the demand from the Eradu MPI Project, which is not dependent on Oakajee Port for export.

The current magnetite Inferred Resource estimate at Yogi, classified and reported in accordance with the JORC Code (2004), is 572.5 million tonnes at 27.5%Fe.

The Exploration Target[#] at Yogi is estimated at between 0.8 and 1.2 billion tonnes at an average grade of between 25.5%Fe to 29.5%Fe.

The Eradu MPI Project - Outline

The Eradu MPI Project envisages the production of seaborne traded merchant pig iron (“MPI”) at 96%Fe using magnetite concentrate from the Yogi Mine Project. Proposed initial production is 1Mtpa. The plan is to process the magnetite concentrate into pig iron at Eradu, 60Km east of Geraldton using ITmk3[®] technology and the excellent existing infrastructure servicing the project.

MPI sells for around 4 times the value of iron ore fines, with a higher margin than bulk iron ore. The MPI also sells into a niche market that has seen less investment on dedicated production capacity than the iron ore industry. Unlike iron ore, MPI can be stored outside, won’t create dust and with preferred shipment sizes ranging up to 55,000 tonnes, MPI is perfect for export through the existing Port of Geraldton.

Yalyirimbi Iron Project

The Yalyirimbi Iron Project is located in the Northern Territory on a 787Km² exploration licence and has an Inferred Resource of 14.1 million tonnes of haematite at 27.1%Fe.

The Exploration Target at Yalyirimbi is estimated at between 50 to 70 million tonnes at between 25% and 29%Fe.[#]

The current Resource is located in two zones totalling 1.5Km in length, out of a 30 to 40Km long formation that is yet to be explored. Test work carried out at Yalyirimbi demonstrated that with a crush to 100% passing 1mm and gravity upgrading, a haematite fines concentrate of 63.5%Fe with 7.1% SiO₂, 0.84% Al₂O₃ and negligible P can be produced.

The Project envisages open cut mining of the specular haematite, before crushing and gravity based upgrading to produce a haematite fines concentrate at a nominal rate of 1.8 million tonnes per annum. The haematite will be transported via the existing railway to Darwin Port for export.

The Marvel Loch Project

The Marvel Loch Project consists of 12 granted tenements, considered to be highly prospective for gold and base metals, comprising 8 exploration licences and 4 prospecting licences. The project has a combined area of 156Km² and is located close to the historic Marvel Loch mining area, 31Km south of Southern Cross and 400Km east of Perth in Western Australia. Gold was first discovered in the region in 1906 and the area has since been the source of extensive gold and nickel exploration and production, with the Southern Cross greenstone belt hosting approximately 150 known significant gold occurrences.

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Exploration Results

Exploration results are based on standard industry practices including sampling, assay methods and appropriate quality control systems. Drillhole density for specific JORC reporting categories are based on a statistical analysis of the distribution of the iron mineralisation. The sampling of Reverse Circulation (RC) samples are collected as either single splits or 2 metre composite samples depending on the uniformity of mineralisation encountered. Core samples are sampled to geological boundaries with cored holes being twinned next to RC holes to check geological interpretation and also to provide sample material for Specific Gravity testwork. The quality of RC samples is optimised by the use of riffle and or cone splitters, dust collectors, logging of various criteria designed to record sample size, recovery and contamination and the use of field duplicates, blank samples and certified reference materials to measure sample representivity and reproducibility. In the case of ferrous metals and deleterious elements, the assays are prepared with a lithium borate fusion digest and X-ray fluorescence (XRF) finish. Sample preparation is undertaken at ALS in Alice Springs with the analyses being completed by ALS in Perth. The quality of analytical results is monitored by the use of internal laboratory procedures and standards together with certified standards, duplicates and blanks and statistical analysis where appropriate to ensure that results are representative and within acceptable ranges of accuracy and precision.

Competent Persons Statement

The information in this report that relates to Exploration Results and general geological commentary, including any Exploration Target estimates, is compiled by Graeme Johnston (please refer to details below).

The information in this report that relates to Mineral Resources or Ore Reserves at Yogi is based on information compiled by Graeme Johnston and Malcolm Titley (please refer to details below).

The Information in this report that relates to Mineral Resources or Ore Reserves at Yalyirimbi is based on information compiled by Grant Louw (please refer to details below).

Graeme Johnston is a Director of the Company, a geological consultant to it through Corad Pty Ltd and a Fellow of the Geological Society of London. Graeme Johnston has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Graeme Johnston consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Malcolm Titley (MAusIMM) is a Director and Principal Consultant of CSA Global and a Member of the Australasian Institute of Mining & Metallurgy. Malcolm Titley has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Malcolm Titley consents to the inclusion of such information in this report in the form and context in which it appears.

Grant Louw is a Consultant for CSA Global and a Member of the Australian Institute of Geoscientists. Grant Louw has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Grant Louw consents to the inclusion of such information in this report in the form and context in which it appears. Grant Louw takes responsibility for the mineral resource estimate only.