FERROWEST
LIMITED

(ABN 14 074 009 091)

Half-Year Financial Report

31 December 2014

Contents

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 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 or since the end of the interim period and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

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

REVIEW OF OPERATIONS

During the half year ended 31 December 2014 ("the Reporting Period") Ferrowest Limited ("Ferrowest" or "the Company") undertook the following activities:

Strategic Overview of the Reporting Period

The Reporting Period represented the greatest strategic shift in the iron ore industry in Australia in the last decade. Falling iron demand from China coupled with a significant increase in iron ore supply from the major iron suppliers drove the price of iron ore down 50% with catastrophic consequences for junior iron exporters and project developers, including Ferrowest. With two of the Company's three main projects in iron ore and the ASX markets already very weak, the Company faced very difficult times with no opportunity to raise much needed capital.

With little prospect of iron prices rising significantly in the near future, the Board was faced with a difficult choice. The Yogi Mine Project, the Company's most advanced project has high holding costs and as a potential magnetite operation, it would also have a relatively high capital cost before it could be brought into production. The Board determined that even if the iron ore price did increase during 2015, the financial environment and confidence would be unlikely to exist whereby funds could be raised to sustain, advance and/or build the project for a number of years. Without the prospect of being able to raise funds in the short term to meet the holding costs for Yogi, the Board accepted an option to sell the Yogi Mine Project to Padbury Mining Limited for $750,000.

The Board further resolved to hold the Yalyirimbi Iron Project (which has much lower holding costs and lower potential capital cost) to see how the iron ore market prospects develop during 2015.

The Company has also determined to use the funding from the sale of Yogi to retire some company debt and to secure new mineral project opportunities that are more advanced (close to potential cash flow) in order to grow the Company out of this very difficult period.

The sale of the Yogi Mine Project and the imminent settlement of the acquisition of a 20.8% interest in Tai Feng (Hubei) Development and Investment Co., Ltd. in China, which company is developing the Tai Feng International City property development, has had the effect of diversifying Ferrowest from a mineral explorer to mineral explorer and property development company.

These matters are discussed in more detail below.

While the Reporting Period has been the toughest in the Company's history, the Board has taken the tough decisions and is confident and excited about a new path forward before the Company. The sale of the Yogi Mine Project will free the Company to pursue new opportunities that are better suited to growing the Company's value in the near term. In this regard, the Board is excited at the prospect of exploring new opportunities for the benefit of all shareholders in a market place that is showing some tentative signs of recovery.

Project and Exploration Activities

The Yogi Mine Project

In July 2014, iron ore sample material from the "Sam" deposit at Yogi underwent metallurgical testing in China by one of China's foremost magnetite processing laboratories. The aim of this testwork programme was 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.

Other activities at the Yogi Mine Project included survey work and ongoing rehabilitation activities related to previous drilling.

DIRECTORS' REPORT

On 19 December 2014 Ferrowest granted a 60 day option to Padbury Mining Limited ("Padbury") (ASX Code: PDY) for the right to acquire outright the Yogi Mine Project Tenements for $750,000.

As the Yogi Mine Project is a significant part of the Company's business undertakings, the transaction was conditional on Ferrowest receiving shareholder approval for the sale. Subsequent to the end of the Reporting Period, Padbury exercised its option and shareholders approved this transaction at a General Meeting held on 23 January 2015. Settlement of the sale of the Yogi Mine Project is scheduled for 31 March 2015.

The Eradu MPI Project

As part of the process of investigating new mineral project opportunities as stated in the Strategic Overview above, the Company will also review whether the changes in the iron ore industry will provide new opportunities to pursue its value-adding plans in iron manufacture, independent of its own source of iron ore.

The Yalyirimbi Iron Project

On 30 October 2014 Ferrowest advised the market that it had secured 51% share ownership in the private company, Arafura Iron Pty Ltd ("AIPL"). The Company had been progressing work in relation to the **Yalyirimbi Iron Project** to earn up to a 60% interest in the iron ore rights on EL 24548 in the Northern Territory through an incorporated joint venture. The iron rights are held by AIPL, which is the joint venture vehicle now jointly held with Arafura Resources Limited ("Arafura" ASX Code: ARU).

The Company has appointed two Ferrowest nominated directors, being Mr. Brett Manning and Mr. Graeme Johnston to the Board of AIPL. AIPL has two existing Arafura Board nominee directors who will remain on the AIPL Board. The on-going management of AIPL is governed by a shareholder agreement between Arafura and Ferrowest.

In order to earn the remaining 9% for a total of 60%, the Company must complete a Bankable Feasibility Study for the Yalyirimbi Iron Project at its own cost.

The Marvel Loch Project

During the Reporting Period the wholly owned Ferrowest subsidiary, Urban Minerals surrendered a number of non-core tenements from the Marvel Loch Project to focus activities on those tenements that have shown initial exploration prospects.

The tenements surrendered between September 2014 and December 2014 were: E74/521, E77/1475, E39/1727, P77/1998, P77/4108, P77/4109, P77/4110, E77/2016, E77/1999, E77/2000 and E39/1727.

Corporate Matters

Proposed Funding Agreement

During the Reporting Period the Company completed its due-diligence on the Chinese company ***Hubei Taifeng Investment and Development Co., Ltd.*** ("HTDC") in which Ferrowest will be investing under the terms of the Funding Agreement (announced to the market on 30 April 2014) between the Ferrowest and TFA International Pty Ltd ("TFA").

An Independent Expert's Report into the proposed Funding Agreement was completed and dispatched to shareholders during the Reporting Period. The Independent Expert Report concluded that the Proposed Transaction was both **fair** and **reasonable** to the Non-Associated Shareholders of Ferrowest as at the time of its release.

As a result, on 9 October 2014, the Company announced that a further condition precedent to the Funding Agreement had been satisfied when the Board of Directors resolved at a Board Meeting held on 30 September 2014 that it was satisfied with its due-diligence inquiries of the transaction contemplated in the Funding Agreement.

The Company received the remaining funds due under the Funding Agreement during the Reporting Period to a total of $600,000.

Various processes were also completed during the Reporting Period in order to put the Funding Agreement to shareholders for approval. This approval was granted on 11 November 2014 at a General Meeting of the Company.

Ferrowest advised the market during December 2014 that it had registered a subsidiary company in Hong Kong, called *Ferrowest Hong Kong Limited*, and was in the process of registering a subsidiary of that company in Chengdu, China in order to hold the 21.8% interest in HTDC.

Settlement of the Funding Agreement is subject to Chinese Government approval but is expected to occur during March 2015. Profits from HTDC will be applied to operations in Australia including the Company's mineral exploration activities.

DIRECTORS' REPORT

Waiver - Listing Rule 10.13.3

ASX has granted the Company a waiver in respect of Listing Rule 10.13.3 for the issue of shares upon settlement of the Funding Agreement.

Listing Rule 10.13.3 relevantly provides that securities must be issued within 1 month after the date of the meeting at which that approval is granted. As the issue of shares anticipated under the Funding Agreement ("the TFA Shares") can only occur at a settlement date after Chinese Government approval has been received, the ASX has granted the Company a Listing Rule waiver in respect of Listing Rule 10.13.3 on the following conditions:

(a) the TFA Shares are issued within 15 days of satisfaction of all conditions precedent, and in any case no later than 6 months after the date of the shareholder meeting;

(b) for any annual reporting period during which any of the TFA Shares have been issued or any of them remain to be issued, the Company's annual report sets out in detail the basis on which the TFA Shares were or may be issued;

c) in any half year or quarterly report for a period during which any of the TFA Shares have been issued or remain to be issued, the Company must include a summary statement of the number of TFA Shares issued during the Reporting Period, and the number of TFA Shares that remain to be issued;

(d) the Notice sets out the conditions which must be satisfied prior to the issue of the TFA Shares; and

(e) the Company releases the terms of the waiver to the market no later than the time the Notice is released to the market.

In satisfaction of items c. and d. above:

- No TFA Shares were issued during the Reporting Period;
- 173,295,602 TFA Shares will be issued on settlement; and
- The only remaining condition for settlement is Chinese Government approval of the transaction.

General Matters

On 1 September 2014, the listed options, ASX code FWLO, expired.

Ferrowest announced that it had moved the Company's registered address and principal place of business to **3 Camden Street, BELMONT WA 6014** on 7 October 2014. The Company's facsimile number has also changed to: **+61 8 9277 5303.** All other contact details remain unchanged.

Events Subsequent

On 21 January 2015 the Company dispatched a Notice of General Meeting that was subsequently held on Monday 23 February 2015. The meeting considered and approved the sale of the Yogi Mine Project as announced on 19 December 2014.

On 2 February 2015 Ferrowest announced a non-renounceable pro rata rights issue for eligible shareholders ("the Offer").

Under the Offer, eligible shareholders will be entitled to apply for one (1) new ordinary share ("New Shares") for every two (2) shares held at the record date, at an issue price of 0.5 cents per share, to raise up to approximately $562,050 before costs if fully subscribed. A total of up to 112,410,000 New Shares would be issued under the Offer, if fully subscribed.

Where there is a shortfall, the Directors will place the Shortfall in accordance with the terms of the Offer.

On 16 February 2015, Ferrowest advised the market that the option held by Padbury to acquire the Yogi Mine Project tenements had been exercised. The Yogi Mine Project tenements will be sold to Padbury for a total of $750,000 cash. Details of the terms of the transaction were provided to the market on 19 December 2014.

As a result of the approval of the sale of the Yogi Mine Project, Ferrowest announced on 24 February 2015 that it would be extending the closing date for the non-renounceable rights issue Offer until Friday, 20 March 2015. This extension is intended to provide shareholders time to consider the prospects of the Company under the new business objectives, before deciding whether to participate in the Offer.

On 3 March 2015, Ferrowest announced that Padbury had requested settlement of the sale of the Yogi Mine Project to occur on or before 10 March 2015.

On 10 March 2015, it was announced that settlement was further extended until 31 March 2015. As part of the agreement to defer settlement, Padbury paid a further $20,000 toward the purchase price ($40,000 now paid in total, with a balance of $710,000 owing at settlement).

Auditor's Independence Declaration

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 review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this Directors' report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

Brett Manning

Managing Director

Dated this 16th day of March 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Ferrowest Limited for the half-year ended 31 December 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 review; and

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

Perth, Western Australia
16 March 2015

N G Neill
Partner

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Notes	31 Dec 2014 $	31 Dec 2013 $
Revenue	3	31,306	5,999
Employee benefits expense		(254,106)	(326,568)
Depreciation expense		(14,236)	(18,946)
Interest and finance costs		(45,805)	(12,807)
Exploration expenditure written off	4	(7,166,440)	(318,592)
Corporate and administration costs		(172,966)	(171,277)
Loss before income tax expense		**(7,622,247)**	**(842,191)**
Income tax expense		-	-
Net loss for the period		**(7,622,247)**	**(842,191)**
Other comprehensive income		**-**	**-**
Total comprehensive loss		**(7,622,247)**	**(842,191)**
Basic loss per share (cents per share)		**(3.39)**	**(0.39)**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Notes	31 Dec 2014 $	30 Jun 2014 $
Assets			
Current Assets			
Cash and cash equivalents		33,424	34,736
Other assets		410	402
Assets classified as held for sale	4	730,000	-
Total Current Assets		763,834	35,138
Non-Current Assets			
Property, plant and equipment		26,506	40,742
Other assets		33,828	41,445
Deferred exploration and evaluation expenditure	4	1,862,979	9,616,345
Total Non-Current Assets		1,923,313	9,698,532
Total Assets		2,687,147	9,733,670
Liabilities			
Current Liabilities			
Trade and other payables		527,076	389,644
Borrowings	5	774,692	336,400
Total Current Liabilities		1,301,768	726,044
Non-Current Liabilities			
Borrowings	5	539,000	539,000
Total Non-Current Liabilities		539,000	539,000
Total Liabilities		1,840,768	1,265,044
Net Assets		846,379	8,468,626
Equity			
Issued capital	6	19,700,333	19,700,333
Reserves		39,341	39,341
Accumulated losses		(18,893,295)	(11,271,048)
Total Equity		846,379	8,468,626

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Unissued Capital	Accumulated Losses	Reserves	Total
	$		$	$	$
Balance at 1 July 2013	19,500,333	-	(9,507,646)	125,522	10,118,209
Shares to be issued	-	180,000	-	-	180,000
Net loss for period	-	-	(842,191)	-	(842,191)
Balance at 31 December 2013	19,500,333	180,000	(10,349,837)	125,522	9,456,018
Balance at 1 July 2014	19,700,333	-	(11,271,048)	39,341	8,468,626
Net loss for period	-	-	(7,622,247)	-	(7,622,247)
Balance at 31 December 2014	19,700,333	-	(18,893,295)	39,341	846,379

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	31 Dec 2014 $	31 Dec 2013 $
	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(367,867)	(472,596)
Interest received	215	5,999
Interest paid and finance costs	(7,206)	(11,748)
GST recovered	12,571	204
Net cash (used in) operating activities	(362,287)	(478,141)
Cash flows from investing activities		
Repayment of performance and rental bonds	7,617	49,179
Proceeds from sale of plant & equipment	11,091	-
Payments for exploration expenditure	(116,025)	(565,772)
Proceeds of option fee on sale of tenements	20,000	-
Net cash (used in) investing activities	(77,317)	(516,593)
Cash flows from financing activities		
Proceeds from proposed issue of securities	-	180,000
Proceeds from borrowings	438,292	339,000
Net cash provided by financing activities	438,292	519,000
Net (decrease)/increase in cash held and cash equivalents	(1,312)	(475,734)
Cash and cash equivalents at the beginning of the period	34,736	682,815
Cash and cash equivalents at the end of the period	33,424	207,081

The accompanying notes form part of these financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These half-year financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Ferrowest Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Accounting policies and methods of computation

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding interim reporting period. These accounting policies are consistent with Australian Accounting Standards and with the International Financial Reporting Standards.

Significant accounting judgments and key estimates

The preparation of half-year financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial report for the year ended 30 June 2014.

Going concern

The Group had a working capital deficit of $537,934 as at 31 December 2014 and net operating outflows of $362,287 for the half-year then ended. Notwithstanding this, the Directors are of the opinion that the Company is a going concern for the following reasons:

- Ferrowest Limited has met and is able to meet its financial obligations as and when they fall due;
- The Group currently has sufficient cash reserves to meet its current and short term obligations with further funding to flow from the already contracted sale of the Yogi Mine Project and capital raising activities that are currently underway;
- The Group could sell or otherwise joint venture some further tenement assets to secure funding; and
- The Group could secure debt funding against its assets if required as the assets are currently all unencumbered.

The Directors believe the Group 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 funding opportunities detailed above be completed, 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 at the amounts stated in the financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2014, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company's operations and effective for annual reporting periods beginning on or after 1 July 2014.

It has been determined by the directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change is necessary to Company accounting policies.

The directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Company and, therefore, no change necessary to Company accounting policies.

NOTE 2: SEGMENT REPORTING

The Company has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision maker) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the phase of operation within the mining industry. For management purposes, the Company has organised its operations into two reportable segments on the basis of stage of development as follows:

- Development assets
- Exploration and evaluation assets, which includes assets that are associated with the determination and assessment of the existence of commercial economic reserves.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the half-year ended 31 December 2014, the Company had no development assets. The Board considers that it has only operated in one segment, being mineral exploration within Australia.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a group basis.

The Company is domiciled in Australia.

NOTE 3: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	31 Dec 2014	31 Dec 2013
	$	$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Interest received	215	5,999
Option fee received	20,000	-
Proceeds on sale of plant & equipment	11,091	-
	31,306	5,999

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 4: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 Dec 2014	31 Dec 2013
	$	$
Costs carried forward in respect of areas of interest in the following phases:		
Exploration and evaluation phase – at cost		
Balance at beginning of period	9,616,345	9,264,589
Expenditure incurred	143,074	704,566
Transferred to available for sale	(730,000)	-
Expenditure written off during period	(7,166,440)	(318,592)
Total deferred exploration expenditure	1,862,979	9,650,563

The recoupment of the costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 5: BORROWINGS

	6 months to 31 Dec 2014 $	12 months to 30 June 2014 $
Current		
Unsecured loans – Related parties (i)	136,400	136,400
Unsecured loan – Other (ii)	638,292	200,000
	774,692	336,400
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 to a funding agreement, providing for advance of six monthly payments of $100,000 each. Refer (iv) below.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 5: BORROWINGS (Continued)

(iii) Convertible Notes - Unsecured

During the previous reporting period 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;

(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.

(iv) Funding Agreement – TFA International Pty Ltd (“TFA”)

On 30 April 2014, the company entered into a conditional funding agreement with TFA International Pty Ltd (“TFA”). One of the conditions prior to implementation of the funding agreement was shareholder approval, which was obtained on 11 November 2014.

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. 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)

Upon full implementation of this Funding Agreement, TFA would hold up to 60% of the enlarged capital of the Company (provided no further shares are issued to other parties in the meantime).

Other Terms of the Funding Agreement

In addition to the shareholder approval received on 11 November 2014, 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.

Ferrowest has notified TFA in writing that it is satisfied with its due-diligence investigations and therefore the first condition above has been met.

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 remains outstanding.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 5: BORROWINGS (continued)

Other Terms of the Funding Agreement (Continued)

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.

NOTE 6: ISSUED CAPITAL AND UNISSUED CAPITAL

	Consolidated	
	31 Dec 2014	30 June 2014
Issued Capital	$	$
Ordinary shares		
Issued and fully paid	19,700,333	19,700,333

	No.	$
Movements in ordinary shares on issue		
At 1 July 2014	224,819,808	19,700,333
At 31 December 2014	224,819,808	19,700,333

NOTE 7: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 8: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half-year which have significantly affected or may significantly affect the operations of the Group, the results of these operations, or the state of affairs in future financial years, other than:

(i) On 16 February 2015, Padbury Mining Limited exercised their option to acquire the Yogi Mine Project tenements. The Option to Purchase Mining Tenements dated 18 December 2014 provides that settlement of the transaction will occur within 10 days of Ferrowest shareholder approval, which was obtained on 23 February 2015. The Yogi Mine Project tenements will be sold to Padbury for a total of $750,000, of which $20,000 was paid a non-refundable option fee before period end; and

(ii) On 2 February 2015 the company lodged an Offer Document for a non-renounceable pro rata rights issue of up to 112,410,000 ordinary fully paid shares at an issue price of 0.5 cents to raise up to $562,050, before costs.

(iii) On 10 March 2015 the company announced that the settlement of the sale of the Yogi Mine Project had been deferred until 31 March 2015 and an additional $20,000 was paid to extend the settlement date, reducing the amount owing to $710,000.

DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
   a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

Brett Manning

Managing Director

Dated this 16th day of March 2015

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Ferrowest Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ferrowest Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2014, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

HLB Mann Judd

Accountants | Business and Financial Advisers

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ferrowest Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 to the financial report which indicates that the Group will be required to secure additional funding to enable it to continue as a going concern. If the Group is unable to secure additional funding, there exists a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets (in particular its deferred exploration expenditure) and extinguish its liabilities in the normal course of business at the amounts in the financial statements.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

N G Neill
Partner

Perth, Western Australia
16 March 2015