

27 July, 2015

ASX Announcement

QUARTER ACTIVITY REPORT

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

The Company applied for, and was granted, voluntary suspension in the trading of its shares on 1 April 2015. This request was made by the Company because Padbury Mining Limited ("Padbury") had failed to settle the sale of the Yogi Mine Project on 31 March 2015 as planned. As Padbury had advised that they would be in a position to settle in the near future, the voluntary suspension was requested to provide time for this transaction to complete.

On 7 April 2015 the Company announced that it was extending the closing date for the non-renounceable pro rata issue offered under the Offer Document dated 2 February 2015 until 8 May 2015, however when Padbury had still failed to settle the purchase of the Yogi Mine Project by 10 April 2015, the offer had to be withdrawn because the Company's shares remained in voluntary suspension. All subscription monies were returned.

The Company had granted Padbury 33 days of extension from the original settlement date of 28 February 2015 to 31 March 2015 in order to complete the sale of the Yogi Mine Project.

The failure by Padbury to settle the transaction constituted an event of default under the terms of the Agreement dated 18 December 2014 between Padbury and the Company ("the Agreement"). As a result, the Company issued a notice of default to Padbury requesting that the contract of sale be honoured. Padbury failed to rectify the default in the prescribed time and, as a consequence, the contract of sale formed pursuant to the Agreement was terminated on 14 April 2015.

This was a very unsatisfactory result for the Company and the Board immediately commenced a review the Company's options to assess how this was going to effect it's plans and business going forward. In the interim, the Board determined to continue to entertain offers to purchase the Yogi Mine Project outright for A\$750,000 in cash.

On 29 April 2015, the Company announced that Padbury's failure to settle the sale of Yogi after such long delays had negatively impacted the Company. Plans to secure new mineral project opportunities were premised on being able to make initial investments using the sale proceeds from Yogi 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.

The Directors' review of the options available to the Company determined that the choices 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 ("TFA"), the Company's largest shareholder (with 29.17% of the shares) and creditor for around 60% of the debt owed by the Company, offered a reconstruction proposal ("the Proposal"). This proposal was in a formative stage at the end of April 2015 and not ready for presentation to shareholders, however the Board noted, if successful, it appeared materially superior for shareholders and creditors than any other alternate before the Company at that time.

TFA agreed to loan additional funds to maintain the Company's operations until the details of the Proposal could be properly worked through and necessary discussions held with parties such as the ASX.

TFA was uniquely placed to offer the Proposal because it could include its debt owed by the Company in any reconstruction and the combination of this and the sale of Yogi could clear the Company's debt entirely. This would set the Company up for much better prospects in the future. No other proposals or corporate options were anywhere near the level benefit for shareholders and creditors, hence the Boards decision to work toward defining the Proposal.

On 15 June 2015, the Company announced the details of the Proposal to reconstruct the Company.

The Proposal was offered by TFA on the basis that the Company change the nature of its business from "**minerals exploration**" to "**property and infrastructure development**".

In TFA's view, this is essential to get away from reliance on an industry that is currently performing poorly and to move toward one where (if properly targeted) good growth potential currently exists and where projects can be brought to profitable stages in much shorter time frames than is typical in the mineral exploration industry.

TFA proposes that the Company focus on the development of commercial (retail and office) and high density residential space by targeting key development areas in inland China, where there is strong Government support for urbanisation. TFA believes that, with its assistance, the Company can successfully enter into property and infrastructure development in China.

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

Provided that Shareholders' support the change of business, TFA is prepared to support the reconstruction by facilitating:

- Conversion of its debt to equity (up to A\$1.4M) at the same price as Shareholders would be offered under a capital raising completed concurrently to re-capitalise the Company;
- Organising a substantial placement of equity (up to A\$2.5M) to help with the re-capitalisation process for the Company;
- Allowing existing Shareholders (other than TFA) to participate in a Priority Entitlement Issue as part of the re-capitalisation process (to raise up to a further A\$1.57M before costs); and
- If required, organising the partial underwriting (A\$500,000) of the proposed Priority Entitlement Issue in order to increase the chances of a successful outcome.

The Proposal would also see a consolidation of capital and all new equity issues to shareholders and TFA would be at the same price of 20 cents per share. These measures, together with the previously approved sale of the Yogi Mine Project to a third party, would clear the majority of the Company's debts, recapitalise it for its new business activities and see the Company's shares quoted on the ASX.

TFA intends to work with an associate company to meet its obligations under the Proposal and would offer balance sheet and other in-country support in China to facilitate the identification, acquisition and debt funding of the initial property development project. This first project was intended to be identified after shareholder approval of the Proposal and then would form the centrepiece of a full prospectus for the Priority Entitlement Issue to shareholders. The prospectus will also provide information necessary as a re-compliance disclosure document for the ASX.

As a result of TFA's support for the reconstruction Proposal in both debt conversion and cash, its shareholding in the Company (aggregated with any party assisting TFA in delivering the Proposal requirements) would increase from 29.17% pre-Proposal to a minimum of 63.90% post-Proposal. It could also increase up to as much as 72.46% in circumstances where:

- TFA is required to meet its entire partial underwriting commitment due to an unsubscribed shortfall in the Priority Entitlement Issue; and
- only the minimum subscription level for the Priority Entitlement Issue (planned to be A\$1.5M) is achieved.

In either case, TFA would have a controlling interest in the Company if Shareholders support the reconstruction Proposal and it is successfully implemented.

While the Proposal is both a major departure from the Company's current business and will result in a change in control of the Company, the Directors that are not associated with TFA unanimously agree that the Proposal is superior to any other potential option before the Company at this time.

Given the significant uncertainty in the junior iron ore sector at the moment and the currently high debt and low cash position of the Company, there remains significant uncertainty for the Company if shareholders choose to reject the Proposal.

Under the terms of the Proposal, the Company would not proceed with the previously approved acquisition of a small stake in a project in the Hubei Province in China. That project would be unsuitable as the main business of the Company because the proposed interest was not a controlling one and the project had fairly long lead times.

The Company had hoped to be able to dispatch the Notice of Meeting to vote on the Proposal in mid-June but ASX advised the Company on 24 June 2015 that it would not grant approval for the issue of the proposed Notice of Meeting unless it contained detailed information on a new property development project for shareholders to assess as a part of the decision on whether to accept the Proposal.

The Company therefore set about identifying, evaluating and securing a new property development project. The new project will also need to be assessed in an independent expert's report. Once this work is completed, the Company will seek shareholder approval to pursue the Proposal.

Exploration

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.

The Company received a number of credible inquiries in regard to the possible purchase of the Yogi Mine Project following termination of the contract of sale with Padbury but none of these inquiries has progressed substantially at this stage. The Company surrendered two exploration licences at Yogi to consolidate the holding to the granted Mining Leases that hold the project's Inferred Mineral Resources. Some minor exploration activities and rehabilitation maintenance was carried out at Yogi during the Quarter.

The Board has reviewed the prospects for the Yalyirimbi Iron Project in the Northern Territory and has formed the view that the project would not be viable in the current iron ore market price environment. Being located a substantial distance from the coast, it is not possible to reduce projected transport costs adequately to compensate for very low iron ore sale prices. As the reduction in the iron ore sale price has now been sustained for some considerable period of time, the Board intends to write down the carrying value of the Yalyirimbi Iron Project to zero in the accounts of the Company as at 30 June 2015. The future of the project will be considered during the current quarter and the market will be advised of any developments in this regard.

The failure to secure the sale proceeds from the sale of the Yogi Mine Project forced the Company to curtail exploration spending on its remaining Marvel Loch tenements. As a consequence, the decision was taken to surrender all but one of the exploration licences held by the Company's subsidiary Urban Minerals Pty Ltd at Marvel Loch.

Corporate

The Company has completed the registration of its subsidiary in the Chengdu Province of China and if the Proposal is approved by shareholders, this subsidiary will likely be the vehicle for the property developments in China in the future.

During the Quarter, TFA has provided \$188,000 in loan funding. The funding is only sufficient to sustain essential operational matters necessary to maintain the Company as a going concern while the Proposal is considered and put to shareholders.

EVENTS SUBSEQUENT

The Company has received further fresh inquiries about the possible purchase of the Yogi Mine Project since the end of the Reporting Period but these remain preliminary inquiries at the date of this Report.

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

Ongoing Funding

TFA is continuing to provide sufficient loan funding to the Company to sustain essential operations while the revised Notice of Meeting for the Proposal is prepared for consideration by Shareholders.

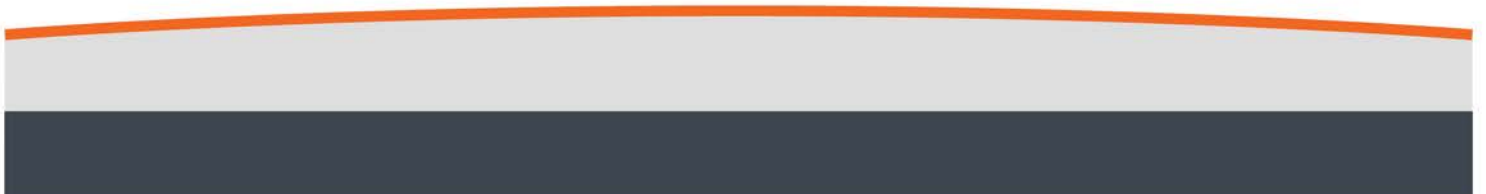
MINERAL TENEMENT INTERESTS AS AT 30 JUNE 2015

In accordance with ASX Listing Rule 5.3.3, the Company advises that the Ferrowest Limited Group has surrendered E59/1348 and E59/1097 at Yogi, E63/1585 at Lake Halbert East and E77/2015 at Marvel Loch during the Quarter. P77/4111 at Marvel Loch was forfeited by order of the Mining Warden 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.

The complete Tenement Schedule for the Company at 30 June 2015 is attached below.

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



Ferrowest Tenement Schedule - 30 June 2015				
Name	Tenement	Tenure Type	Status	Ferrowest Group Interest
YOGI MINE PROJECT - 14Km East of Yalgoo in WA				
YOGI	M59/525	Mining Lease	Granted	100%
YOGI	L59/119	Miscellaneous Licence (Ground Water)	Granted	100%
YOGI	M59/740	Mining Lease	Granted	100%
YOGI	M59/634	Mining Lease	Granted	100%
YOGI	M59/635	Mining Lease	Granted	100%
YOGI	M59/636	Mining Lease	Granted	100%
YOGI	M59/637	Mining Lease	Granted	100%
YOGI	P59/2028	Prospecting Licence	Granted	100%
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	E77/2108	Exploration Licence	Granted	80%
# Iron Rights - Ferrowest holds the right to earn up to 60% of the iron rights in the future.				

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

Ferrowest Limited

ABN

14 074 009 091

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(3)	(125)
(b) development	-	-
(c) production	-	-
(d) administration	(125)	(559)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	(8)	(19)
1.6 Income taxes paid	-	-
1.7 Other (GST recoverable/payable)	(6)	1
Net Operating Cash Flows	(142)	(702)
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	1	12
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Non-refundable option fee	1	40
Other – Refund of Bond	-	8
Net investing cash flows	1	60
1.13 Total operating and investing cash flows (carried forward)	(141)	(642)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(141)	(642)
	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	188	656
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	Net financing cash flows	188	656
	Net increase (decrease) in cash held	47	14
1.20	Cash at beginning of quarter/year to date	1	34
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	48	48

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	50
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

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

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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

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

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	150
Total	200

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	48	1
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	48	1

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	E59/1348	Surrendered	100%	0%
	E59/1097	Surrendered	100%	0%
	E63/1585	Surrendered	100%	0%
	E77/2015	Surrendered	100%	0%
	P77/4111	Forfeit	100%	0%
6.2 Interests in mining tenements acquired or increased	Nil			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

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

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