FERROWEST
LIMITED

ABN 14 074 009 091

Annual Report

for the year ended

30 June 2014

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CORPORATE DIRECTORY

FERROWEST LIMITED
ABN 14 074 009 091

Directors

Bryan K Hughes	Non-Executive Chairman
Brett L Manning	Managing Director
Barry E Wyatt	Non-Executive Director
Graeme G Johnston	Non-Executive Director
Robert (Wei) Sun	Non-Executive Director

Company Secretary
Daniel J Bredenkamp

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Securities Exchange Listing
Australian Securities Exchange
(Home Branch – Perth)
ASX Code: FWL

REVIEW OF OPERATIONS

The activities of Ferrowest Limited ("Ferrowest" or "the Company") during the reporting period are as follows:

The Company continued to focus its activities on advancing its mineral based projects during the 2013 – 2014 financial year.

As a result of the strategic review undertaken by the Company in the previous year, (a review that was carried out in response to the major changes occurring in the world economic environment), the Company pursued its mineral projects in magnetite, haematite, pig iron, gold and base metals.

However, despite diversifying its mineral interests, the Company, like many of its peers, has faced the most difficult year since listing on the ASX in 2006. Access to capital from all the traditional sources was virtually non-existent. This forced the Company into a defensive stance to protect its key project assets while making what steps forward that could be achieved on the very meagre financial resources available.

The Company has managed to protect its project assets in all material respects where many of its peers have failed. There is no doubt that current market conditions, particularly in iron ore, represent an unprecedented confluence of negative factors that will continue to challenge the Company to find a positive way forward. Ultimately, however, the Board remains firmly of the view that the Company's projects have a future value that is worth fighting to protect.

In summary, the Company's main mineral projects are:

The Yogi Mine Project – This 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. The proposed product will be magnetite concentrate at 67%Fe. Some concentrate would be exported through the new proposed Port of Oakajee with the remainder 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 would export through the Geraldton Port.

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

The Eradu MPI Project – This project envisages the production of seaborne traded merchant pig iron ("MPI") at 96%Fe using magnetite concentrate from the Yogi Mine Project. 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 cargos ranging up to 55,000 tonnes, MPI is perfect for export through the existing Port of Geraldton.

The Yalyirimbi Iron Project – This project is located in the Northern Territory on a 787Km^2 exploration licence and has a combined Indicated and Inferred Mineral Resource of 13.3 million tonnes of haematite at 27.1%Fe, classified and reported in accordance with the JORC Code (2004). The Company has the right to earn an interest in this project of up to 60%.

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 6mm and gravity upgrading, a haematite fines concentrate of 63.5%Fe with 7.1% SiO_2, 0.84% Al_2O_3 and negligible P can be produced.

The Project envisages open cut mining of the haematite, before crushing and gravity based upgrading to produce a haematite fines concentrate. The haematite will be transported via the existing railway to Darwin Port for export.

The Marvel Loch Project – This Project consists of 10 granted tenements, considered to be highly prospective for gold and base metals. The project has a combined area of 156Km^2 and is located close to the historic Marvel Loch mining area, 31Km south of Southern Cross in Western Australia. The Southern Cross greenstone belt has been the source of extensive gold and nickel exploration and production, hosting approximately 150 known significant gold occurrences.

Highlights of the Operations during the Financial Year

Yogi Mine Project

On 4 July 2013, a new miscellaneous licence (L59/119) was granted. This 17,600Ha licence is for the exploration for ground water and covers the expected location of the water bore field to support the proposed mine and concentrator. It is expected that all water required for the mine and concentrator plant can be supplied from pit dewatering and the proposed bore field adjacent to the mine. Exploration drilling, pump rate testing and water quality assessment will be conducted to confirm the current planning.

On 25 July 2013, Ferrowest announced that the drilling of a single diamond drill hole was underway at Yogi. The diamond holes was designed to pass through the 'SAM' target at the widest point to provide a better understanding of the 460Mt deposit, while also providing additional sample material for further metallurgical test work. Subject to continued successful exploration and feasibility studies, the SAM deposit is expected to be the first pit to be mined under the proposed Yogi Mine Project. The Company subsequently announced on 5 August 2013 that the diamond drill hole had been successfully completed to a depth of 280.1m.

The drill hole intercepted 18m of weathered banded iron magnetite and 199m of fresh banded iron magnetite. The hole has further confirmed the Company's understanding of the SAM target and it appears geologically consistent with expectations.

Also in July, the Company undertook an in-fill soil sampling programme in the 'Sylvester' target area at Yogi, where wide space soil sampling identified gold and arsenic anomalies in 2012. A total of 519 soils samples were collected.

As part of the Company's ongoing strategy to seek project level investment in the Yogi Mine Project, four companies undertook due-diligence reviews of the Yogi Mine Project data during the year and Ferrowest discussed possible investment in the Yogi Mine Project on a potential earn-in joint venture basis.

The Company obtained a bulk sample of banded iron from the Dan's Knob tenement E59/1348, at the southern end of the Yogi Mine Project tenement package. This area is yet to be drilled but the bulk sample was taken for metallurgical testwork to determine the amenity of the weathered banded iron stones in this area to upgrading.

A Prospecting Licence, 59/2028, was granted at Yogi adjacent to the proposed 'BUGS' pit site, which will potentially also provide room for project infrastructure.

Iron ore sample material from the SAM deposit at Yogi was also prepared and dispatched to China for metallurgical test work by one of China's foremost magnetite processing laboratories during the later part of the reporting period. The aim of this testwork programme is to further enhance the existing magnetite beneficiation flow sheet in order to reduce potential capital and operating costs and further improve the overall economics of the Yogi Mine Project.

Eradu MPI Project

The Company has been monitoring the progress of commissioning of the first full scale ITMk3® plant (the new technology proposed for use in the Eradu MPI Project) by Steel Dynamics Incorporated ("SDI") in Minnesota in the USA. This has proved to be a complex process. SDI, in cooperation with the technology owners, Kobi Steel of Japan, appear to have done an excellent job of overcoming a number of 'new technology' issues associated with the plant and have generally reached a production rate around 85% of name plate capacity.

The product quality has been excellent from the start but achieving full production remains an important step in making this technology a world beater. It is noted that Kobi Steel has announced plans to investigate building a new ITMk3® plant in India, which underscores Kobi Steel's continued belief in the technology.

Yalyirimbi Iron Project

The Company progressed a variety of work in relation to the haematite based Yalyirimbi Iron Project ("Yalyirimbi") in the Northern Territory ("NT"). Ferrowest is in the process of earning up to a 60% incorporated joint venture interest from Arafura Resources Limited.

Ferrowest management met with NT Departmental staff on site at Yalyirimbi in September 2013 to discuss the Company's proposed drilling programmes.

While on site at Yalyirimbi, Ferrowest management also briefed the local Traditional Owners at the Laramba indigenous community on the Company's plans for the project.

Ferrowest is a party to an executed Exploration Agreement with the traditional owners through the Central Land Council and the Company is keen to keep the local indigenous community briefed as the project activities progress.

Approval was received for a Mine Management Plan from both the NT Mines Department and the Central Land Council at the end of September 2013. This cleared the way for drilling that occurred in October 2013.

Previous testwork had demonstrated that with a simple crush to 6mm and gravity upgrading, a haematite fines concentrate of **63.5%Fe** with **7.1% SiO_2**, **0.84% Al_2O_3** and negligible phosphorus can be produced.

At the beginning of October 2013, the Company commenced its first diamond drilling programme at the Project site. There had previously been extensive RC drilling of two main deposits (Deposits 'A' and 'M'), but this programme was the first diamond core drilling on the Project.

Core from the main ore zone proved to be consistent with the Company's expectations. The drill core has demonstrated that the haematite iron, hosted in the quartz-iron vein system that is apparent in outcrops at the surface, is also reflected down through the deposit.

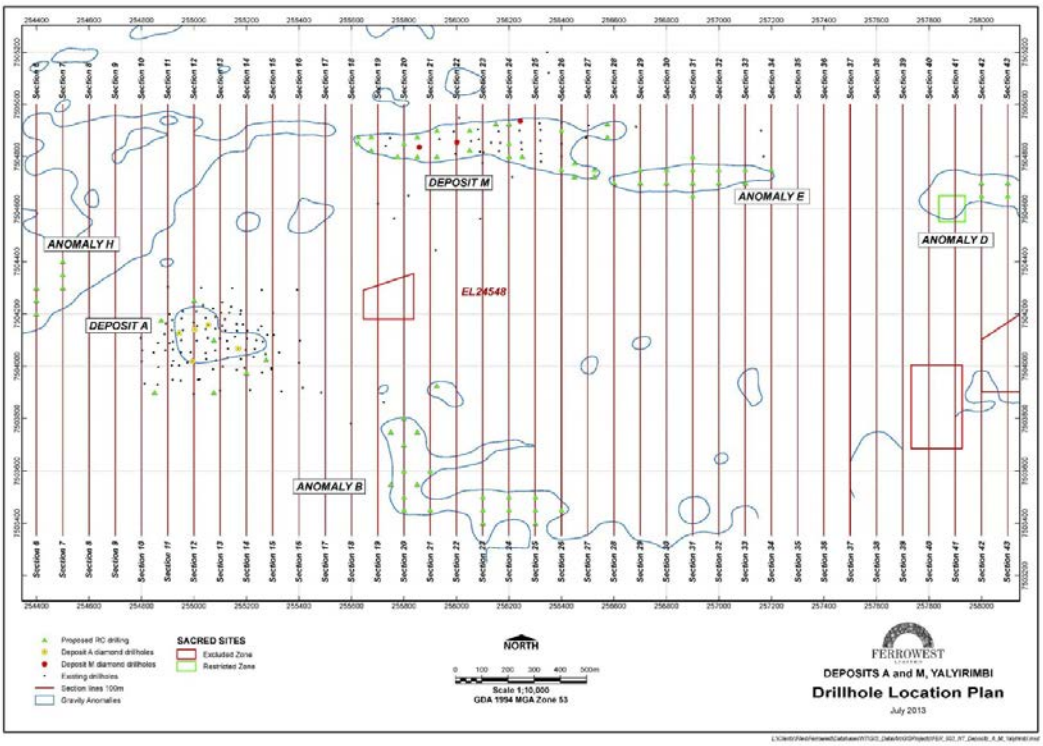
Most importantly, the iron and quartzite are largely present as discrete minerals, which is why early testwork has shown that the ore can be upgraded to 63.5%Fe with crushing to 6mm and gravity separation processes.

As the Yalyirimbi iron ore is not sedimentary, unlike most haematite ores in Western Australia, it has very low alumina content and low phosphorus. When this is combined with a relatively high iron grade of around 63.5%Fe for the finished product, it is expected that the Yalyirimbi product will be a very attractive blending stock for steel mills to compensate for the falling grades and higher contaminant levels from more traditional haematite mines.

It is currently planned to follow up the diamond drilling programme with a further RC drilling programme as soon as funding is secured.

The specific aims of the RC programme will be to:

- Further 'fine tune' the resource model on Deposits A and M;
- Potentially expand the resource to the east of the M Deposit at Anomaly E; and
- Conduct reconnaissance drilling into the undrilled gravity Anomalies D, B and H.



The diamond drill programme undertaken during October 2013 consisted of a total of 8 diamond holes being drilled for a total of 356.8m. These holes, which were twinned next to existing RC drill holes have validated data from the more than 150 RC holes previously drilled at Yalyirimbi by confirming the geological interpretation and the nature of the mineralisation.

The assay results confirmed that the deposit varies from nearly pure haematite, with iron grades in the high 60's, to quartzite rich material with minimal iron intrusion. This random distribution of the haematite within the quartz-iron vein system explains why the overall average grade at Yalyirimbi is 27.1%Fe.

This is clearly visible in the photos of short sections of the core below showing their corresponding iron grades.

Fe%	SiO_2%	Al_2O_3%	P%	S%
64.5	6.7	0.56	0.007	0.009

Fe%	SiO_2%	Al_2O_3%	P%	S%
24.22	63.7	0.84	0.027	0.003

Fe%	SiO_2%	Al_2O_3%	P%	S%
5.08	90.9	1.14	0.007	0.02



However, once the material is crushed and the haematite iron is separated from the quartz using gravity based upgrading processes, the resulting high grade product is similar to the specifications of the haematite core shown on the left. This is an ultra low alumina, low phosphorus product.

The gravity separation process for upgrading is possible with the Yalyirimbi haematite because the iron and quartzite are largely present as discrete, coarse minerals and each has distinctly different specific gravities (weights). The Company is now assessing the possibility of maintaining some portion of the proposed production as 'lump sized' Direct Shipping Ore (DSO) product (greater than 6.5mm), with the balance still to be crushed to fines. This will reduce the total amount of crushing required (reducing costs) and as lump DSO commands a premium, it would raise the revenue generated per tonne from the Project.

Test work will need to be carried out to determine if this approach is feasible, including determining the likely lump to fines ratio from the run-of-mine feed following blasting and matters such as the decrepitation index (how readily the lump ore breaks down during handling and transport).

The overall average drill hole assays for the eight diamond holes announced to the ASX on 25 November 2013 are as follows:

Hole Number	Fe%	SiO2%	Al2O3%	P%	S%	LOI
A2001	28.31	43.47	8.46	0.02	0.04	5.94
A2002	44.64	31.05	2.62	0.02	0.02	2.06
A2003	35.99	40.34	4.16	0.01	0.03	3.30
A2004	30.59	46.67	5.64	0.02	0.03	3.10
A2005	36.86	37.53	5.79	0.03	0.03	3.21
M2001	23.77	57.74	5.16	0.01	0.04	2.27
M2002	27.02	55.41	3.39	0.03	0.03	1.84
M2003	40.44	32.70	4.26	0.21	0.01	3.98

Averages taken through the main mineralised zones, including internal waste

Individual assays ranged up to a maximum of **66.3%Fe**. Further details of the key results from each hole were included in the announcement on 25 November 2013.

The diamond drilling also revealed that the western end of deposit A (see map above) is a detrital deposit rather than primary ore. Detritals are pieces of iron eroded from a primary deposit to collect in nearby low lying areas where they are cemented together by clays over time. The piece of core shown here clearly shows the lumps of relatively pure haematite cemented into the clay matrix.

Fe%	SiO_2%	Al_2O_3%	P%	S%
47.45	24.4	4.16	0.017	0.018

A gravity process would also be used to separate the detrital iron from the interstitial waste with the resulting iron having the same chemical composition as the primary ore from which it was derived.

The significance of this discovery is that of the four undrilled gravity anomaly targets in the vicinity of current deposits A and M, two or possibly three are believed to be detrital iron deposits ("DID"). Detrital iron can often be easier to mine than primary deposits due to poor consolidation of the hard iron particles in softer, more easily mined sediments, resulting in lower mining costs.

The Company believes that there is significant upside potential represented by the likely DID in the area.

As a result of the diamond drilling programme a revised Resource Statement was prepared in November 2013 and released to the ASX on 27 November 2013. Full details of this revised Resource Statement are available in that announcement. The new Mineral Resource estimate was reported by CSA Global in accordance with the JORC Code 2004 edition.

The new Resource Estimate is as follows:

Yalyirimbi Inferred and Indicated Mineral Resource Estimate (JORC 2004 – G Louw) as announced to the ASX on 27 November 2013.

Ferrowest Limited Yalyirimbi Haematite deposits - Mineral Resource estimate as at 27 November 2013								
Deposit	**Category**	**Tonnes**	**Fe %**	**SiO_2 %**	**Al_2O_3 %**	**P %**	**S %**	**LOI %**
A	Indicated	3.2	33.4	42.4	5.6	0.02	0.03	3.4
	Inferred	1.3	29.4	45.8	7.2	0.02	0.02	3.7
M	Indicated	4.1	25.1	58.8	3	0.02	0.14	1.6
	Inferred	4.8	24.1	59.4	3.8	0.02	0.07	1.8
Combined	Indicated	7.2	28.7	51.6	4.2	0.02	0.09	2.4
	Inferred	6.1	25.2	56.5	4.5	0.02	0.06	2.2
	Indicated + Inferred	**13.3**	**27.1**	**53.9**	**4.3**	**0.02**	**0.08**	**2.3**

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

Ferrowest confirms that it is not aware of any new information or data that materially affects the information included in this report. In regards to estimates of mineral resources, all material assumptions and technical parameters underpinning the estimates in the previous ASX announcements referred to in this report continue to apply and have not materially changed.

Based on the information and studies completed to date by both the previous operator of the Project and Ferrowest's own investigations, combined with the successful upgrade of much of the Resource to an Indicated Resource category, the Company believes that the Yalyirimbi Iron Project has reasonable prospects for eventual economic extraction of the iron ore and justifies the ongoing exploration and feasibility studies leading to a Bankable Feasibility, subject only to continued successful results.

The establishment of an Indicated Mineral Resource reported according to the JORC Code$_{(2004)}$ at the Yalyirimbi Iron Project also represented the achievement and satisfaction of an earn-in benchmark by Ferrowest on the Project.

Under the terms of the Farm-in Agreement between Ferrowest and Arafura Resources Limited (the owner of the tenement on which the Yalyirimbi Iron Project is located), upon satisfaction of the earn-in benchmark Ferrowest will secure a 51% interest in the shares of Arafura Iron Pty Ltd (a subsidiary of Arafura Resources Limited). Arafura Iron Pty Ltd holds the iron rights to the mineral tenement on which the Project is based.

Upon completion of a share transfer and/or an allotment of the relevant shares, Ferrowest will hold 51% of the Yalyirimbi Iron Project and Arafura Resources Limited will hold 49%.

Ferrowest then has the right to earn a further 9% (i.e. Ferrowest 60% and Arafura Resources Limited 40%) by completing a Bankable Feasibility Study on the Project at its own expense.

The operation of the subsidiary Arafura Iron Pty Ltd is governed by existing agreements and Ferrowest will appoint 2 directors to the Board of Arafura Iron Pty Ltd. Arafura Resources Limited will continue to have two directors on the Arafura Iron Pty Ltd Board.

Marvel Loch Project

While further soil sampling activities were undertaken at Marvel Loch during the year, the lack of funding has hampered the proper investigation of identified gold and nickel anomalies already identified in the project.

Corporate

In September 2013, the Company reconstituted the membership of its Audit Committee and its Remuneration Committee. The new memberships are:

Audit Committee:	Mr Robert Sun (Chairman)
	Mr Bryan Hughes
	Mr Barry Wyatt
Remuneration Committee:	Mr Graeme Johnston (Chairman)
	Mr Robert Sun
	Mr Brett Manning

The Company does not operate a Nomination Committee, as this function is retained as a 'whole of Board' function, given the small size of the Company's Board and current scale of operations.

On 29 October 2013 the Company announced an offer to eligible Shareholders for the right to subscribe for Convertible Notes in a non-renounceable rights issue by way of a Short Form Prospectus. The Company proposed the issue of approximately 3,330 Convertible Notes with a face value of $500 each to raise approximately $1,665,000 before costs (the Offer). The Short Form Prospectus for the Convertible Note Offer was lodged with the ASIC on 29 October 2013.

On 28 November 2013, the Company announced that it had placed 678 Convertible Notes to raise $339,000. The low level of take-up was indicative of the very poor market sentiment continuing in the junior resources sector.

The Convertible Notes have a coupon rate of 10% per annum, with interest paid quarterly in arrears.

The Redemption Date for the Convertible Notes not previously converted is 2 years from the Date of Issue and they are unlisted, unsecured and rank equally with other unsecured creditors. The Convertible Noteholders are entitled to convert some or all of their Convertible Notes to Shares at any time during the Conversion Period. The Conversion Period commences 100 days after the Date of Issue and end at 5PM WST on the 6th Business Day before the Redemption Date.

The number of Shares issued on conversion of each Convertible Note is to be calculated as the face value of $500 divided by the Conversion Price. The Conversion Price will be 80% of the VWAP for Ferrowest Shares over the ten (10) Trading Days prior to receipt of a valid and properly rendered Conversion Notice by the Company, with a minimum Conversion Price of 2.5 cents and a maximum of 25 cents.

On 27 November 2013 the Company held its Annual General Meeting and all resolutions put to members were approved on a show of hands.

On 8 January 2014, the Company advised that it had issued 9,000,000 ordinary shares at the then current market price of 2 cents per share to raise $180,000 for working capital purposes.

On 18 February 2014, the Company advised that it had raised $200,000 for working capital purposes through the issue of 1,428,572 ordinary shares at the then current market price of 1.4 cents per share and the issue of a further 400 Convertible Notes. The Convertible Notes were issued from the Shortfall Convertible Notes of the capital raising from October 2013.

The market place for junior exploration companies in the feasibility study stage that are trying to raise funds is probably as difficult as it has been for more than 20 years. While the Company runs its operations as cost effectively as it can (and the directors have made and continue to make personal financial sacrifices to minimise current expenses) a plan to provide consistent levels of funding that will allow the Company to de-risk its projects and move them toward potential construction financing is essential to sustaining project value and for maintaining Company success.

The Company's cash reserves remained a difficult issue through the reporting period with no sign of market conditions for iron ore exploration companies improving. The Company chose to surrender its non-core exploration licences E09/1853 at Jack Hills and E20/744 to the south east of Cue as part of a strategy to focus on the core projects within the Company's tenement portfolio. To address the cash flow issue, the Company entered into a Funding Agreement on 30 April 2014 with the Company's major shareholder, TFA International Pty Ltd ("TFA").

Funding Agreement

The conditional Funding Agreement was executed with TFA, the Australian subsidiary of the Tai Feng Group of Sichuan Province in China. TFA currently holds a 29.17% interest in Ferrowest.

TFA has offered an innovative funding solution by suggesting Ferrowest needs, as a minimum, an income stream to defray some of the operating costs and allow more of the capital raised to be applied directly to the Company's exploration and feasibility study works.

The Company has therefore negotiated a two prong funding strategy with TFA to:

- provide time to complete project level investment agreements with third parties and/or other capital raising initiatives; and
- position the Company to better withstand difficult capital market conditions, should they continue, by establishing a cash flow to defray some of the Company's operating costs.

Under the terms of the Funding Agreement the following steps are proposed:

1. TFA will provide six, monthly cash advances of A$100,000 to be applied to the Company's mineral projects and corporate operations. Subject to shareholder approval, these advances will convert to equity at 1.35 cents per share;
2. Subject to shareholder approval, TFA will convert $440,000 worth of convertible notes, which it previously acquired, to shares at 2.50 cents per share through the issue of 17,600,000 shares to TFA; and
3. Subject to shareholder approval, TFA will sell a direct interest in the Chinese company **Hubei Taifeng Investment and Development Co., Ltd** ("HTDC") to Ferrowest. HTDC holds a residential and commercial precinct development in Hubei Province in China that is already under construction. Consideration for the acquisition will be the issue of 111,251,158 Ferrowest shares to TFA at 1.8 cents per share (the share price of Ferrowest shares at the time the deal was executed). The HTDC investment is expected to be self funding and no further contribution will be required by Ferrowest.

If approved by shareholders, upon full implementation of this Funding Agreement, TFA would hold up to 60% of the enlarged capital of the Company. As the proposal is both a ‘related party transaction’ and will result in an effective ‘change of control’, shareholders will be provided with an independent experts report and other appropriate information on the proposed transaction in the Notice of Meeting for a General Meeting that will be convened to vote on the proposal.

The Board of Directors’ believe that the key strategic benefits of the Funding Agreement are:

1. The monthly cash advances provide certainty that the Company can continue to pursue its main business activities of advancing its mineral projects in a period of market conditions that are very difficult;
2. By agreeing to convert its convertible securities at a 38.9% premium to the share price at the time; this premium offsets much of the 25% share price discount provided under the six monthly cash advances and reduces future interest expenses of the Company by $44,000 per annum. The discount to the current share price for the entire agreement is 7.2% overall, a relatively small discount compared to the cost of commercial equity, if it were available, which would likely range between 20% and 25%;
3. The HTDC investment in China being offered by TFA is anticipated to provide the Company with an innovative source of funding through its first source of income. The funds from the investment are not expected to meet all of the Company’s financial requirements but will defray some of the corporate costs, releasing funds for project exploration and feasibility study works; and
4. This further investment in Ferrowest by TFA, representing a 60% holding in the Company, will further cement the business relationship between Ferrowest and the Tai Feng Group and will more strongly align TFA’s interests with the successful development of the Company’s main business activity of developing its mineral projects.

Ferrowest will establish a wholly owned subsidiary in China to hold the HTDC interest. The balance of the shares in HTDC will be retained by the Tai Feng Group.

The development cost of the precinct, called Taifeng International City is approximately A$670M, staged over about 6.5 years of construction, with approximately six years remaining in the construction phase. Staged construction finance is already in place and construction is underway.

The precinct development is located in Jiayu County, 80km from the provincial capital Wuhan. A new highway is under construction to link Jiayu County to Wuhan. The project is designed to provide residential dwellings for local people and people who will commute to Wuhan for work. It consists of four development stages of tower block apartments with a strip mall, a four storey shopping centre and an office tower. Stage one has nine residential tower blocks. The first of these is already one third complete and the apartments went on sale on the 7th of April 2014. HTDC will continue to build the properties progressively, selling residential units and other commercial floor space as the development unfolds. Some of the profits from the sales will be applied to the construction of some office space and retail commercial space that HTDC will retain and lease at the end of the development. Other profits distributed will provide the source of funding proposed for Ferrowest.

This funding from the profits of the development will vary up and down during the development depending on the construction demands and sales response. At the end of the development in six years time, the SPV will retain office space and retail commercial property that will thereafter generate leasing profits.

The whole site of the development is 21.8Ha in size. The plot ratio is 3.0 and the development floor area is about 1,000,000m^2 with 4,247 underground parking bays. About 746,000m^2 of this will be residential. The whole precinct is expected to be completed by January 2020 (6 years from now). The retained space will be about 100,000m^2 of office space and retail commercial space.

If approved by shareholders and fully implemented, the Funding Agreement would result in an effective change of control, placing TFA in a position to control the future business activities of the Company. In the Notice of Meeting to be prepared for shareholders, TFA will outline in detail its plans for Ferrowest, should it secure a controlling interest in the Company but its advice so far is that it supports the current initiatives of the Company in respect to its mineral projects. Further information in this regard is available in the announcement about the Funding Agreement that was lodged by the Company on 30 April 2014.

The Company undertook due-diligence on HTDC, including a site visit to the precinct development. A Notice of Meeting, an Independent Expert’s Report and an Independent Tenement valuation are being finalised.

In addition to shareholder approval, the equity issued under the Funding Agreement is conditional on:

- TFA Foreign Investment Review Board approval;
- A successful due-diligence review by Ferrowest of HDTC; and
- Other Australian and Chinese Government approvals (if required).

TFA International Pty Ltd forwarded the first two $100,000 loan tranches to Ferrowest by the end of the financial year in accordance with the terms of the Funding Agreement.

As noted above, the Company's Managing Director, Mr Brett Manning and its Chief Financial Officer and Company Secretary, Mr Daniel Bredenkamp visited the Taifeng International City construction site in China as part of the Company's due-diligence review.

It is a condition of the Funding Agreement that Ferrowest notifies the counterparty to the transaction, TFA, if it is satisfied with its due-diligence inquiries in respect to the proposed investment.

HTDC is a special purpose vehicle established by the parent company of TFA, Sichuan based Tai Feng Group ("Tai Feng") of China. Tai Feng is a diversified company with property development at its core.

The Tai Feng International City development is one of eleven property developments Tai Feng has underway across China at this time.

There has been much recent discussion in the press about falling property prices in China but there was no sign of falling prices at the development, with the sales of the first units, which commenced on 4 April, proceeding as planned (about 80% of the units in the first residential building have been sold) and at the planned prices. The sales office for the development had a steady flow of inquiries during Ferrowest's visit.

The sales office at the Tai Feng International City – This facility is part of the development and will convert to a club once the development is complete. It is finished to a very high standard.

The business model for the development is based on providing a balanced mix of residential, commercial and retail, set in a beautiful lake front location, with extensive landscaping and public facilities. Ferrowest visited other Taifeng developments completed previously and noted they were consistently finished to a very high quality standard and to a successful business model. Tai Feng clearly offers a 'life style' choice to its clients, rather than just somewhere to live.

Current construction of new developments in the capital Wuhan and south to the Tai Feng International City in Jia Yu are on a scale not ever seen in Australia and other newly completed developments all appear to be fully habited.

Substantial parts of the lakefront landscaping and public facilities have been completed and are well established and inviting.

Construction of the first residential tower is currently over ten storey's of a planned thirty three . Foundation works are underway on three more residential towers. Land has also been cleared to start on the first section of the retail strip mall. Based on the information reviewed to date in the due-diligence process, management is of the view that the risks associated with this development are substantially the same as for any property development that might be undertaken in Australia.

The following 'artists impression' of the completed development provides some sense of scope, with completion expected in about six years' time. Ferrowest will receive a return on its investment during the six years of construction to assist in funding its mineral exploration operations here in Australia.

It should be noted that as HTDC will sell the units and commercial space progressively as it is built, the capital cost of buildings under construction at any particular time will be substantially less than the capital cost of the project overall. With the initial construction funding in place, the development becomes effectively self funding through to completion.

First residential tower under construction in Jiayu

Once the development is completed, about 100,000m^2 of commercial, retail and office space will be retained and leased to provide further income into the longer term future.

On 10 June 2014, TFA received Australian Government Foreign Investment Review Board ("FIRB") approval to increase its shareholding in Ferrowest from 29.1% to 60.0% under the terms of the proposed Funding Agreement.

EVENTS SUBSEQUENT

Subsequent to the end of the financial year, the Company undertook the following activities:

On 21 July 2014, the Company advised that the processes required in order to put the Funding Agreement between Ferrowest and TFA to shareholders for approval are continuing.

TFA has also provided the third and fourth A$100,000 monthly funding tranche in accordance with the terms of the Funding Agreement.

DIRECTORS' REPORT

Your Directors submit the annual financial report of Ferrowest Limited ("Ferrowest" or "the Company") for the financial year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names of Directors who held office during the financial year and up to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Name	Appointed
Mr Bryan Kevin Hughes	18 April 2012
Mr Brett Lee Manning	10 April 2005
Mr Barry Edward Wyatt	16 May 1996
Mr Graeme Godsman Johnston	20 February 2006
Mr Robert Sun	4 October 2012

Information on Directors

Mr. Bryan Kevin Hughes

Chairman (Non-Executive)

Appointed 18 April 2012

Bryan is Chairman of the Board and Chairman of the Company's Audit Committee.

He is a Chartered Accountant with over 27 years' experience in the corporate and resources sectors. He has been the Managing Director of Pitcher Partners, Perth (and its preceding companies) for the last 17 years and during that time has been a member of, and consulted to, many Boards.

Bryan has overseen, and facilitated, the raising of significant amounts of capital, and played a pivotal role in the launching of some highly successful resource companies, such as Western Areas, Sinosteel Midwest Corporation, and Consolidated Minerals. He has expertise in resource project assessment, development and operations.

In the 3 years immediately before the end of the financial year Bryan held no other listed Company directorships.

Mr. Brett Manning

Managing Director

Appointed 10 April 2005

Brett is the Managing Director and a member of the Company's Remuneration Committee. He is responsible to the Board for the operations of Ferrowest and the successful implementation of the Company's business plan.

He has more than 20 years experience in corporate management in a resource projects environment with diverse experience in a variety of management disciplines including strategic planning, human resources, government liaison, Company secretarial practice, policy development, tenement management, accounting and treasury.

Prior to working in corporate management, Brett commenced his career in the Royal Australian Air Force in advanced avionics, and subsequently moved into quality management facilitation. Brett is also a published novelist.

In the 3 years immediately before the end of the financial year Brett held no other listed Company directorships.

Mr. Barry Edward Wyatt

Project Director (Non-Executive)

Appointed 16 May 1996

Barry Wyatt is the Company's Project Director and is a member of the Audit Committee. He has overall responsibility for the studies and development of the Company's projects.

He has a Bachelor of Civil Engineering degree, previously was a member of both the Institute of Engineers Australia and the Australasian Institute of Mining and Metallurgy and was a foundation member and Fellow of the Institute of Arbitrators and Mediators Australia.

He has over 40 years experience in engineering design and project management and was President of the Northern Territory Master Builders Association for three years at the time of Cyclone Tracy.

In the 3 years immediately before the end of the financial year Barry held no other listed Company directorships.

Mr. Graeme Johnston

Chief Geologist & Director (Non-Executive)

Appointed 20 February 2006

Graeme Johnston is the Company's Chief Geologist and is Chairman of the Remuneration Committee. He has overall responsibility for the exploration for iron ore, the maintenance of the Company's mineral tenement assets and for the development of JORC compliant Resources and Reserves required to underpin the Company's Projects.

Graeme has a Bachelor of Science degree (Hons) in Geology, M.Sc. in Structural Geology and Rock Mechanics, a Diploma of Imperial College of Science and Technology and is a Fellow of the Geological Society of London.

Graeme has more than 25 years experience in geology and mineral exploration in Australia including 18 years directly involved in iron ore projects.

In the 3 years immediately before the end of the financial year Graeme held no other listed Company directorships.

Mr. Robert Sun

Non-Executive Director

Appointed 4 October 2012

Robert Sun has over 10 years' experience as a resource investment analyst and business manager in international trade and the resource industry in China, Canada and Australia and has held positions as a business manager and resource and project analyst with major Chinese and Australian companies. Robert is currently the General Manager TFA International Pty Ltd, the wholly owned Australian subsidiary of the Tai Feng Company Co., Ltd. of Sichuan Province in China.

In the 3 years immediately before the end of the financial year, Robert has also served as a Director of the following listed companies:

- Independent non-executive director of PepinNini Minerals Limited since 2011.
- Non-executive director of IMX Resources Limited since 2013.

Company Secretary

Daniel Johannes Bredenkamp

Daniel was appointed Company Secretary on 28 November 2006.

Daniel has 20 years of experience in business and his previous appointments include Pitcher Partners in Perth, KPMG Audit Tax and Advisory in South Africa and the Serious Fraud Office in London. Daniel has extensive experience in managing different entities and has been involved in the resources sector in both South Africa and Australia.

Daniel is also the Chief Financial Officer of the Company and is a member of CPA Australia, a Fellow of the Institute of Chartered Secretaries and Administrators and Governance Institute of Australia.

Directors' Interests in Shares and Options of the Company

The interest of each Director in the shares and options of the Company at the date of this report is as follows:

	Number of options over ordinary shares	Number of fully paid ordinary shares
Mr Bryan K Hughes	3,550,000	1,131,818
Mr Brett L Manning	-	6,265,000
Mr Barry E Wyatt	-	6,558,041
Mr Graeme G Johnston	-	9,422,431
Mr Robert Sun	-	-

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of shares
19 April 2015	25.00 cents	3,500,000

Corporate Structure

Ferrowest Limited is a limited liability Company that is incorporated and domiciled in Australia. Ferrowest Limited has no parent entity and one subsidiary Company called Urban Minerals Pty Ltd.

Nature of Operations and Principal Activities

The nature of operations and principal activities of the entities within the Group are contained in the section headed Review of Operations.

Review of Operations

A review of the Company's operations is contained in the section headed Review of Operations.

Operating Results

The loss of the Company for the financial year after tax was $1,849,583 (2013 $1,463,423).

Dividends

No dividends have been paid or declared by the Company since the start of the financial year and up to the date of this report. The Directors do not recommend the payment of a dividend.

Significant Events After Balance Date

Subsequent to the end of the reporting year the following events occurred:

On 21 July 2014, the Company advised that the processes required in order to put the Funding Agreement between Ferrowest and TFA to shareholders for approval are continuing.

TFA has also provided the third and fourth A$100,000 monthly funding tranche in accordance with the terms of the Funding Agreement.

Likely Developments and Expected Results

The Company intends to continue conducting exploration and feasibility studies for its projects during the current year. The Company will continue to pursue capital raising opportunities to fund the ongoing project works. The success and nature of any new funding arrangements will substantially affect the timetable and extent of the works that are likely to be completed over the next 12 months on all projects.

Should the economic conditions around resource projects, particularly in iron, remain depressed in the medium term, the Board will consider all possible options including capital raising, joint ventures or the outright sale of a project to fund development across the remainder of its portfolio.

The Implementation of the Funding Agreement with TFA International Pty. Ltd.

On 30 April 2014, the company entered into a conditional funding agreement with TFA International Pty Ltd ("TFA") as detailed in the Review of Operations. Implementation of the funding agreement is contingent on a series of conditions and approvals including shareholder approval. The funding agreement will have a significant affect on the operations and state of affairs of the Company in future financial years.

Under the terms of the Funding Agreement the following steps are proposed:

1. TFA will provide six, monthly cash advances of A$100,000 to be applied to the Company's mineral projects and corporate operations. Subject to shareholder approval, these advances will convert to equity at 1.35 cents per share (being 44,444,444 shares in total);
2. Subject to shareholder approval, TFA will also convert $440,000 worth of convertible notes, which it previously acquired, to shares at 2.50 cents per share through the issue of 17,600,000 shares to TFA; and
3. Subject to shareholder approval, TFA will sell a 21.8% direct interest in a Chinese property development subsidiary of the Taifeng Group, **Hubei Taifeng Investment And Development Co., Ltd.** ("**HTDC**"), to Ferrowest through the issue of 111,251,158 shares to TFA at 1.8 cents per share (A$2,002,520.84).

HTDC is currently constructing a residential and commercial precinct development in Hubei Province in China called the ***Taifeng International City***. Importantly, HTDC will not require any further financial contribution from Ferrowest and is expected to develop profits over the next six years that can provide an income stream to Ferrowest to defray some of its operating costs.

In addition to shareholder approval, the issue of equity securities proposed under the Funding Agreement is also conditional on:

- A successful due-diligence review by Ferrowest;
- TFA Foreign Investment Review Board approval;
- Any other Australian Government approvals; and
- Any Chinese Government approvals.

On 10 June 2014, the Foreign Investment Review Board gave its approval for the implementation of the Funding Agreement, thereby satisfying the second condition.

Ferrowest is not currently aware of any further Australian Government approvals being required and therefore the third condition is considered satisfied.

The processing of Chinese Government approvals will commence following shareholder approval and therefore is expected to be the last approvals required before settlement of the Funding Agreement.

TFA will loan funds to Ferrowest necessary to cover certain costs of the Independent Experts Report and the direct costs associated with the proposed general meeting.

The Funding Agreement terminates if:

1. Shareholders reject the proposal at the general meeting;
2. the Australian Foreign Investment Review Board or other Australian or Chinese Government authorities reject any required applications or approvals;
3. Ferrowest, acting reasonably, notifies TFA in writing that it is not satisfied with the results of its due-diligence review in some material respect that cannot reasonably be rectified;
4. TFA fails to provide the six, $100,000 tranches in accordance with the schedule;
5. all of the equity transactions under the Funding Agreement are completed (completion);
6. 12 months after shareholder approval, if not completed (efflux of time); or
7. TFA requests in writing that the Funding Agreement be terminated.

If the Funding Agreement terminates after TFA have provided one or more of the $100,000 tranches to Ferrowest (except in the case of trigger 5 - completion), the Company must repay those tranches and any other loans provided under the Funding Agreement with 5% per annum interest with the time for repayment calculated from the date of termination on the following timetable:

- If terminated under trigger 1, then 3 months after termination;
- If terminated under triggers 2 or 6, then 6 months after termination; and
- If terminated under triggers 3, 4 or 7, then 12 months after termination.

Upon termination of the Funding Agreement TFA would lose its rights to complete any equity transaction not completed at the time of termination.

Environmental Legislation

The Company is subject to the normal environmental requirements (both State and Federal) applicable to exploration and project development activities in the State of Western Australia.

The Directors believe that meeting or exceeding the Company's environmental obligations are a core business function and have instituted corporate policies and practices to ensure the Company strives for environmental best practice.

No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2014, or subsequent to year end.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify all the Directors of the Company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as Directors of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Company paid a premium in respect of a contract insuring the Directors and officers of the Company and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Remuneration report (Audited)

This report, which forms part of the Directors' report, outlines the remuneration arrangements in place for Directors and key executives of Ferrowest for the financial year ended 30 June 2014. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

The remuneration report details the remuneration arrangements for key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly.

The following persons acted as Directors during or since the end of the financial year:

Mr Bryan Kevin Hughes (Non-executive Chairman)

Mr Brett Lee Manning (Managing Director)

Mr Barry Edward Wyatt (Non-executive Director)

Mr Graeme Godsman Johnston (Non-executive Director)

Mr Robert Sun (Non-executive Director (Appointed 4 October 2012)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr Daniel Johannes Bredenkamp (Chief Financial Officer and Company Secretary).

Remuneration philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre Directors and employees;
- link executive rewards to shareholder value creation; and
- establish appropriate performance hurdles for variable executive remuneration.

Remuneration committee

The Remuneration Committee of the Board of Directors of the Company is responsible for reviewing compensation arrangements for the Directors, the Managing Director and the Chief Financial Officer and making recommendations to the Board.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Directors and senior executives on a periodic basis by reference to relevant employment market conditions, with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the remuneration structure of non-executive Directors, senior managers and executive remuneration is separate and distinct.

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a General Meeting. The latest determination was at the Annual General Meeting held on 31 October 2012 when shareholders approved an aggregate remuneration of $325,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external sources as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. Currently Directors' fees are set at $38,150 per annum for non-executive Directors and $54,500 per annum for the non-executive Chairman. These amounts are inclusive of superannuation where applicable.

Directors do not receive additional fees in respect of Committee responsibilities.

The remuneration of individual non-executive Directors for the year ended 30 June 2014 is detailed in Table 1 below.

Senior Manager and Executive Director Remuneration

The Company has a system of remuneration for its senior management that consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

In normal circumstances, the Company would implement variable remuneration in the form specified below but given the difficult financial situation in world markets, the Board has deferred the variable remuneration component until the Company is better placed to make effective use of this aspect of remuneration.

The Company’s variable remuneration policy would be structured around short and long term incentives as follows:

The objective of the short term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available would be set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

The Company will introduce a long term incentive plan to reward Directors, employees and certain consultants in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

At 30 June 2014 the following senior executives employment contracts were in place:

Brett Manning – Managing Director

Pursuant to a contract of employment dated 5 November 2005, varied upon appointment as Managing Director on 1 February 2006 and revised on 19 November 2007, 1 January 2011, 12 April 2011, 18 July 2012, 5 June 2013 and 21 November 2013. Brett Manning is engaged as a permanent full time employee of the Company on the following key terms and conditions:

- Fixed Remuneration - $225,000* per annum plus statutory 9.5% superannuation.
- Variable Remuneration – Suspended during the reporting year and to current.
- Special Benefits – Nil.
- Period of Notice for Resignation – Six Weeks.
- Period of Notice for Termination – Twelve Weeks.
- Entitlement on Termination resulting from an effective Change of Control of the management of the Company – 6 Calendar months pay and applicable Superannuation and any unpaid cash bonuses forming part of the employment contract.
- Remuneration on Resignation or Termination – 1 Weeks pay for each year of service to a maximum of 6 Weeks.
- Long Service Leave – 12 Weeks after 10 years continuous service.

Note* - In a voluntary agreement dated 21 November 2013, Mr Manning agreed to temporarily defer payment of a portion of his fixed remuneration from $225,000 such that he currently receives the equivalent of $190,000 per annum plus statutory 9.5% superannuation. Mr Manning may end the deferral upon written request at any time. The accrued shortfall is payable immediately upon written notice from Mr Manning or upon an effective change of control of the Company or upon the appointment of a receiver, receiver/manager or controller. The agreement does not affect any other terms of his employment contract and any termination entitlements remain based on his normal $225,000 (plus superannuation) annual remuneration.

Daniel Bredenkamp – Chief Financial Officer and Company Secretary

Pursuant to a contract of employment dated 6 August 2006 and varied on 19 November 2007, 21 January 2009, 13 February 2009, 1 January 2011, 13 May 2011, 14 December 2011 and 26 February 2014, Daniel Bredenkamp is engaged as a permanent employee of the Company on the following key terms and conditions:

- Fixed Remuneration Rate - $190,000 per annum plus statutory 9.5% superannuation.
- Variable Remuneration – Suspended during the reporting year and to current.
- Special Benefits – Nil.
- Period of Notice for Resignation/Termination – Four Weeks.
- Entitlement on Termination resulting from an effective Change of Control of the management of the Company – 3 Calendar months pay and applicable Superannuation.
- Remuneration on Resignation or Termination – 1 Weeks pay for each year of service to a maximum of 6 Weeks.
- Long Service Leave – 12 Weeks after 10 years continuous service.

Note* - In a voluntary agreement dated 26 February 2014, Mr Bredenkamp agreed to temporarily vary his conditions of employment to a permanent casual hourly basis based on the existing pro-rata hourly rate. All other aspects of his contract remain unchanged and in the event of termination all entitlements will be calculated on a permanent full time employment basis as set out in his employment contract.

Performance Based Remuneration

There was no performance based remuneration paid to directors during the financial year.

Compensation Options Issued to Key Management Personnel

No options were granted as equity compensation benefits to Key Management Personnel during the year ended 30 June 2014 or 30 June 2013.

Shares Issued to Key Management Personnel on Exercise of Compensation Options

No key management personnel exercised options during the years ended 30 June 2014 or 30 June 2013.

DIRECTORS' REPORT

Remuneration of Key Management Personnel

Table 1: Directors' remuneration for the years ended 30 June 2014 and 30 June 2013

		Primary benefits			Post employment		Equity	Other	Total	
		Salary & Fees $	Bonuses $	Non Monetary Benefits $	Super-annuation $	Prescribed benefits $	Options $	$	$	Performance Related %
Mr Bryan Hughes	2013	51,805	-	-	-	-	11,550	-	63,355	18%
	2014	**54,500**	-	-	-	-	-	-	**54,500**	-
Mr Brett Manning*	2013	193,269	-	-	17,394	-	-	-	210,663	-
	2014	**204,808**	-	-	**18,944**	-	-	-	**223,752**	-
Mr Barry Wyatt	2013	47,708	-	-	-	-	-	-	47,708	-
	2014	**44,070**	-	-	-	-	-	-	**44,070**	-
Mr Graeme Johnston	2013	178,860	-	-	3,150	-	-	-	182,010	-
	2014	**176,519**	-	-	**1,595**	-	-	-	**178,114**	-
Mr Robert Sun	2013	17,214	-	-	1,549	-	-	-	18,763	-
	2014	**36,555**	-	-	**1,595**	-	-	-	**38,150**	-
Mr Phil Evers	2013	16,752	-	-	788	-	-	-	17,540	-
	2014	-	-	-	-	-	-	-	-	-

* Salary reduced voluntarily from $225,000 to $190,000 on 21 November 2013

DIRECTORS' REPORT

Table 2: Other Key Management Personnel's remuneration for the years ended 30 June 2014 and 30 June 2013

		Primary benefits			Post employment		Equity	Other	Total	
		Salary & Fees $	Bonuses $	Non Monetary Benefits $	Super-annuation $	Prescribed benefits $	Options $	$	$	Performance Related %
Mr Daniel Bredenkamp	2013	190,000	-	-	17,100	-	-	-	207,100	-
	2014	**153,742**	-	-	**14,174**	-	-	-	**167,916**	-

Table 3: Share-based compensation to Directors and other Key Management Personnel during the current financial year (options)

Name	No. granted during the year	Date granted	FV per option at grant date	No. vested during the year	% of grant vested	% of grant forfeited	% compensation for year consisting of options	Expiry date	First exercise date	Last exercise date
-	-	-	-	-	-	-	-	-	-	-

Shareholdings of Key Management Personnel

30 June 2014

	Balance 01/07/13	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/14
BK Hughes	1,131,818	-	-	1,131,818	1,131,818
BL Manning	5,630,000	-	-	635,000	6,265,000
BE Wyatt	6,353,041	-	-	205,000	6,558,041
GG Johnston	9,047,431	-	-	375,000	9,422,431
R Sun	-	-	-	-	-
DJ Bredenkamp	454,323	-	-	82,677	537,000

30 June 2013

	Balance 01/07/12	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/13
BK Hughes	-	-	-	1,131,818	1,131,818
BL Manning	3,193,500	-	-	2,436,500	5,630,000
BE Wyatt	5,154,041	-	-	1,199,000	6,353,041
GG Johnston	5,281,634	-	-	3,765,797	9,047,431
R Sun	-	-	-	-	-
DJ Bredenkamp	100,000	-	-	354,323	454,323

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

Option holdings of Key Management Personnel

30 June 2014

	Balance 01/07/13	Received as Remuneration	Options Exercised	Net Change Other (i)	Balance 30/06/14	Vested as at end of period Total	Vested as at end of period Exercisable
BK Hughes	3,550,000	-	-	-	3,550,000	3,550,000	3,550,000
BL Manning	510,000	-	-	-	510,000	510,000	510,000
BE Wyatt	218,000	-	-	-	218,000	218,000	218,000
GG Johnston	1,543,000	-	-	-	1,543,000	1,543,000	1,543,000
R Sun	-	-	-	-	-	-	-
DJ Bredenkamp	59,250	-	-	-	59,250	59,250	59,250

30 June 2013

	Balance 01/07/12	Received as Remuneration	Options Exercised	Net Change Other (i)	Balance 30/06/13	Vested as at end of period Total	Vested as at end of period Exercisable
BK Hughes	-	3,500,000	-	50,000	3,550,000	3,550,000	3,550,000
BL Manning	-	-	-	510,000	510,000	510,000	510,000
BE Wyatt	-	-	-	218,000	218,000	218,000	218,000
GG Johnston	-	-	-	1,543,000	1,543,000	1,543,000	1,543,000
R Sun	-	-	-	-	-	-	-
DJ Bredenkamp	-	-	-	59,250	59,250	59,250	59,250

(i) Expired during the financial year.

Other transactions and balances with Key Management Personnel

There were no other transactions or balances with Key Management Personnel.

This concludes the Remuneration Report.

DIRECTORS' REPORT

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year

Directors' Meetings

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each director were as follows:

	Board Meetings		**Committee Meetings**	
	Number Attended	**Maximum Possible**	**Audit**	**Remuneration**
Number of meetings held:			**1**	**-**
Mr Bryan K Hughes	**9**	**9**	**1**	**-**
Mr Brett L Manning	**9**	**9**	*****	**-**
Mr Barry E Wyatt	**9**	**9**	**1**	**-**
Mr Graeme G Johnston	**8**	**9**	*****	**-**
Mr Robert Sun	**9**	**9**	**1**	**-**

* - Not a member of this committee

Auditor Independence and Non-Audit Services

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the audit of the Financial Report. This Independence Declaration is set out on page 33 and forms part of this Directors' report for the year ended 30 June 2014.

There were no non-audit services provided by our auditors, HLB Mann Judd.

Signed in accordance with a resolution of the Directors.

Bry
Chairman
PERTH, Western Australia
30 September 2014

Brett Manning
Managing Director
PERTH, Western Australia
30 September 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Ferrowest Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's published guidelines, which are as follows:

Principle 1. Lay solid foundations for management and oversight
Principle 2. Structure the board to add value
Principle 3. Promote ethical and responsible decision making
Principle 4. Safeguard integrity in financial reporting
Principle 5. Make timely and balanced disclosure
Principle 6. Respect the rights of shareholders
Principle 7. Recognise and manage risk
Principle 8. Remunerate fairly and responsibly

During the Reporting Period the Company has complied with the Corporate Governance Principles and Recommendations as published by the ASX Corporate Governance Council, other than in relation to the matters specified below:

Principle	Recom' #	Departure	Explanation
2	**2.1**	The majority of the Board are not independent Directors.	While your Board concurs with the principle of having a majority of non-executive and independent Directors on the Board, it is considered that utilising the technical consulting expertise of the current Board can add more value to the management of the Company at this stage in its development. The Board will seek to maximise non-executive and independent representation on the Board in the future, within the constraints of prudent management practice.
	2.4	The Company does not operate a Nomination Committee.	Due to the small size of the Board the nomination committee function is performed by the full Board.
3	**3.2 & 3.3**	The Company has not disclosed the measurable objectives for achieving gender diversity.	Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.
4	**4.2**	The Audit Committee is not made up of a majority of independent non-executive Directors and the Chairman of the Audit Committee is the Chairman of the Board.	The current Board composition does not allow for a majority of independent Directors on the Audit Committee. With the current make-up of the Board, the Chairman of the Board is the only member not providing operational services to the Company. Therefore the Board deems him to be the most independent member for the purposes of chairing the Audit Committee under the current structure.

CORPORATE GOVERNANCE STATEMENT (Cont.)

Details of the Company's Corporate Governance Policies are available on the Ferrowest website at www.ferrowest.com.au

The Role of Corporate Governance in the Company

The Board of Ferrowest are committed to high standards of Corporate Governance in the performance of their duties. The following summary identifies the main Corporate Governance Policies of the Company:

The Directors are accountable to the shareholders of the Company as a whole for the performance of Ferrowest.

The Board has determined that its primary function is in:

- Establishing, monitoring and reviewing the strategic direction of the Company;
- Delegating management authorities;
- Approving master budgets and allocating financial resources;
- Reviewing financial performance to budget and amending where required;
- Approving material transactions, significant management initiatives, investment strategies and major capital purchases or divestments;
- The appointment or termination of key personnel; and
- Evaluating corporate risk.

Day to day operation of the Company is delegated to the Managing Director, who is accountable to the Board. The Board also retains certain powers that it does not delegate to management. The delegation of authority and responsibility is clearly defined in writing.

The Board has been structured to offer expertise across a range of technical disciplines that are key to implementation of the Company's business plans at this stage of its development.

The Board will seek to nominate persons to the Board who have the suitable qualifications, experience and skills to augment the capabilities of the Board.

While your Board concurs with the principle of having a majority of non-executive and independent Directors on the Board, it is considered that making use of the technical capability, skills and expertise of the Board members can add more value to the management of the Company at this stage in its development.

The Board will seek to maximise non-executive and independent representation on the Board in the future, within the constraints of prudent management practice.

Given the relatively small size of the Company and Board, the Board will not establish a Nomination Committee at this stage, retaining these responsibilities as a full Board function.

Ethical and Responsible Decision Making

The Company has a ***Code of Conduct*** that binds Directors, officers and employees.

The Company also has a published set of ***Values*** to provide further guidance to Directors, officers and employees.

The Company Secretary is responsible for the investigation of any possible breaches of the Company's Code of Conduct with findings presented to the Managing Director in respect of employees and the Chairman in respect of a Board member.

The Company has also implemented a range of written policies covering the actions of Directors, officers and employees in the following areas:

Privacy Policy;	Health & Safety Policy;
Environmental Policy;	Corporate Governance Policy;
Indigenous Policy;	Equal Opportunity Employment Policy;
Share Trading Policy; and	Sustainable Development Policy.

Details of these policies are available on the Company's website at www.ferrowest.com.au .

CORPORATE GOVERNANCE STATEMENT (Cont.)

Workplace Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the Company has established a diversity policy which is available on the Company's website.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors. The Board is responsible for developing policies in relation to the achievement of measurable diversity objectives and the extent to which they will be linked to the Key Performance Indicators for the Board, Managing Director and senior executives.

The Company's strategies may include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing pre-existing succession plans to ensure that there is a focus on diversity;
- encourage female participation across a range of roles across the Company;
- review and report on the relative proportion of women and men in the workforce at all levels of the Company;
- articulate a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- develop programs to encourage a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development; and
- any other strategies that the Board or the Nomination Committee develops from time to time.

At the date of this report, 50% of the Company's full-time employees are female. The Company also utilises the services of a number of female consultants, in varying roles. No women are currently represented on the Board.

Due to the current size, nature and scale of the Company's activities, the Board has not yet developed objectives regarding gender diversity. As the size and scale of the Company grows, the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.

Trading in Shares of the Company

The Company welcomes Directors, officers and employees of the Company holding its securities because it demonstrates commitment and belief in the Company and provides further reward for successful performance. However, any party that is aware of material information that is not available to the market and is of a price sensitive nature is not permitted by law to trade in the shares of the Company until such information is released to the ASX. The Corporations Act 2001 and other regulations specify when a party may or may not trade in shares of the Company.

In December 2010, the Company implemented a formal Trading Policy that applies to all Directors of the Company, employees and officers of the Company (including key management personnel), contractors and consultants to the Company. This policy was updated on 16 January 2013.

CORPORATE GOVERNANCE STATEMENT (Cont.)

The intent of this Trading Policy is to:

1. Educate all persons associated with the Company about their obligations when trading in the Securities of the Company;
2. To prevent a breach of the Insider Trading provisions of the Act by persons associated with the Company;
3. To ensure a proper market for the Company's Securities is maintained that supports shareholder and investor confidence;
4. To ensure that persons associated with the Company can continue to support the Company by acquiring Securities in the Company when it is legal to do so, on a fair and equitable basis that is substantively the same as other investors; and
5. To comply with the ASX Listing Rules.

Details of the Trading Policy can be found on the Company's website at www.ferrowest.com.au as well as on the ASX announcement platform.

Continuous Disclosure

The Managing Director, with advice from the Company Secretary where appropriate, is responsible for bringing continuous disclosure matters to the attention of the Board of Directors. To ensure the timely disclosure of pertinent matters, the Managing Director has the delegated authority to disclose routine matters of fact to the ASX without reference to the Board. The Managing Director is also delegated to take all reasonable actions to comply with urgent disclosure matters in the event that the Board is unable to meet or communicate in a timely manner, including calling a trading halt if required. These matters of continuous disclosure policy are documented in standing resolutions of the Board.

Shareholder Communications

Good communication with shareholders is important to the Board. It is the policy of the Board to keep shareholders informed of the Company's activities and encourage appropriate shareholder participation at General Meetings. This communication is achieved through ASX Announcements, the Company's website, periodic public presentations and an email mail-out system for shareholders and other interested parties.

Recognising and Managing Risk

At this stage of the Company's development its primary activities involve exploration and the preparation of feasibility studies into the Company's mineral based projects.

Risk is systematically managed through a series of applicable Company systems and policies that address the main areas of risk facing the Company, including financial and accounting controls, insurance of assets, occupational health and safety, environmental management, land access and tenure etc. The Company will also implement a systematic risk assessment program in parallel with the studies into its mineral projects to ensure that as the Company's activities evolve, the appropriate risk management systems are enhanced or added to as required.

The Board has delegated some specific risk management tasks to the Managing Director in writing and he has in turn delegated some of these areas in writing to the Chief Financial Officer including the maintenance of corporate accounts, treasury, contracts and insurances.

The Managing Director reports all material risk matters to the Board at meetings of the Board and otherwise as required.

The Board receives specific written assurances from the Managing Director (as the Chief Executive Officer) and the Chief Financial Officer upon preparation of both the Company's annual and half yearly financial accounts with respect to the integrity of the financial management of the Company and that the accounts are a true and fair representation of the Company's position, in accordance with section 295A of the Corporations Act 2001.

CORPORATE GOVERNANCE STATEMENT (Cont.)

Skills, Experience and Expertise of each Director

A profile of each Director is contained in the Directors' Report and further information is available on the Company's website at www.ferrowest.com.au.

Directors' Fees to Non-Executive Directors

The shareholders of the Company approved total fees payable to non-executive Directors of $325,000 per annum at a General Meeting of the Company held on 21 October 2012.

The Board has resolved that the current Directors' fees are:

- Non-executive Directors - $38,150pa
- Non-executive Chair - $54,500pa

These amounts include an allowance for statutory superannuation.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred as a result of attendance at Board meetings and the discharge of other director related duties.

Board members are not provided any additional remuneration in respect of any standing Board Committee memberships.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office	Name	Term in Office
Mr Brett Manning	9.1 years	Mr Bryan Hughes	2.3 years
Mr Barry Wyatt	18.2 years	Mr Graeme Johnston	8.4 years
Mr Robert Sun	2.0 years		

Identification of Independent Directors

The independent director of Ferrowest during the Reporting Period was the Chairman, Bryan Hughes.

Evaluating Performance of Board Members and Senior Executives

The Board of Directors conduct an annual formal written Peer Review for each member of the Board to evaluate the performance and contribution of each member both in respect of their participation on the Board and any relevant Board Committees.

The performance of the Senior Executives is evaluated annually through a formal written Performance Appraisal process.

Statement on Independent Professional Advice

If requested by a Director, the Company will pay for independent professional advice for a Director in the discharge of their duties provided that the prior approval of the Chairman is obtained.

Retirement Benefits for Non-Executive Directors

There are no termination or retirement benefits for non-executive Directors.

Board Committee Memberships

Audit Committee

The Board has established an Audit Committee and has delegated it with responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

CORPORATE GOVERNANCE STATEMENT (Cont.)

The Audit Committee has a Charter to govern its activities that has been approved by the Board of Directors.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive Directors.

The members of the Audit Committee during the year were:

Mr Robert Sun (Chairman)

Mr Barry Wyatt

Mr Bryan Hughes

Remuneration Committee

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The Board has established a Remuneration Committee, comprising of three Directors. Members of the Remuneration Committee throughout the year were:

Mr Graeme Johnston (Chairman)

Mr Brett Manning

The Remuneration Committee reviews the remuneration of the Board itself, the Managing Director and the Chief Financial Officer. The Remuneration Committee also considers external advice and employment data to ensure the overall remuneration practices of the Company are appropriate.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the Company: and
- performance incentives that allow executives to share the success of Ferrowest Limited.

To assist in achieving the Company's remuneration objectives, the Remuneration Committee links the nature and amount of executive Directors' emoluments to the Company's financial and operational performance.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Managing Director and the Chief Financial Officer on advice from the Remuneration Committee. The Managing Director is responsible for the general remuneration policies and practices that apply to the balance of employees within the Company.

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Ferrowest Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
30 September 2014

N G Neill
Partner

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.
Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 $	2013 $
Revenue	2	11,790	21,224
Salaries and employee benefits expense		(557,062)	(514,825)
Depreciation		(35,738)	(45,726)
Exploration expenditure written off		(582,916)	(390,442)
Interest and finance costs		(65,805)	(28,038)
Share based payment		-	(11,550)
Land option written-off		(300,000)	-
Corporate and administration costs		(319,852)	(494,066)
Loss before income tax expense	2	(1,849,583)	(1,463,423)
Income tax expense	3	-	-
Net loss for the year		(1,849,583)	(1,463,423)
Other Comprehensive Income		-	-
Total Comprehensive Loss		(1,849,583)	(1,463,423)
Basic loss per share (cents per share)	4	(0.84)	(1.03)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		Consolidated	
		2014	2013
	Notes	$	$
Assets			
Current Assets			
Cash and cash equivalents	5	34,736	682,815
Other assets	6	402	43,960
Total Current Assets		35,138	726,775
Non-Current Assets			
Other assets	6	41,445	90,624
Property, plant and equipment	7	40,742	387,568
Deferred exploration expenditure	8	9,616,345	9,264,589
Total Non-Current Assets		9,698,532	9,742,781
Total Assets		9,733,670	10,469,556
Liabilities			
Current Liabilities			
Trade and other payables	10	389,644	214,947
Borrowings	11	336,400	136,400
Total Current Liabilities		726,044	351,347
Non-Current Liabilities			
Borrowings	11	539,000	-
Total Non-Current Liabilities		539,000	-
Total Liabilities		1,265,044	351,347
Net Assets		8,468,626	10,118,209
Equity			
Issued capital	12	19,700,333	19,500,333
Reserves	12	39,341	125,522
Accumulated losses		(11,271,048)	(9,507,646)
Total Equity		8,468,626	10,118,209

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	Consolidated 2013 $
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(727,098)	(1,052,122)
Interest received		6,369	16,530
Interest paid and finance costs		(18,535)	(29,917)
Other revenue received		-	3,785
Net cash (used in) operating activities	5	(739,264)	(1,061,724)
Cash flows from investing activities			
Payments for plant and equipment		-	(18,016)
Proceeds on disposal of plant & equipment		14,090	909
Payments for exploration expenditure		(871,084)	(728,112)
Payment for mineral interests		-	(367,500)
Loans repaid by other entities		-	25,000
Performance and rental bond repayments		49,179	300
Payment for subsidiary, net of cash acquired (Note 20)		-	(30,444)
Net cash (used in) investing activities		(807,815)	(1,117,863)
Cash flows from financing activities			
Proceeds from issue of securities		180,000	2,540,882
Proceeds from borrowings		719,000	200,000
Repayment of borrowings		-	(389,600)
Net cash provided by financing activities		899,000	2,351,282
Net increase/(decrease) in cash and cash equivalents		(648,079)	171,695
Cash and cash equivalents at 1 July	5	682,815	511,120
Cash and cash equivalents at end of year	5	34,736	682,815

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital $	Accumulated Losses $	Reserves $	Total $
Balance at 1 July 2012	15,882,801	(8,044,223)	86,180	7,924,758
Securities issued during the period	3,617,532	-	27,792	3,645,324
Share-based payments	-	-	11,550	11,550
Net loss for the year	-	(1,463,423)	-	(1,463,423)
Balance at 30 June 2013	19,500,333	(9,507,646)	125,522	10,118,209
Securities issued during the period	200,000	-	-	200,000
Share-based payments	-	-	-	-
Transfer of reserve on option expiry	-	86,181	(86,181)	-
Net loss for the year	-	(1,849,583)	-	(1,849,583)
Balance at 30 June 2014	19,700,333	(11,271,048)	39,341	8,468,626

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the Group consisting of Ferrowest Limited and its subsidiaries.

The financial statements have been prepared in accordance with the historical cost basis and presented in Australian dollars. Cost is based on the fair values of the consideration given in exchange for assets. The Company is a listed public Company, incorporated in Australia and operating in Australia.

Going Concern

Notwithstanding that the Company had a working capital deficiency of $690,906 as at 30 June 2014, the Board considers that the Company is a going concern but recognises that additional funding is required to ensure that the Company can continue to fund its operations and further develop its mineral exploration and evaluation assets for a period of at least twelve months from the date of signing this financial report.

Further additional funding is potentially available from one or a combination of the following:

- Equity and project funding expenditure from parties acquiring a percentage Joint Venture interest in the Company's projects;
- The placement of further securities under the ASX Listing Rule 7.1 or otherwise;
- An excluded offer pursuant to the Corporations Act 2001;
- Loan funds secured against assets of the Company; or
- The sale of assets.

The Directors believe the Company will obtain sufficient funding from one or more of the funding opportunities detailed above to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

Should none of the future equity raisings and/or the other agreements mentioned above be completed to the extent required, there will exist a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets (in particular its deferred exploration expenditure) and extinguish its liabilities in the normal course of business.

The Board acknowledges that the current funding agreement with TFA International Pty Ltd meets the Company's funding requirements until around the end of November 2014 and notes the need for other funding arrangements to be organised.

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2014

In the year ended 30 June 2014, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the current annual reporting period.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and, therefore, no material change is necessary to Group accounting policies.

Standards and Interpretations in issues not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2014. As a result of the review the Directors have determined that there is no material impact, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Group accounting policies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2014.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting estimates and judgements

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black and Scholes model.

Exploration and evaluation costs carried forward

The Company's accounting policy for exploration and evaluation expenditure is set out at Note 1(n). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

(e) Revenue recognition

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(f) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 30 to 60 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(i) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary difference and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(i) Income Tax (continued)

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:
Plant and equipment – over 3 to 10 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item.

(ii) Derecognition and disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(l) Financial assets (continued)

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category ‘financial assets at fair value through profit or loss’. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.
If the Group was to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(m) Impairment of financial assets

The Group assesses at each balance date whether a financial asset or Company of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(m) Impairment of financial assets (continued)

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost
If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed in subsequent periods.

(iii) Available-for-sale investments
If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(n) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

i. the rights to tenure of the area of interest are current; and
ii. at least one of the following conditions is also met:
    a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
    b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortised of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(n) Exploration and evaluation (continued)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(o) Development expenditure

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Exploration and evaluation expenditure is reclassified to development expenditure once the technical feasibility and commercial viability of extracting the related mineral resource is demonstrable. Where commercial production in an area of interest has commenced, the associated costs together with any forecast future capital expenditure necessary to develop proved and probable reserves are amortised over the estimated economic life of the mine on a units-of-production basis.

Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

(p) Impairment of tangible and intangible assets other than goodwill

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(q) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

(r) Interest-bearing loans and borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probably that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) Employee leave benefits

Wages, salaries and annual leave
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the balance date are recognised in other payables in respect of employees' services up to the balance date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(t) Share-based payment transactions

(i) Equity settled transactions:
The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits:

- The Employee Incentive Option Scheme, which provides benefits to all employees, excluding Directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ferrowest Limited (market conditions) if applicable. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(t) Share-based payment transactions (continued)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(u) Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(v) Earnings per share

Basic earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/loss attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Ferrowest Limited.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(x) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ferrowest Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. Ferrowest Limited and its subsidiaries are referred to in this financial report as the Group.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Ferrowest Limited.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: REVENUE AND EXPENSES

(a) Revenue	**2014 $**	**2013 $**
Interest received	6,369	16,530
Other revenue – Fuel credits	2,419	3,785
Net gains on disposal of plant and equipment	3,002	909
Transaction break fee	-	-
	11,790	21,224

(b) Expenses		
Depreciation of non-current assets		
Plant and Equipment	35,738	45,726
Amounts, received or due and receivable by auditors for:		
• audit or review services	26,000	26,250

NOTE 3: INCOME TAX

(a) Income Tax Expense	**2014 $**	**2013 $**
The income tax expense for the year differs from the prima facie tax as follows:		
Loss for year	(1,849,583)	(1,463,423)
Prima facie income tax (benefit) @ 30%	(554,875)	(439,027)
Tax effect of non-deductible items	367	4,887
Tax effect of capital losses	90,000	-
Deferred tax assets not brought to account	464,508	434,140
Total income tax expense	-	-

(b) Deferred Tax Assets[+]		
The following deferred tax assets, net of deferred tax liabilities, have not been brought to account as assets:		
Tax losses – revenue[#]	3,567,457	3,136,844
Temporary differences	88,756	54,861
Tax losses - capital	90,000	-
	3,746,213	3,191,705

[+] - These amounts have not been brought to account as it is not considered probable that the Company will earn taxable income in the foreseeable future to allow the deferred tax assets to be utilised.

[#] - These losses are available to be used against future taxable income provided the Company continues to meet the utilisation requirements of the Income Tax Assessment Act.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: LOSS PER SHARE

	2014	2013
Basic loss per share (cents per share)	(0.84)	(1.03)
	$	$
Earnings – Net loss for year	(1,849,583)	(1,463,423)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	219,174,623	150,517,206

Diluted earnings per share has not been calculated as there were no securities on issue which would be potential ordinary shares having a dilutive effect.

NOTE 5: CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Cash at bank	34,736	682,815

Cash at bank earns interest at floating rate based on daily bank deposit rates.

(i) Reconciliation of loss for the year to net cash flow used in operating activities:

	2014	2013
Loss for the year	(1,849,583)	(1,463,423)
Non-Cash items and reclassifications		
Depreciation	35,738	45,726
Profit on disposal of plant & equipment	(3,002)	(909)
Land option written off	300,000	-
Equity settled share based payment	-	11,550
Supplier payments settled in securities	40,000	20,108
Exploration expenditure written off	582,916	390,442
Changes in assets and liabilities		
Receivables	30,424	(21,558)
Payables	110,742	(70,472)
GST recoverable	13,501	26,812
Net cash flows (used in) operating activities	(739,264)	(1,061,724)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5: CASH AND CASH EQUIVALENTS (continued)

(ii) Non-cash financing and investing activities

During the year the Company:

(a) issued 1,428,572 fully paid ordinary shares at an issue price of 1.4 cents per share in lieu of payment for services provided to the Company; and

(b) issued 40 convertible notes (in lieu of interest) with a face value and 10% coupon rate with 2 year redemption from date of issue and a conversion price to shares at 80% VWAP but limited to between 2.5 cents and 25 cents per share.

There were no other non-cash financing and investing activities during the year.

NOTE 6: OTHER ASSETS

	2014	2013
Current	$	$
Net tax asset recoverable	-	13,133
Sundry debtors and prepayments	402	30,827
	402	43,960

Terms and conditions relating to the above financial instruments:

- Other assets are non-interest bearing and generally repayable within 30 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

	2014	2013
Non-Current	$	$
Performance and rental bonds	41,445	90,624

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Option Fee – freehold land (i) $	Plant and equipment $	Total $
Year ended 30 June 2014			
At 1 July 2013, net of accumulated depreciation	300,000	87,568	387,568
Acquisitions	-	-	-
Disposals	-	(11,089)	(11,089)
Depreciation charge for the year	-	(35,737)	(35,737)
Land Option Expired (i)	(300,000)	-	(300,000)
At 30 June 2013, net of accumulated depreciation	-	40,742	40,742
At 1 July 2013			
Cost	300,000	233,335	533,335
Accumulated depreciation	-	(145,767)	(145,767)
Net carrying amount	300,000	87,568	387,568
At 30 June 2014			
Cost	-	110,390	110,390
Accumulated depreciation	-	(69,648)	(69,648)
Net carrying amount	-	40,742	40,742

	Option Fee – freehold land $	Plant and equipment $	Total $
Year ended 30 June 2013			
At 1 July 2012, net of accumulated depreciation	250,000	131,944	381,944
Acquisitions	50,000	1,350	51,350
Depreciation charge for the year	-	(45,726)	(45,726)
At 30 June 2013, net of accumulated depreciation	300,000	87,568	387,568
At 1 July 2012			
Cost	250,000	231,985	481,985
Accumulated depreciation	-	(100,041)	(100,041)
Net carrying amount	250,000	131,944	381,944
At 30 June 2013			
Cost	300,000	233,335	533,335
Accumulated depreciation	-	(145,767)	(145,767)
Net carrying amount	300,000	87,568	387,568

(i) Eradu plant site option

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 7: PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Eradu plant site option

The Company held an option to acquire a 200Ha site at Eradu, 60km east of Geraldton in WA. The option deed was entered into in February 2008 for an initial term of three years and has been extended in 12 month extension periods. Option fees of $50,000 have been paid for each 12 month extension period. The current extension expired on February 2014 and the Company decided to not renew the option.

NOTE 8: DEFERRED EXPLORATION EXPENDITURE

	2014 $	2013 $
Exploration and evaluation phase – at cost:		
Expenditure brought forward	9,264,589	7,627,292
Tenement acquisition	-	1,344,500
Tenement acquired on acquisition of controlled entity	-	69,211
Expenditure incurred	934,672	614,028
Expenditure written off during year[1.]	(582,916)	(390,442)
Expenditure carried forward	9,616,345	9,264,589

[1.] That portion of exploration expenditure incurred that has been expensed during the year following an assessment by the Board in relation to the results of the expenditure.

The ultimate recoupment of the mining tenements, and exploration and evaluation expenditure carried forward in relation to areas of interest in the exploration and evaluation phase is dependent upon the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value.

NOTE 9: SHARE BASED PAYMENTS

(a) Value of share based payments in the financial statements

	2014 $	2013 $
Share based payments expensed-directors	-	11,550

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: SHARE BASED PAYMENTS (continued)

(b) Summary of share-based payments

Set out below are the summaries of options granted as share based payments:

Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Expired	Balance at end of the year	Vested and exercisable at end of the year
6/8/2013	$0.21	38,250	-	-	(38,250)	-	-
19/4/2015	$0.25	3,500,000	-	-	-	3,500,000	3,500,000
		3,538,250	-	-	(38,250)	3,500,000	3,500,000
Weighted average exercise price		$0.2496	-	-	$0.21	$0.25	$0.25

The assessed fair values of options granted during the year was determined using a binomial option pricing model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underling share, expected yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Grant date	9/8/2012
Dividend yield (%)	-
Expected volatility (%)	104%
Risk-free interest rate (%)	4.19%
Expected life of options (years)	2.693
Underlying share price ($)	$0.025
Option exercise price ($)	$0.25
Value of option ($)	$0.0033

(c) Weighted average remaining contractual life

The weighted average remaining contractual life of share-based payment options that were outstanding as at 30 June 2014 was 0.8 years.

(d) Weighted average fair value

No share-based payment options were granted during the financial year.

(e) Other Option Issues

In the 2011 financial year, the Company issued 1,500,000 options to SpringTree Special Opportunities Fund LP as part of the Share Purchase & Convertible Security Agreement of 17 June 2011. These options were exercisable at 19.67 cents by 21 December 2013 and these were not taken up. The expense of $86,100 relating to the value of these options was included in the Statement of Comprehensive Income as part of the interest and finance costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 10: TRADE AND OTHER PAYABLES

	2014	2013
Current	**$**	**$**
Trade payables and accruals	287,094	114,914
Employee benefits	102,550	100,033
	389,644	214,947

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 11: BORROWINGS

	2014	2013
	$	**$**
Current		
Unsecured loans – Related Parties (i)	136,400	136,400
Unsecured loan – Other (ii)	200,000	-
	336,400	136,400
Non-Current		
Convertible Notes - Unsecured (iii)	539,000	-
	539,000	-

(i) Unsecured Loans – Related Parties

The unsecured loans have no fixed term and are repayable on demand. The loans bear interest of 10% per annum. These loans derive from prior Convertibles Notes which had reached their redemption date but for which the principal has not yet been repaid. These loans are governed by the respective Convertible Note Deeds but the right of conversion to shares has lapsed. The parties named in the Convertible Note Deeds have entered letter agreements with the Company by which they have agreed to deferred repayment until a demand for repayment is made. These loans are owed to Directors and related parties of the Company.

(ii) Unsecured Loan – Other

The unsecured loan relates to loan amounts advanced from TFA International Pty Ltd pursuant a funding agreement, full particulars of which are outlined in Note 21. The funding agreement provides for advance of six monthly payments of $100,000 each.

iii) Convertible Notes - Unsecured

During the year the Company issued 1,078 convertible notes (“Notes”) with a face value of $539,000. The principal terms of the Notes are as follows:

(a) Repayable 2 years from date of issue;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 11: BORROWINGS (continued)

(b) Interest rate of 10% per annum, payable quarterly in arrears;

(c) Convertible at any time during the conversion period, being 100 days after the date of issue and 6 business days before the redemption date;

(d) The conversion price to be used in calculating the number of shares to be issued upon conversion of a Note shall be calculated as 80%of the VWAP for Ferrowest shares for the 10 trading days prior to the receipt by the Company of a valid conversion notice, provided that in circumstances where the calculation of the conversion price is:

(i) less than 2.5 cents, the conversion price will be 2.5 cents; and

(ii) more than 25 cents, the conversion price will be 25 cents.

NOTE 12: ISSUED CAPITAL AND RESERVES

	2014 $	2013 $
Issued and paid up capital		
Ordinary shares fully paid	19,700,333	19,500,333

(a) **Movement in ordinary shares on issue**	**2014** **Number**	**2014** **$**	**2013** **Number**	**2013** **$**
Balance at beginning of year	214,391,236	19,500,333	128,036,181	15,882,801
Issued on 8 January 2014 for working capital purposes	9,000,000	180,000	-	-
Issued on 18 February 2014 in lieu of payment for services provided to the Company	1,428,572	20,000	-	-
Issued on 9 August 2012 for cash pursuant to a private placement	-	-	5,000,000	400,000
Issued on 9 August 2012 in lieu of payment for services provided to the Company	-	-	683,929	20,108
Issued on 21 September 2012 for cash pursuant to a private placement	-	-	5,000,000	400,000
Issued on 19 December 2012 for cash pursuant to a Share Purchase Plan	-	-	10,097,727	222,150
Issued on 21 January 2013 as share component of settlement for the purchase of Urban Minerals Pty	-	-	2,079,832	60,000
Issued on 25 Feb 2013 as consideration for Land Purchase Option Extension	-	-	1,057,560	33,334
Issued on 2 April 2013 as consideration for an exclusive option to acquire farm-in rights into the	-	-	1,500,000	64,500
Issued on 21 May 2013 as consideration to acquire farm-in rights into the Yalyirimbi Iron Ore Project	-	-	20,000,000	780,000
Issued on 24 May 2013 for cash pursuant to a renounceable rights issue	-	-	40,936,007	1,637,440
Balance at end of year	224,819,808	19,700,333	214,391,236	19,500,333

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

(b) **Share Options**

At the end of the year the following options over unissued ordinary shares were outstanding:

- 3,500,000 options expiring on 19 April 2015 at an exercise price of 25 cents each; and
- 10,966,351 options expiring on 1 September 2014 at an exercise of 25 cents (since expired unexercised).

(c) **Terms and conditions of contributed equity**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	2014 $	2013 $
Reserves		
Share-based payments reserve	11,549	97,730
Option issue reserve	27,792	27,792
	39,341	125,522

(a) **Movement in reserves**

	2014 $	2013 $
Share-based payments reserve		
Balance at beginning of year	97,730	86,180
Share based payment	-	11,550
Transfer on expiry of options	(86,181)	-
Balance at end of year	11,549	97,730
Option issue reserve		
Balance at beginning of year	27,792	-
Options issue for cash	-	27,792
Transfer on expiry of options	-	-
Balance at end of year	27,792	27,792

(b) **Nature and purpose of reserve**

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued as part of remuneration of Directors, employees and consultants.

Option issue reserve

The option issue reserve is used to accumulate proceeds from the issuing of share options.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 13: COMMITMENTS

Exploration Commitments

The Company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Company. These commitments have not been provided for in the accounts. Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or by new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended.

The minimum expenditure commitment on the tenements is:

	2014 $	2013 $
Within one year	704,780	1,033,680

Project Acquisition Commitments – Yalyirimbi Iron Project

Ferrowest's remaining obligations under the Sale and Purchase Agreement relating to the acquisition of a 60% interest in the Yalyirimbi Iron Project will not occur until some future date and consists of the obligations as set out below.

The rights to acquire a 60% interest in the Yalyirimbi Iron Project from the 51% level currently qualified requires the Company to complete a bankable feasibility study at its own cost.

The remaining 40% of the Project will be 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. The studies will be managed by Ferrowest as it completes the earn-in of its 60% interest.

Ferrowest's remaining obligation to Ngalia under the Sale and Purchase Agreement will not occur until some future date and consists of the following terms:

1. 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, Ferrowest will issue Ngalia 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
2. A further A$2,000,000 cash is payable to Ngalia 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.

NOTE 14: CONTINGENT LIABILITIES

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company. However, at the date of these accounts, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: RELATED PARTY DISCLOSURE

(a) Parent entity

The ultimate parent entity within the Group is Ferrowest Limited.

(b) Subsidiary

Name of Controlled Entity	Class of Share	Place of Incorporation	% Held by Parent Entity 2014	2013
Urban Minerals Pty Ltd	Ordinary	Australia	100%	100%

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 17.

(d) Transactions with related parties

The parent entity loans funds to its subsidiary to fund exploration and development activities. No interest is charged and no repayment schedule exists for the inter-company loans. They are payable upon demand and the fair value approximates the carrying value. An allowance for impairment is recognised when there is objective evidence that the loans receivable are impaired.

NOTE 16: PARENT ENTITY INFORMATION

	Parent 2014 $	2013 $
Current assets	33,857	687,232
Total assets	9,814,229	10,504,086
Current liabilities	(525,227)	(349,960)
Total liabilities	(1,284,227)	(349,960)
Net assets	8,530,002	10,154,126
Issued capital	19,700,333	19,500,333
Reserves	39,341	125,522
Accumulated losses	(11,209,672)	(9,471,729)
Total equity	8,530,002	10,154,126
Loss of the parent entity after tax	(1,824,123)	(1,427,506)
Other comprehensive income / (loss), net of tax	-	-
Total comprehensive loss of the parent entity	(1,824,123)	(1,427,506)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors in office during the financial year were:
Non Executive Chairman
Mr BK Hughes
Executive Directors
Mr BL Manning
Non Executive Directors
Mr BE Wyatt
Mr GG Johnston
Mr R Sun

(ii) Executives
Chief Financial Officer and Company Secretary
Mr DJ Bredenkamp

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. Total remuneration paid is as follows:

	2014	2013
	$	$
Primary benefits	670,194	695,608
Past employment benefits	36,308	39,981
Share based payments	-	11,550
Total	706,502	747,139

NOTE 18: FINANCIAL REPORTING BY SEGMENTS

The Board of Directors for Ferrowest Limited reviews internal reports prepared and strategic decisions of the Company are determined upon analysis of these internal reports. The Company operates predominantly in one business and geographical segment being mineral exploration in Australia. Accordingly, under the 'management approach' outlined one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

NOTE 19: FINANCIAL INSTRUMENTS

Capital risk management

Prudent capital risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Company's business in an orderly and professional manner. The Board monitors its future capital requirements on a regular basis and will when appropriate consider the need for raising additional equity capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: FINANCIAL INSTRUMENTS (Continued)

The capital structure of the Company consists of debt, which includes borrowings disclosed in note 11 and equity attributable to equity holders comprising capital, reserves and retained earnings or accumulated losses as disclosed in note 12.

Gearing ratio

The Company uses its gearing ratio to manage its capital. The ratio is monitored by the Board and management and is measured as debt to equity. Based on recommendations from management and the Board, the Company will balance its overall capital structure through new share issues as the raising of funds under the on-going Convertible Note raising.

The gearing ratio at year end was as follows:

	2014	2013
Current	**$**	**$**
Debt (i)	875,400	136,000
Equity (ii)	8,468,626	10,118,209
Net debt to equity ratio	10.34%	1.34%

(i) Debt is defined as borrowings as detailed in note 11.

(ii) Equity includes all capital and reserves.

Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the Company has no variable interest bearing loans its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

At balance date, the following table details the Company's expected maturity for its non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities on the financial instruments including interest that will be earned on these instruments.

	2014	2013
	$	**$**
Financial Assets		
Cash and cash equivalents (interest-bearing accounts)	34,736	682,815
Net exposure	34,736	682,815

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: FINANCIAL INSTRUMENTS (continued)

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit/loss and equity relating to financial assets of the Company would have been affected as follows:

Judgements of reasonably possible movements:		
Post tax profit/(loss) – higher / (lower)		
+ 1.0%	347	6,828
- 1.0%	(347)	(6,828)
Equity – higher / (lower)		
+ 1.0%	347	6,828
- 1.0%	(347)	(6,828)

Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

Liquidity risk

The Company manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest rate risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 19: FINANCIAL INSTRUMENTS (continued)

	Weighted average effective interest rate %	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2014						
Non-interest bearing	-	-	389,644	-	-	-
Fixed interest rate instruments	8.86	136,400	-	200,000	539,000	-
		136,400	389,644	200,000	539,000	-
2013						
Non-interest bearing	-	-	214,947	50,000	-	-
Fixed interest rate instruments	10	136,400	-	-	-	-
		136,400	214,947	50,000	-	-

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to a single counterparty or any Company of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Net fair value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based on upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

NOTE 20: ACQUISITION OF URBAN MINERALS PTY LTD

In the previous year Ferrowest Limited acquired 100% of the voting shares of Urban Minerals Pty Ltd. The total cost of the combination was $102,000 and comprised cash and an issue of equity instruments. The Group paid $42,000 in cash and issued 2,079,832 fully paid ordinary shares at an issue price of $0.0288 each, based on the quoted price of the shares of Ferrowest Limited at the date of exchange. The acquisition has been accounted for as an asset acquisition rather than as a business combination as it is not considered that all elements exist for the acquisition to be treated as a business combination.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

NOTE 20: ACQUISITION OF URBAN MINERALS PTY LTD (continued)

The fair value of the identifiable assets and liabilities of Urban Minerals Pty Ltd as at the date of acquisition was:

	Recognised on acquisition $	Carrying Value $
Cash	11,556	11,556
Loan receivable	25,000	25,000
Other assets	1,502	1,502
Tenement interests, exploration and evaluation expenditure	69,211	3,866
Trade and other payables	(5,269)	(5,269)
Fair value of identifiable net assets	102,000	36,655

Cost of the combination:	
Cash paid	42,000
Securities issued, at fair value	60,000
Direct costs relating to the acquisition	-
Total cost of the combination	102,000

The cash inflow (outflow) on acquisition is as follows:	
Net cash acquired with subsidiary	11,556
Cash paid	(42,000)
Net cash outflow	(30,444)

NOTE 21: EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Other than as outlined below there are no matters or circumstances that have arisen since 30 June 2014 that have affected or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

The Implementation of the Funding Agreement with TFA International Pty. Ltd.

On 30 April 2014, the company entered into a conditional funding agreement with TFA International Pty Ltd ("TFA") as detailed in the Review of Operations. Implementation of the funding agreement is contingent on a series of conditions and approvals including shareholder approval. The funding agreement will have a significant affect on the operations and state of affairs of the Company in future financial years.

Under the terms of the Funding Agreement the following steps are proposed:

1. TFA will provide six, monthly cash advances of A$100,000 to be applied to the Company's mineral projects and corporate operations. Subject to shareholder approval, these advances will convert to equity at 1.35 cents per share (being 44,444,444 shares in total);

2. Subject to shareholder approval, TFA will also convert $440,000 worth of convertible notes, which it previously acquired, to shares at 2.50 cents per share through the issue of 17,600,000 shares to TFA; and
3. Subject to shareholder approval, TFA will sell a 21.8% direct interest in a Chinese property development subsidiary of the Taifeng Group, **Hubei Taifeng Investment And Development Co., Ltd.** ("**HTDC**"), to Ferrowest through the issue of 111,251,158 shares to TFA at 1.8 cents per share (A$2,002,520.84).

HTDC is currently constructing a residential and commercial precinct development in Hubei Province in China called the ***Taifeng International City***. Importantly, HTDC will not require any further financial contribution from Ferrowest and is expected to develop profits over the next six years that can provide an income stream to Ferrowest to defray some of its operating costs.

In addition to shareholder approval, the issue of equity securities proposed under the Funding Agreement is also conditional on:

- A successful due-diligence review by Ferrowest;
- TFA Foreign Investment Review Board approval;
- Any other Australian Government approvals; and
- Any Chinese Government approvals.

On 10 June 2014, the Foreign Investment Review Board gave its approval for the implementation of the Funding Agreement, thereby satisfying the second condition.

Ferrowest is not currently aware of any further Australian Government approvals being required and therefore the third condition is considered satisfied.

The processing of Chinese Government approvals will commence following shareholder approval and therefore is expected to be the last approvals required before settlement of the Funding Agreement.

TFA will loan funds to Ferrowest necessary to cover certain costs of the Independent Experts Report and the direct costs associated with the proposed general meeting.

The Funding Agreement terminates if:

4. Shareholders reject the proposal at the general meeting;
5. the Australian Foreign Investment Review Board or other Australian or Chinese Government authorities reject any required applications or approvals;
6. Ferrowest, acting reasonably, notifies TFA in writing that it is not satisfied with the results of its due-diligence review in some material respect that cannot reasonably be rectified;
7. TFA fails to provide the six, $100,000 tranches in accordance with the schedule;
8. all of the equity transactions under the Funding Agreement are completed (completion);
9. 12 months after shareholder approval, if not completed (efflux of time); or
10. TFA requests in writing that the Funding Agreement be terminated.

If the Funding Agreement terminates after TFA have provided one or more of the $100,000 tranches to Ferrowest (except in the case of trigger 5 - completion), the Company must repay those tranches and any other loans provided under the Funding Agreement with 5% per annum interest with the time for repayment calculated from the date of termination on the following timetable:

- If terminated under trigger 1, then 3 months after termination;
- If terminated under triggers 2 or 6, then 6 months after termination; and
- If terminated under triggers 3, 4 or 7, then 12 months after termination.

Upon termination of the Funding Agreement TFA would lose its rights to complete any equity transaction not completed at the time of termination.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Ferrowest Limited ("the Company"):

   a) the accompanying financial statements and notes are in accordance with the *Corporations Act 2001*, including:

      i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year then ended; and

      ii) complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.

   b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

   c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2013.

This declaration is signed in accordance with a resolution of the Board of Directors.

Bryan Hughes
Chairman
PERTH, Western Australia
30 September 2014

Brett Manning
Managing Director
PERTH, Western Australia
30 September 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of Ferrowest Limited

Report on the Financial Report

We have audited the accompanying financial report of Ferrowest Limited ("the company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Ferrowest Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1(a) to the financial report which indicates that the board recognises that additional funding is required to ensure that the Company can continue to fund its operations and further develop its mineral exploration and evaluation assets for a period of at least twelve months from the date of signing this financial report. Should none of the future equity raisings and/or the other agreements be completed to the extent required, there will exist a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets (in particular its deferred exploration expenditure) and extinguish its liabilities in the normal course of business

Report on the Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Ferrowest Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Norman Glad

N G Neill
Partner

Perth, Western Australia
30 September 2014

SUPPLEMENTARY INFORMATION

The shareholder information set out below was applicable as at 31 August 2014

Distribution of Shareholders	**Fully Paid Ordinary Shares**
Number of Holders	812
Holders of less than a marketable parcel	578
Number of holders in the following distribution categories	
1 – 1000	38
1,001 – 5000	116
5,001 – 10,000	153
10,001 – 100,000	324
100,001 and over	181

Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

Rank	Shareholder Name	Holding	%
1	TFA International Pty Ltd	65,573,643	29.17%
2	Graeme & Margaret Johnston <The G&M Johnston Superfund>	8,502,431	4.00%
3	Western Opals	8,100,000	3.60%
4	Sin-Tang Mining Pty Ltd	6,647,176	2.96%
5	De Belle S & Sheehan J	6,508,333	2.89%
6	Trust 4C	6,200,000	2.76%
7	Bruijnzeel Linda Ann	5,600,000	2.49%
8	Alcardo Investments Limited	5,587,979	2.49%
9	Philip James Evers	4,765,834	2.12%
10	Botsis Holdings Pty Ltd	3,730,295	1.66%
11	Grenache PL	3,525,000	1.57%
12	BL& E Manning S-F	2,990,000	1.33%
13	Brett Manning	2,300,000	1.02%
14	Wyatt Family S/F A/C	2,070,858	0.92%
15	Bakeburg Ronald H&C	2,000,000	0.89%
16	Matthew Bruijnzeel	1,961,800	0.87%
17	Eugenia Manning	1,900,000	0.85%
19	Robert David Evers	1,869,080	0.83%
13	Daffen Group PL	1,724,813	0.77%
20	Baker Anthony James	1,687,686	0.75%
		143,244,928	**63.94%**

Substantial Shareholders

Substantial shareholders in the Company as disclosed in the substantial shareholder notices given to the Company are:

	No. of Shares
TFA International Pty Ltd	65,573,643

Unlisted Options

Details of unlisted options are as follows:

	No. of Options	No. of Holders
Options exercisable at 25 cents on or before 19 April 2015	3,500,000	1

Option Holders of more than 20% of this class:

1.	Bryan Hughes ATF The Bryan Hughes Family Trust	3,500,000

Restricted Securities

The Company had no ordinary fully paid shares under voluntary escrow.

Voting Rights

Shares

On a show of hands every member present in person or by proxy or attorney or being a corporation by its authorised representative who is present in person or by proxy, shall have one vote for every fully paid share of which he is a holder.

Options

Options have no voting rights until such options are exercised as fully paid ordinary shares.

On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.

Tenement Schedule

Tenement	Status	Area	Minimum Expenditure	Ownership
P59/2028	Application	29 ha	-	100% Ferrowest Limited
E63/1585	Application	56 blocks	-	100% Ferrowest Limited
M59/525	Granted	54.69 ha	$10,000	100% Ferrowest Limited
M59/634	Granted	907.2 ha	-	100% Ferrowest Limited
M59/635	Granted	777.65 ha	-	100% Ferrowest Limited
M59/636	Granted	946.95 ha	-	100% Ferrowest Limited
M59/637	Granted	200 ha	$20,000	100% Ferrowest Limited
M59/740	Granted	2,129 ha	$214,300	100% Ferrowest Limited
E59/1348	Granted	12 blocks	$50,000	100% Ferrowest Limited
E59/1097	Granted	69 blocks	$207,000	100% Ferrowest Limited
E59/1400	Granted	12 blocks	$30,000	100% Ferrowest Limited
E20/744	Granted	20 blocks	$20,000	100% Ferrowest Limited
E09/1853	Granted	55 blocks	$55,000	100% Ferrowest Limited
L59/119	Granted	17,684 ha	-	100% Ferrowest Limited
E77/1998	Granted	3 blocks	$15,000	100% Urban Minerals Pty Ltd
P77/4108	Granted	125 ha	$5,000	100% Urban Minerals Pty Ltd
P77/4109	Granted	136 ha	$5,480	100% Urban Minerals Pty Ltd
P77/4110	Granted	175 ha	$7,000	100% Urban Minerals Pty Ltd
P77/4111	Granted	200 ha	$8,000	100% Urban Minerals Pty Ltd
E77/2015	Granted	1 block	$10,000	100% Urban Minerals Pty Ltd
E77/2016	Granted	3 blocks	$15,000	100% Urban Minerals Pty Ltd
E77/2108	Granted	11 blocks	$20,000	80% Urban Minerals Pty Ltd
E77/1999	Granted	9 blocks	$20,000	100% Urban Minerals Pty Ltd
E77/2000	Granted	14 blocks	$20,000	100% Urban Minerals Pty Ltd

Note: 1 block is approximately 200ha at the latitude of the tenements