



30 April, 2015

ASX Announcement

QUARTER ACTIVITY REPORT

During the March 2015 Quarter, Ferrowest Limited ("Ferrowest" or "the Company") undertook the following activities:

On 21 January 2015, the Company announced a General Meeting for 23 February 2015 to consider the sale of the Yogi Mine Project as announced on 19 December 2014.

At the time, Padbury Mining Limited (ASX Code: PDY) held an option to purchase the Yogi Mine Project tenements for \$750,000, subject to shareholder approval.

Sale of the Yogi Mine Project and completion of the acquisition of an interest in the Hubei Taifeng Investment and Development Co., Ltd. ("HTDC") in China (announced previously) would have resulted in the Company's main business activities thereafter being a combination of "mineral exploration and property development".

Following sale of the Yogi Mine Project, the Company intended to focus on securing further mineral exploration interests, preferably in more advanced projects with potential to move quickly toward production.

The acquisition of a 21.8% interest in HTDC remained pending Chinese Government approval during the Quarter. In this regard, the Company advised the market that it had established a subsidiary in Hong Kong called **Ferrowest Hong Kong Limited** and that company was in the process of establishing a subsidiary in Chengdu in China that would hold the Company's interest in HTDC. The Chengdu company will be called **Panaust (Chengdu) International Trading Co., Ltd.** Activities centred on the establishment of banking facilities for Ferrowest Hong Kong Limited, which has taken some time given the foreign jurisdiction and identification requirements and associated documentation but is now complete.

The final step prior to the Chinese authorities assessing the application to establish the Chengdu based subsidiary is a banking certificate being secured from Hong Kong. It is not known how long the Company registration processes in Chengdu will take to complete.

There is further discussion of this transaction below.

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 of which the HTDC transaction forms a part.

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 Quarter;
- 173,295,602 TFA Shares will be issued on settlement; and
- The only remaining condition for settlement is Chinese Government approval of the transaction.

On 2 February 2015, the Company announced a non-renounceable pro rata rights issue (“the Offer”). Under the Offer, eligible shareholders would be entitled to apply for one (1) new ordinary share 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 were planned to be issued under the Offer, if fully subscribed. The Offer document was dispatched to shareholders on 11 February 2015.

On 17 February 2015, the Company announced that the option held by Padbury to acquire the Yogi Mine Project tenements had been exercised.

As a consequence of the sale, the Company advised the market that \$7,010,000 in deferred exploration expenditure carried forward relating to the Yogi Mine Project would be written off.

At the General Meeting on 23 February 2015, the Shareholders of the Company approved the sale of Yogi for \$750,000.

On 24 February 2015, the Company announced it was extending the Offer to 20 March 2015 in order to allow time for the successful conclusion of the sale of Yogi to Padbury and for any developments relating to potential new mineral projects under consideration at the time.

The settlement for the sale of Yogi to Padbury was set down for 10 March 2015.

On 10 March 2015, however, Padbury requested that settlement be deferred until on or before 31 March 2015 to allow the completion of its capital raising activities. Ferrowest agreed to the new settlement date with Padbury paying a further (non-refundable) \$20,000 off the sale price.

As a consequence of the settlement date being extended, the Company also extended the non-renounceable pro rata issue until 10 April 2015.

On 31 March 2015 Padbury again failed to settle the purchase of Yogi.

During the Quarter, due to the extremely poor iron ore market conditions currently prevailing and resulting lack of funds, most planned exploration of the Company's projects was deferred.

EVENTS SUBSEQUENT

On 1 April 2015, Ferrowest issued Padbury a Notice of Default requiring the payment needed to complete settlement of the Sale of Yogi and, while the outcome remained unclear, the Company requested and was granted a trading halt in its shares.

On 7 April 2015, the Company requested and was granted a voluntary suspension from official quotation as the matter still remained unresolved despite assurances from Padbury that it intended to settle imminently.

Also on 7 April 2015, the Board of Ferrowest again extended the capital raising Offer until Friday 8 May 2015 on the advice from Padbury that it was going to settle the sale within two days, which would have allowed the Company to lift the voluntary suspension of its shares.

However, by 10 April 2015 the settlement had not occurred and the Company's shares remained in voluntary suspension and as a consequence, the Offer and the Offer Document dated 2 February 2015 were withdrawn. The application funds already received were subsequently returned to applicants.

By 14 April 2015, despite Ferrowest remaining ready, willing and able to settle the sale of Yogi to Padbury, Padbury advised it was unable to complete the sale and needed more time. Ferrowest had already previously granted 33 days of extension from the original settlement date of 28 February 2015 to 31 March 2015 and a further 14 days had elapsed with Padbury in default and as a consequence, the contract of sale formed pursuant to the Agreement was terminated.

This was a very unsatisfactory result for Ferrowest and left the Company in a very difficult position.

The Company advised the market that its shares would remain in voluntary suspension until such time as the Board could properly review the Company's options and assess how these developments will effect it's plans and business going forward.

The Board also advised it would continue to entertain offers to purchase the Yogi Mine Project outright for A\$750,000 in cash in the short term but reserved the right withdraw its potential sale from the market and/or vary the terms of any possible sale at any time.

Ferrowest has received three credible inquiries in regard to the possible purchase of Yogi since terminating the contract of sale with Padbury. These inquiries will be progressed but remain only preliminary in nature at this time.

Ongoing Funding and Business of the Company

Padbury's failure to settle the sale of Yogi after such long delays has negatively impacted Ferrowest. The Company's plans to secure new mineral project opportunities were premised on being able to make initial investments using the sale proceeds and to also be able to retire some medium term debt and meet ongoing operating costs. Without these sale proceeds, the Company was placed in a very difficult position.

On termination of the contract of sale to Padbury, the Directors commenced an urgent review of the options available to the Company but were constrained by the following impediments:

- The junior iron ore sector has been largely 'wiped out' by the major companies flooding the market with iron ore in order to secure market share, causing the price to more than halve;
- There are no prospects of raising capital against iron ore assets at the moment and very poor prospects for resources based capital raisings in general;
- The company had consumed its available cash reserves during the delayed settlement of the Yogi sale;
- The Company has significant medium term debt, which makes it less attractive for the acquisition of new business in any form of restructure; and
- While the Board believes that the Yogi project will sell as planned, time would be needed for new parties to assess the purchase opportunity.

In these circumstances, the Board faced an extremely difficult situation. However, TFA International Pty Ltd, the Company's largest shareholder (with 29.17% of the shares) and creditor for around 60% of the debt owed by the Company, has offered a reconstruction proposal. This proposal is in a formative stage at this point and is not ready for presentation to shareholders, however the Board notes, if successful, it would appear materially superior for shareholders and creditors than any other alternate before the Company at this time.

TFA has agreed to loan additional funds to maintain the Company's operations until the details of the proposal can be properly worked through and necessary discussions can be held with parties such as the ASX. This work to properly define the reconstruction proposal is underway at the moment and is being pursued as quickly as possible. If the Board believes the proposal is viable, it will put it to shareholders for consideration at the earliest opportunity.

The further loan funding by TFA will also hopefully provide time to complete the sale of Yogi and thereby retire most of the non-TFA debt. TFA is also uniquely placed to offer such a proposal because it can include its debt in any reconstruction and the combination of this and the sale of Yogi could clear the Company's debt entirely and set it up for much better prospects for shareholders in the future.

It should be emphasised that at this moment the Board has no other proposal or option before it that delivers, in the Board's opinion, anywhere near the level benefit for shareholders and creditors, hence the Board's decision to work toward defining the TFA proposal.

Since the end of the Quarter, TFA has provided \$65,000 in loan funding. Further funding will be provided while the proposal is prepared and put to shareholders but will only extend to essential operational matters necessary to achieve this goal.

As part of the proposal, the parties are looking at the appropriateness or otherwise of proceeding with the acquisition of the interest in the Hubei Taifeng Investment and Development Co., Ltd. (discussed earlier in the Report) given the current circumstances of the Company but no decisions have been taken at this time. This will be reviewed as part of the reconstruction proposal.

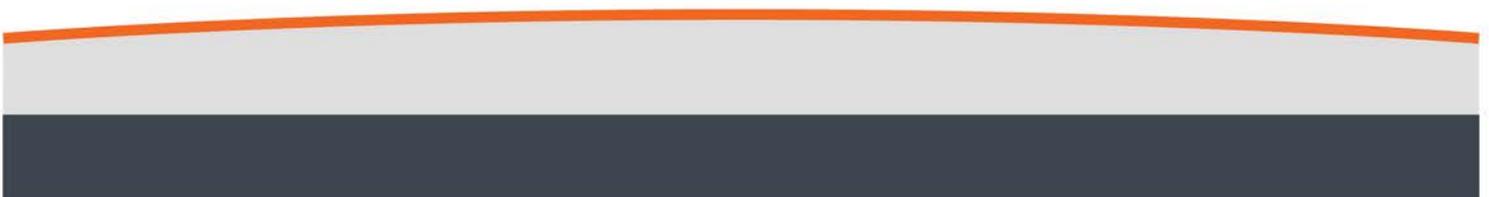
The Company's shares will remain in voluntary suspension as appropriate until the future business direction of the Company is determined.

Mineral Tenement Interests as at 31 March 2015

In accordance with ASX Listing Rule 5.3.3, the Company advises that the Ferrowest Group has had no changes its tenement interests during the Quarter.

The Company's beneficial interests in any farm-in or farm-out agreements in respect of any mining tenement interests did not change during the Quarter.

A complete tenement schedule is provided below.



| Ferrowest Tenement Schedule - 31 March 2015 | | | | |
|---|-----------------|--------------------------------------|---------------|---------------------------------|
| Name | Tenement | Tenure Type | Status | Ferrowest Group Interest |
| YOGI MINE PROJECT - 14Km East of Yalgoo in WA | | | | |
| YOGI | M59/525 | Mining Lease | Granted | 100% |
| YOGI | E59/1348 | Exploration Licence | Granted | 100% |
| YOGI | E59/1097 | Exploration Licence | Granted | 100% |
| YOGI | L59/119 | Miscellaneous Licence (Ground Water) | Granted | 100% |
| YOGI | M59/740 | Mining Lease | Granted | 100% |
| YOGI | M59/634 | Mining Lease | Granted | 100% |
| YOGI | M59/635 | Mining Lease | Granted | 100% |
| YOGI | M59/636 | Mining Lease | Granted | 100% |
| YOGI | M59/637 | Mining Lease | Granted | 100% |
| YOGI | P59/2028 | Prospecting Licence | Granted | 100% |
| OTHER PROJECTS (Ferrowest Limited) | | | | |
| LAKE HALBERT EAST | E63/1585 | Exploration Licence | Granted | 100% |
| YALYIRIMBI IRON PROJECT North West of Alice Springs in the NT (Ferrowest Limited) | | | | |
| YALYIRIMBI | EL 24548 | Exploration Licence | Granted | 51%# |
| MARVEL LOCH PROJECT - South of Southern Cross in WA (Urban Minerals Pty Ltd) | | | | |
| EDWARD'S NORTH | P77/4111 | Prospecting Licence | Granted | 100% |
| EDWARD'S NORTH | E77/2015 | Exploration Licence | Granted | 100% |
| EDWARD | E77/2108 | Exploration Licence | Granted | 80% |
| # Iron Rights - Ferrowest holds the right to earn up to 60% of the iron rights in the future. | | | | |

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

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

| |
|--------------------------|
| Ferrowest Limited |
|--------------------------|

ABN

| |
|----------------|
| 14 074 009 091 |
|----------------|

Quarter ended ("current quarter")

| |
|---------------|
| 31 March 2015 |
|---------------|

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation | (6) | (122) |
| (b) development | - | - |
| (c) production | - | - |
| (d) administration | (67) | (434) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | - | - |
| 1.5 Interest and other costs of finance paid | (4) | (11) |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (GST recoverable/payable) | (5) | 12 |
| Net Operating Cash Flows | (82) | (560) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | - |
| 1.9 Proceeds from sale of: (a) prospects | - | - |
| (b) equity investments | - | - |
| (c) other fixed assets | - | 11 |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | - |
| 1.12 Other – Non-refundable option fee | 20 | 40 |
| Other – Refund of Bond | - | 8 |
| Net investing cash flows | 20 | 59 |
| 1.13 Total operating and investing cash flows (carried forward) | (62) | (501) |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

| | | | |
|------|--|------|-------|
| 1.13 | Total operating and investing cash flows (brought forward) | (62) | (501) |
| | Cash flows related to financing activities | | |
| 1.14 | Proceeds from issues of shares, options, etc. | - | - |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16 | Proceeds from borrowings | 30 | 468 |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other (Capital raising costs) | - | - |
| | Net financing cash flows | 30 | 468 |
| | Net increase (decrease) in cash held | (32) | (33) |
| 1.20 | Cash at beginning of quarter/year to date | 33 | 34 |
| 1.21 | Exchange rate adjustments to item 1.20 | - | - |
| 1.22 | Cash at end of quarter | 1 | 1 |

Payments to directors of the entity and associates of the directors

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

| | | Current quarter \$A'000 |
|------|--|----------------------------|
| 1.23 | Aggregate amount of payments to the parties included in item 1.2 | 46 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|------------|
| 4.1 Exploration and evaluation | 45 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 105 |
| Total | 150 |

Reconciliation of cash

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

| | Current quarter \$A'000 | Previous quarter \$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank | 1 | 33 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 1 | 33 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter |
|---|-----------------------|----------------------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | Nil | | | |
| 6.2 Interests in mining tenements acquired or increased | Nil | | | |

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

| | Total number | Number quoted | Issue price per security (see note 3) (cents) | Amount paid up per security (see note 3) (cents) |
|--|--------------|---------------|---|--|
| 7.1 Preference securities <i>(description)</i> | | | | |
| 7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions | | | | |
| 7.3 +Ordinary securities | 224,819,808 | 224,819,808 | | |
| 7.4 Changes during quarter (a) Increases through issues | | | | |
| 7.5 +Convertible debt securities 2 year 10% convertible at 80% VWAP | 1,078 | | \$500 | \$500 |
| 7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 Options <i>(description and conversion factor)</i> | 3,500,000 | - | <i>Exercise price</i> \$0.25 | <i>Expiry date</i> 19 April 2015 |
| 7.8 Issued during quarter | | | | |
| 7.9 Exercised during quarter | - | - | | |
| 7.10 Expired during quarter | - | - | | |
| 7.11 Debentures <i>(totals only)</i> | - | - | | |
| 7.12 Unsecured notes <i>(totals only)</i> | - | - | | |

+ See chapter 19 for defined terms.

Compliance statement

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

Sign here:



Date: 30 April 2015

Print name: Brett Manning
Managing Director

Notes

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

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