



FERROWEST
LIMITED

ABN 14 074 009 091

Annual Report

for the year ended
30 June 2015

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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

Registered Office & Principal Place of Business

Ferrowest Limited
3 Camden Street
BELMONT WA 6104

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Auditors

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Solicitor

Jeremy Shervington
52 Ord Street
WEST PERTH WA 6005

Bankers

Commonwealth Bank of Australia
150 St Georges Terrace
PERTH WA 6000

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:

Strategic Overview

This financial year 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 more than 50% with catastrophic consequences for junior iron exporters and project developers, including Ferrowest. With the Company's two major projects in iron ore and the ASX markets already a weak environment for minerals related investments, 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 support raising funds 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 ("Padbury") for \$750,000 in December 2014.

The Board further resolved in December 2014 to hold the Yalyirambi Iron Project (which has much lower holding costs and lower potential capital cost) to see how the iron ore market prospects would develop during 2015.

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

Leading into the 2015 calendar year, the prospects of selling the Yogi Mine Project and the then 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, had the effect of potentially diversifying Ferrowest from a mineral explorer to mineral explorer and property development company.

By the end of the first quarter of 2015, the Yogi Mine Project sale had fallen through, the Company's cash reserves were very low, iron ore prices remained low and the Company's shares were in voluntary suspension.

With high levels of debt, low cash reserves and projects in an 'out of favour' market sector, the Company found itself in an extremely difficult position.

The Company's major shareholder, TFA International Pty. Ltd., proposed a reconstruction of the Company to recapitalise Ferrowest and change its main business to property and infrastructure development. This proposal is discussed in detail later in this report.

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 carried out at around the same time included survey work and ongoing rehabilitation activities related to previous drilling.

For the remainder of 2014, due to the extremely poor iron ore market conditions and resulting lack of funds, most planned exploration of the Company's projects was deferred.

On 19 December 2014, Ferrowest granted a 60 day option to 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. On 21 January 2015, the Company announced a General Meeting for 23 February 2015 to consider the sale of the Yogi Mine Project.

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.

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

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

The failure by Padbury to settle the transaction constituted an event of default under the terms of the Agreement and 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 affect its plans and business going forward.

The Board determined to leave the Yogi Mine Project up for outright sale for A\$750,000 in cash.

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 have so far translated into a sale.

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 further rehabilitation maintenance was carried out at Yogi in the second quarter of 2015.

The Eradu MPI Project

As part of the process of investigating new mineral project opportunities as stated in the Strategic Overview above, in early 2015, the Company also reviewed whether the changes in the iron ore industry would provide new opportunities to pursue its value-adding plans in iron manufacture, independent of its own source of iron ore. This review concluded that the future pricing paradigms of iron ore and merchant pig iron were too difficult to determine and hence the evaluation of project scenarios needed to be deferred for the time being.

The Yalyirambi Iron Project

During the first half of the financial year, the Company had been progressing work in relation to the Yalyirambi 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 Arafura Iron Pty Ltd ("AIPL"). On 30 October 2014 Ferrowest advised the market that it had secured 51% share ownership in AIPL, which is the joint venture vehicle jointly held with Arafura Resources Limited ("Arafura" ASX Code: ARU).

The Company appointed two Ferrowest nominated directors, being Mr. Brett Manning and Mr. Graeme Johnston to the Board of AIPL. AIPL had two existing Arafura Board nominee directors who remained 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 Yalyirambi Iron Project at its own cost.

Following the large drop in iron ore prices discussed above, the Board reviewed the prospects for the Yalyirambi 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 been sustained for some considerable period of time, the Board determined to write down the carrying value of the Yalyirambi Iron Project (deferred exploration expenditure) to zero in the accounts of the Company as at 30 June 2015.

The Marvel Loch Project

During the financial year, the Company was unable to provide the exploration funding to its wholly owned subsidiary, Urban Minerals Pty. Ltd. ("Urban"), which had been planned. The lack of funding was a reflection of the poor state of the resources market place during the financial year and the Company was unable to attract funding to support this project. The later failure of the sale of the Yogi Mine Project also removed a planned source of exploration funding for Urban Minerals and forced it to curtail planned exploration spending on its remaining Marvel Loch tenements. As a consequence, the decision was taken to surrender all but one of the exploration licences, E77/2108, held by Urban at Marvel Loch due to a lack of available funding to meet exploration expenditure commitments, tenement rents and council rates.

Corporate Matters***Company Share Options***

On 1 September 2014, the listed options, ASX code FWLO, expired. The remaining 3,538,250 unlisted options also expired during the financial year. At 30 June 2015, the Company had no options on issue.

Proposed Funding Agreement

Early in the financial year the Company completed its due-diligence on the Chinese company Hubei Taifeng Investment and Development Co., Ltd. ("HTDC") in which Ferrowest had planned to invest under the terms of the funding agreement announced to the market on 30 April 2014 ("the Funding Agreement") 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 financial year. 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.

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 that it was satisfied with its due-diligence inquiries of the transaction contemplated in the Funding Agreement.

Shareholders approved the Funding Agreement on 11 November 2014 at a General Meeting of the Company. The Company also received the remaining loan funds due under the Funding Agreement during the financial year to a total of A\$600,000 from TFA.

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.

The Chengdu company is called **Panaust (Chengdu) International Trade Co., Ltd.**

Settlement under the Funding Agreement and acquisition of HTDC remained subject to Chinese Government approval in April 2015 when other events overtook further pursuit of the transaction. TFA made a new proposal for the restructuring of the Company ("the Proposal"). A term of the Proposal was that the Company not continue with the HTDC acquisition that was now considered inappropriate in the context of the new Proposal. The Proposal is detailed later in this Report.

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

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

Other Capital Raising

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 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. Following further settlement delays, the non-renounceable pro rata issue was extended again until 10 April 2015. However when Padbury still failed to settle the purchase of the Yogi Mine Project, the Company applied for, and was granted, voluntary suspension in the trading of its shares on 1 April 2015. By 7 April 2015, the offer had to be withdrawn because the Company's shares remained in voluntary suspension. All subscription monies were returned.

Urgent Strategic Review – End of April 2015

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 Mine Project would 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.

The Proposal

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 the reconstruction Proposal in April 2015. This proposal was in a formative stage at the end of April 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 the Yogi Mine Project could potentially clear the Company's debt entirely. This would set the Company up for much better prospects in the future. No other proposals had been identified and there were no other corporate options available to the Board which had anywhere near the same level of potential benefit for shareholders and creditors, hence the Board decided 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 was essential to get away from reliance on an industry that was 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 proposed 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 believed that, with its assistance, the Company could 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 was prepared to support the reconstruction by facilitating:

- Conversion of its debt to equity (around A\$1.4M at the time) 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 requoted on 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 was both a major departure from the Company's current business and would result in a change in control of the Company, the Directors that were not associated with TFA unanimously agreed that the Proposal was superior to any other potential option before the Company at that time.

Also 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.

Therefore at the end of the financial year, the Company was in the process of identifying, evaluating and securing a new property development project for consideration by shareholders as part of the Proposal.

EVENTS SUBSEQUENT

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

The Company continued to receive fresh inquiries about the possible purchase of the Yogi Mine Project after the end of the financial year but these remain preliminary inquiries only 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.

The future of the Yalyirimbi Iron Project remained under review, following the Board's decision to write down its carrying value to zero at 30 June 2015.

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. As part of this process, the Company needed to identify an initial property development project, which it would pursue if the shareholders approve the Proposal. This new project was announced on 17 August 2015 and is summarised below.

The Zigong Guodun Farmers Market

The Zigong Guodun Farmers Market project is a property development project located in the City of Zigong in Chengdu Province in China. The Project envisages the construction of a proposed 5 storey commercial property (shopping centre) on a 9,057m² site in an area already undergoing urbanisation. There are two new cities in the vicinity of the development with an eventual combined population of around 132,000 people. The area has 'high-end' residential developments nearby, creating a good market for potential buyers of the commercial space in the development.

Construction of the Project is expected to take around 18 months to complete. The construction of nearby multi-storey apartment buildings is already well advanced and they will start to be occupied next year (2016). Infrastructure to the surrounding area is in place and there are nearby education, health care and recreational facilities.

The foot print of the shopping centre itself will be approximately 3,600m². The first, third and fourth floors will be commercial space totalling about 7,900m². The second floor will be a 4,100m² farmers market area. The fifth floor will have 218m² of office space.

The main approvals relating to scope, nature and scale of the Project have already been granted by the Government Authorities. Further approvals will be required once the detailed design phase is completed. Construction of the Project is planned to be contracted out to qualified building companies and the total cost of the Project (including financing) is expected to be in the order of AUD\$20.0M but this cannot be confirmed until detailed design has been completed.



Above: Model showing a place holder box on the Zigong Guodun Farmers Market location (Gold plaque on top)



Above: View of the empty Zigong Guodun Farmers Market site in the foreground, behind the fence. (Note the nearby residential complexes under construction)

On 17 August 2015, the Company announced that the ASX had rejected the Company's draft Notice of Meeting about the Proposal for a second time.

Acquisition Agreements

On 14 September 2015, the Company announced that it had completed acquisition agreements ("the Acquisition Agreements") to acquire a 51% interest in the Zigong Guodun Farmers Market.

The Project is wholly owned by Sichuan Fuchuang Property Co., Ltd. ("SFP"). SFP holds the 40 year 'Land Use Right' to the Project site and various initial Government approvals for the Project. The Company has entered into agreements with the two current shareholders of SFP to acquire a total 51% share interest in SFP and, as a result, a controlling interest in the Project. This acquisition is conditional only on shareholder approval of the Proposal and its successful implementation, including re-compliance with the ASX Listing Rule requirements for the re-quotation of the Company's Shares on the ASX.

The total acquisition price for the 51% interest in SFP is 9.28 million Chinese Yuan ("CNY") (A\$2,047,977*).

** Note: An exchange rate of 4.5313 CNY to 1.0000 A\$ is used in this Report*

In addition to the 51% of the shares in SFP, the Company will also secure a 4,800,000 CNY (A\$1,059,299) receivable from SFP (a debt SFP will owe the Company) as part of the total assets purchased for the consideration specified above. The receivable is unsecured and non-interest bearing and would only be repaid on successful construction and sale of the Project.

Under the terms of the Acquisition Agreements, the cash purchase prices must be paid on the following dates:

- (a) 1,000,000 CNY on 16 August 2015
- (b) 7,800,000 CNY on 25 August 2015
- (c) 480,000 CNY on 8 December 2015

In order to meet the cash payment obligations ((a) and (b) having already been paid), the Company has entered into an agreement ("the Trust Agreement") with a Chinese company called Chengdu Yaopeng Electrics and Machinery Trading Co., Ltd. ("Chengdu Yaopeng").

Chengdu Yaopeng is a company that has been identified by the Company's largest shareholder, TFA, to take the lead role in the Proposal to reconstruct the Company.

Chengdu Yaopeng and TFA do not have any common directors or shareholders but are classed as 'related parties' for the purposes of the Proposal because they would, subject to shareholder approval, work in concert in order to implement it.

Chengdu Yaopeng has made the payments (a) and (b) specified above securing 45.5% of the Company's interest in SFP. The payment for the last 5.5% is due in December 2015.

Chengdu Yaopeng will hold the Company's interest in SFP on trust for the Company while the Proposal is considered by Shareholders. Under the terms of this Trust Agreement, Chengdu Yaopeng receives no payment or other benefit from the Company for holding the Company's interest on trust on its behalf.

One of the components of the Proposal that will be considered by shareholders is a A\$2,500,000 cash share subscription. Under the current plan, Chengdu Yaopeng's Australian subsidiary Yaopeng International Trade Pty. Ltd. is proposed to make that investment in the event that shareholders approve the Proposal.

At the time when all the conditions are met for the issue of the Post Consolidation Shares (upon the successful completion of the Proposal), Chengdu Yaopeng is obliged under the Trust Agreement to deliver the Company's interest in SFP, for which it paid cash on the Company's behalf, to the Company's wholly owned Chinese subsidiary Panaust (Chengdu) International Trade Co., Ltd. and will also provide the balance of the A\$2,500,000 cash due under the Subscription Agreement to the Company (i.e. A\$2,500,000 cash, less the cash already paid on the Company's behalf to acquire the 51% interest in SFP). The Company will then issue the 12,500,000 Post Consolidation Shares for the A\$2,500,000 consideration at the same time as the other Post Consolidation Shares are issued as contemplated under the Proposal.

In the event that shareholders reject the Proposal or the Proposal fails for any reason to be successfully completed, then no Post Consolidation Shares will be issued and under the terms of the Trust Agreement, Chengdu Yaopeng will retain the interest in SFP which it has paid for on the Company's behalf. The Company will lose its rights to this interest but there will be no trailing liability whatsoever on the Company if this occurs. The Trust Agreement also terminates in the event that the Company enters external administration or, by the efflux of time, on 31 December 2015.

Also on 14 September 2015, the Company advised that it is still working toward approval of its Notice of Meeting to put to shareholders on the Proposal. It has been necessary to increase the size of the reconstruction Proposal to accommodate the additional costs incurred by the delays in being able to put the proposal forward to shareholders. The new revised Proposal details are included in the summary below.

Revised Terms of the Proposal

Due to delays in securing approval to issue the Notice of Meeting for shareholders to vote on the Proposal, it became necessary to increase the scale of the Proposal to cover the additional costs.

The following changes were announced by the Company on 14 September 2015:

- The conversion of debt to equity increased from \$1.4M to \$1.95M;
- The Priority Entitlement Issue was changed from an entitlement of 2 Post Consolidation Shares per Post Consolidation Share held to 3, which increased the total to be raised from \$1.57M to A\$2.39M before costs; and
- The expected minimum subscription under the Priority Entitlement Issue was also increased to \$1.95M.

As a result of the combined support of TFA and Yaopeng for the reconstruction Proposal in both debt conversion and cash, their collective shareholding in the Company would increase from 29.17% pre-Proposal to a minimum of 60.0% post-Proposal. It could also increase up to as much as 70.1% in circumstances where:

- the partial underwriting commitment is required to meet an unsubscribed shortfall in the Priority Entitlement Issue; and
- only the minimum subscription level for the Priority Entitlement Issue (planned to be A\$1.95M) is achieved.

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

Deed of Cancellation – Yalyirimbi Iron Project

On 22 September 2015, the Company entered a Deed of Cancellation with Arafura Resources Limited ("Arafura"), Ferrowest's joint venture partner in the Yalyirimbi Iron Project, in order to formally unwind Ferrowest's participation in the project. This includes the transfer of the 51% of the shares in Arafura Iron Pty Ltd held by Ferrowest back to Arafura, resignation of the two Ferrowest nominee directors from the Arafura Iron Pty Ltd Board, transfer of all project information and samples back to Arafura and the complete cancellation of all future Ferrowest rights and responsibilities in the project and the tenement on which it is based.

DIRECTORS' REPORT

Your Directors submit the annual financial report of Ferrowest Limited ("Ferrowest" or "the Company") for the financial year ended 30 June 2015. 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 a member of the Company's Audit Committee.

He is a Chartered Accountant with over 28 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 18 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 project 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 is a member of the Audit Committee.

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 is the Chairman of the Remuneration Committee. He has overall responsibility for mineral exploration and for the development of JORC compliant Resources and Reserves for the Company's mineral 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 19 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 is Chairman of the Audit Committee and a member of the Remuneration Committee.

Robert 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, a major shareholder of the Company.

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 during 2014, resigning in December 2014.
-

Company Secretary

Daniel Johannes Bredenkamp

Daniel was appointed Company Secretary on 28 November 2006.

Daniel has over 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. Daniel is also a registered liquidator.

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	-	1,131,818
Mr Brett L Manning	-	6,785,000
Mr Barry E Wyatt	-	6,558,041
Mr Graeme G Johnston	-	9,422,431
Mr Robert Sun	-	-

At the date of this report there are no unissued ordinary shares of the Company under options.

Corporate Structure

Ferrowest Limited is a limited liability Company that is incorporated and domiciled in Australia. Ferrowest Limited has no parent entity and has three wholly owned subsidiaries being: **Urban Minerals Pty Ltd** and **Altitude Metals Pty Ltd** (both registered in Australia) and **Ferrowest Hong Kong Limited** (registered in Hong Kong). Ferrowest Hong Kong has a wholly owned subsidiary **Panaust (Chengdu) International Trade Co., Ltd.** (registered in Chengdu, China).

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 \$10,022,237 (2014 \$1,849,583).

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:

The Company has entered into agreements to secure a 51% controlling interest in Sichuan Fuchuang Property Co., Ltd. ("SFP"), the owner of the Zigong Guodun Farmers Market project for 9.28 million CNY (A\$2,047,977). The agreements are conditional on Shareholder approval of the Proposal to reconstruct the Company and its successful implementation.

Significant Events After Balance Date (Cont.)

The Company has secured a further \$146,000 in loan funding from TFA since the end of the financial year to fund the maintenance of the Company as a going concern while the Proposal is prepared for shareholders. Full details of this proposed acquisition are outlined in the Review of Operations.

Likely Developments and Expected Results

The Company expects to put the Proposal to shareholders to change the main business undertaking of the Company to property and infrastructure development. If approved, the Company intends to pursue the construction and sale of the Zigong Farmers Market Project in Sichuan Province in China after completing the implementation of the reconstruction and recapitalisation Proposal.

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 and the Northern Territory.

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 2015, 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 2015. 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 Godsmen Johnston (Non-executive Director)

Mr Robert Sun (Non-executive Director)

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 2015 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 2015 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 24 February 2006 and revised on 19 November 2007, 13 March 2008, 12 April 2011, 18 July 2012, 5 June 2013, 21 November 2013 and 22 May 2015.

Mr Manning is engaged as a permanent full time employee of the Company on the following key terms and conditions:

- Fixed Remuneration - \$200,000* 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 or pro-rate thereof after 7 years.

Note* - In a voluntary agreement dated 21 November 2014, Mr Manning agreed to temporarily defer payment of a portion of his fixed remuneration of \$225,000 such that he received the equivalent of \$190,000 per annum plus statutory 9.5% superannuation for most of the Reporting Year. Mr Manning then took a voluntary 11% permanent reduction in his salary in May 2015 and currently receives no incentives or fringe benefits.

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 casual employee of the Company on the following key terms and conditions:

- Fixed Remuneration Rate – Hour rate equivalent to \$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 or pro-rate thereof after 7 years.

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 2015 or 30 June 2014.

Shares Issued to Key Management Personnel on Exercise of Compensation Options

No key management personnel exercised options during the years ended 30 June 2015 or 30 June 2014.

*Remuneration of Key Management Personnel***Table 1: Directors' remuneration for the years ended 30 June 2015 and 30 June 2014**

		Primary benefits			Post-employment		Equity	Other	Total	
		Salary & Fees	Bonuses	Non-Monetary Benefits	Super-annuation	Prescribed benefits	Options			Performance Related
		\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Bryan Hughes	2014	54,500	-	-	-	-	-	-	54,500	-
	2015	54,500	-	-	-	-	-	-	54,500	-
Mr Brett Manning*	2014	225,000	-	-	20,810	-	-	-	245,810	-
	2015	210,894	-	-	20,013	-	-	-	230,907	-
Mr Barry Wyatt	2014	44,070	-	-	-	-	-	-	44,070	-
	2015	38,150	-	-	-	-	-	-	38,150	-
Mr Graeme Johnston	2014	174,884	-	-	3,230	-	-	-	178,114	-
	2015	34,920	-	-	3,230	-	-	-	38,150	-
Mr Robert Sun	2014	34,920	-	-	3,230	-	-	-	38,150	-
	2015	34,920	-	-	3,230	-	-	-	38,150	-

* Salary reduced voluntarily to \$200,000 in May 2015

Table 2: Other Key Management Personnel's remuneration for the years ended 30 June 2015 and 30 June 2014

		Primary benefits			Post-employment		Equity	Other	Total	
		Salary & Fees	Bonuses	Non-Monetary Benefits	Super-annuation	Prescribed benefits	Options			Performance Related
		\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Daniel Bredenkamp	2014	153,742	-	-	14,174	-	-	-	167,916	-
	2015	9,053	-	-	917	-	-	-	9,970	-

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 2015

	Balance 01/07/14	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/15
BK Hughes	1,131,818	-	-	-	1,131,818
BL Manning	6,265,000	-	-	520,000	6,785,000
BE Wyatt	6,558,041	-	-	-	6,558,041
GG Johnston	9,422,431	-	-	-	9,422,431
R Sun	-	-	-	-	-
DJ Bredenkamp	537,000	-	-	-	537,000

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	6,265,000	-	-	635,000	6,265,000
BE Wyatt	6,558,041	-	-	205,000	6,558,041
GG Johnston	9,422,431	-	-	375,000	9,422,431
R Sun	-	-	-	-	-
DJ Bredenkamp	537,000	-	-	82,677	537,000

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 2015

	Balance 01/07/14	Received as Remuneration	Options Exercised	Net Change Other (i)	Balance 30/06/15	Vested as at end of period	
						Total	Exercisable
BK Hughes	3,550,000	-	-	(3,550,000)	-	-	-
BL Manning	510,000	-	-	(510,000)	-	-	-
BE Wyatt	218,000	-	-	(218,000)	-	-	-
GG Johnston	1,543,000	-	-	(1,543,000)	-	-	-
R Sun	-	-	-	-	-	-	-
DJ Bredenkamp	59,250	-	-	(59,250)	-	-	-

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	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

(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 (Continued)

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	10	10	1	-
Mr Brett L Manning	10	10	*	-
Mr Barry E Wyatt	9	10	1	-
Mr Graeme G Johnston	9	10	*	-
Mr Robert Sun	10	10	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 36 and forms part of this Directors' report for the year ended 30 June 2015.

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

Signed in accordance with a resolution of the Directors.



Bryan Hughes
Chairman
PERTH, Western Australia
30 September 2015



Brett Manning
Managing Director
PERTH, Western Australia
30 September 2015

CORPORATE GOVERNANCE STATEMENT

This statement is current as at 17 September 2015.

The Corporate Governance policy of Ferrowest Limited ("the Company") has been prepared by the Board of Directors of the Company with reference to 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council ('ASX Principles and Recommendations').

The ASX Principles and Recommendations are a guide for listed public companies rather than a set of prescriptive requirements in order to recognise that each company is different and should properly adopt policy that is appropriate to the organisation.

The Board of Directors of the Company have adopted the best practice recommendations contained in the ASX Principles and Recommendations that are deemed appropriate for the Company, given its scale and nature of operations.

This policy sets out how the Company is to comply with the ASX Principles and Recommendations and where its policy for Corporate Governance differs from the guidance.

The Board of Directors of the Company approved this policy on 17 September 2015.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.

The Board of Directors of the Company are responsible to the shareholder as a whole for the performance of the Company.

The Board of Ferrowest are committed to high standards of Corporate Governance in the performance of their duties.

The Board has adopted a formal Charter which clearly establishes the relationship between the Board and management and describes the Board's functions and delegated responsibilities.

The Board has determined that its primary function is in:

- Establishing, monitoring and reviewing the strategic direction of the Company;
- Delegating management authorities;
- Ensuring the health, safety and well-being of employees;
- Ensuring that the Company's obligations to shareholders are understood and met;
- Ensuring protection of the environment as it pertains to Company operations;
- Evaluating corporate risk and monitoring internal controls;
- Setting the Company's values and standards;
- Setting Corporate Governance policies;
- Approving master budgets and allocating financial resources;
- Reviewing financial performance to budget and amending resourcing where required;
- Approving material transactions, significant management initiatives, investment strategies and major capital purchases or divestments;
- Appointing, remunerating and/or terminating of the Chief Executive Officer and the Company Secretary; and
- Any other matter considered desirable and in the interest of the Company.

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's charter is available on the Company's website at www.ferrowest.com.au

CORPORATE GOVERNANCE STATEMENT (Cont.)

Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company holds an election of directors each year at its Annual General Meeting ('AGM'). Directors are appointed for a maximum term of three years. Retiring directors are not automatically re-appointed. A director that has been appointed during the year must stand for election at the next AGM.

Comprehensive reference checks are undertaken by the Company prior to appointing a director or putting that person forward at an AGM as a candidate, in order to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director.

The Company provides shareholders with relevant information for their consideration about the attributes of candidates in the Notice to the AGM, together with whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Non-executive directors are provided with a letter of appointment which:

- Sets out their key responsibilities at law;
- Provides them with a copy of the Company's Constitution (which covers term of appointment);
- Advises expected time commitments and required committee work and/or special duties;
- Requires disclosure of their relevant interests which may affect independence;
- Provides Company Policies;
- Sets out remuneration entitlements;
- Advises on indemnities; and
- Provides copies of standing Board resolutions.

Executive directors and senior executives are issued employment or service contracts which detail the above matters as well as the normal range of employment rights and responsibilities.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board, through the Chairman and is accessible to all directors.

Recommendation 1.5 - A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

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.

CORPORATE GOVERNANCE STATEMENT (Cont.)

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes with respect to the review and appointment of Directors.

All Directors' and employees of the Company are bound by the policies of the Company that support diversity.

While the Board will make every effort to support diversity by equitable policies and practices around the recruitment of Directors and the recruitment and/or promotion of employees, the Board does not believe it is feasible or appropriate to adopt Recommendation 1.5 (a), (b) and (c) at this time for the reasons set out below.

- The Company currently has a Board of five members and under the proposed reconstruction proposal, if adopted by shareholders, this would reduce to three. This makes the setting of quotas impractical at this time;
- The Board has only placed two new members in the last eight years since listing and one of these was a major shareholder nominee; and
- The Company currently only has 1.8 full time equivalent employees. Under the proposed restructure, if adopted by shareholders, this is unlikely to change significantly in the near future.

The Company was not compliant with Recommendation 1.5 (a), (b) and (c) during the financial year for the reasons specified above. The Company will periodically review its position in regard to these recommendations and adopt changes where appropriate.

The Company will report annually on the diversity of the Board and workforce in general as a further method of highlighting diversity and the importance that the Board places on a diverse workforce.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

The Company's diversity strategies include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing succession plans to ensure that there are no impediments to diversity;
- encouraging female participation across a range of roles in the Company;
- reporting on the relative proportion of women and men in the workforce at all levels of the Company;
- articulating a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- developing 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.

At the date of this report, the Company has the full time equivalent of 35% female employees. No women are currently represented on the Board.

No entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators need to be disclosed.

Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

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.

CORPORATE GOVERNANCE STATEMENT (Cont.)

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report;
- the annual general meeting and other meetings to obtain shareholder approval for Board actions as appropriate; and
- continuous disclosure in accordance with ASX Listing Rule 3.1 and the Company's continuous disclosure policy.

A Peer Review of the Board was undertaken during the financial year.

Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

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

A Performance Appraisal of all employees was undertaken during the financial year.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 - The board of a listed entity should (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The functions that would be performed by a nomination committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 2.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendations of candidates for any position of new director are made by the directors for consideration by the Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by a director, the Board assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, availability to commit to the Board's activities and the potential for the candidate's skills to augment the existing Board. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following General Meeting of Shareholders and will be eligible for election by shareholders at that General Meeting.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Given the size of the Board and the current operations of the Company, the Board does not maintain a formal skills matrix for the Board. Accordingly the Company was not in compliance with Recommendation 2.2 during the financial year.

CORPORATE GOVERNANCE STATEMENT (Cont.)

However, the individual directors and the Board as a whole, recognise the importance for the Board to have the skills, knowledge, experience and diversity of background and expertise required to effectively guide the Company over time in response to market developments, opportunities and challenges.

The Board recognises certain core skills that are required for the Board to ensure effective stewardship of the Company. These include business and strategic expertise, experience with financial markets, industry knowledge, financial skills, project management experience and ethical management skills.

The current Board members represent individuals that have extensive business and industry experience. The aim, when considering Board member attributes, is to consider whether collectively they can deliver outcomes in accordance with the Company's business objectives and in doing so, deliver value to shareholders.

Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Name	Appointed	Length of Service	Independence
Mr Bryan Kevin Hughes	18 April 2012	3 years, 5 months	Independent
Mr Brett Lee Manning	10 April 2005	10 years	Executive
Mr Barry Edward Wyatt	16 May 1996	19 years, 4 months	Independent
Mr Graeme Godsman Johnston	20 February 2006	9 years, 7 months	Independent
Mr Robert Sun	4 October 2012	2 years, 11 months	Shareholder Nominee

The Board has reviewed the position and associations of each of the directors in office at the date of this report in terms of Recommendation 2.3 and other facts, information and circumstances that the Board considers relevant and considers that Mr Hughes, Mr Wyatt and Mr Johnston are independent non-executive directors.

Mr Manning, as an Executive Director (the Managing Director) is not considered an independent Director in respect of his daily management of the affairs of the Company. However, with the exception of certain specific circumstances such as Audit Committee deliberations on the management of the Company and its reporting, the Board does not consider Mr Manning's contribution to the Board is in anyway compromised by his position as Managing Director.

Mr Sun is also the General Manager of the Company's largest shareholder TFA International Pty. Ltd. and is therefore not considered an independent non-executive director. Mr Sun absents himself from Board deliberations or decisions which relate to TFA or its associates. Given the appropriate management practices adopted by Mr Sun and the Board in respect to TFA matters, the Board does not consider Mr Sun's contribution to the Board is in anyway compromised by the association.

The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

Having regard to Recommendation 2.3 above, a majority of the Board is comprised of independent directors.

CORPORATE GOVERNANCE STATEMENT (Cont.)

Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Having regard to Recommendation 2.3 above, the Chair is an independent director and is not the CEO of the Company.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company has a formal induction process for new directors. New directors are provided with copies of Company policy documents, key legal requirements for directors, the Company's Constitution and are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. They are also provided information on insurances, indemnities and the processes for accessing independent legal advice if required. There are also processes of induction for disclosures, key personal information, safety and business procedures and practices.

Directors receive a formal letter of appointment setting out the key terms and conditions relevant to that appointment. Due to the small size of the Company's Board, directors generally undertake their own continuing education.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behavior and business ethics in relation to their corporate activities.

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.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

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 Code of Conduct and Company Values are posted on the Company's website at www.ferrowest.com.au

The Company has adopted a Share Trading Policy which summarises the law relating to insider trading and sets out the policy of the Company on directors, officers, employees and consultants dealing in shares of the Company. The Share Trading Policy is also available on the Company's website.

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.

CORPORATE GOVERNANCE STATEMENT (Cont.)

The intent of this Trading Policy is to:

- Educate all persons associated with the Company about their obligations when trading in the Securities of the Company;
- To prevent a breach of the Insider Trading provisions of the Act by persons associated with the Company;
- To ensure a proper market for the Company's Securities is maintained that supports shareholder and investor confidence;
- 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
- To comply with the ASX Listing Rules.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

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.

The Audit Committee has a Charter to govern its activities that has been approved by the Board of Directors. The number of meetings of the Audit Committee during the financial year are provided in the Directors' Report.

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 current members of the Audit Committee are:

Mr Robert Sun (Chairman)

Mr Bryan Hughes

Mr Barry Wyatt

A majority of the Audit Committee are Independent Directors. The Chairman of the Audit Committee is not the Chairman of the Board.

The Chairman of the Audit Committee, Mr Robert Sun is a non-executive director but is not classified as an Independent Director because of his position as General Manager of the Company's major shareholder. However, the Board is of the view that for the purposes of his role as Chairman of the Audit Committee, Mr Sun's independence is not compromised by his association and that he is an Independent Director for the purposes of his role in this capacity.

CORPORATE GOVERNANCE STATEMENT (Cont.)

Meetings of the Audit Committee are held throughout the year as required and the Committee may meet with the Company's auditors and reports to the full Board as required.

The Audit Committee ensures the integrity of the financial policies of the Company, reviews the integrity of the Company's financial reporting and the independence of the external auditor.

The Audit Committee also reviews the audited annual and half-year financial policies and any reports which accompany published financial policies and recommends their approval to the Board.

Appointment of the external auditor and their fees is also the responsibility of the Audit Committee.

Details of the qualifications and experience of the members of the Committee are contained in the 'Information of directors' section of the Directors' report.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

It is the policy of HLB Mann Judd, the Company's current external auditor, to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services (if any), is provided in the notes to the financial policies in the Annual Report.

There is no indemnity provided by the Company to the auditor in respect of any potential liability to third parties.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial policies for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial policies comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

For the financial year ended 30 June 2015 and the half-year ended 31 December 2014, the Company's CEO and CFO provided the Board with the required declarations.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

A representative of the Company's external audit firm attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.

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.

The Board reviews the Company's compliance with this policy on an ongoing basis and will update it from time to time, if necessary.

CORPORATE GOVERNANCE STATEMENT (Cont.)

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The Company maintains information in relation to corporate governance policy, directors and senior executives, Company Policies, Annual Reports, ASX announcements and contact details on the Company's website.

Recommendations 6.2 and 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

The Company is committed to promoting effective communications with shareholders by ensuring they and the investment market generally are provided with full and timely disclosure of its activities and providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner. The Company provides shareholders with periodic updates on its business. Shareholders are encouraged to communicate by electronic means and to participate at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the Company's share registry, Share Transfer Registrars.

Shareholders can also sign up to an email alert system on the Company's website at www.ferrowest.com.au

Recommendations 7.1 & 7.2

The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

The functions that would be performed by a risk committee are currently performed by the full Board. Having regard to the number of members currently comprising the Company's Board and the stage of the Company's development, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. Accordingly the Company was not in compliance with Recommendation 7.1 during the financial year. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

CORPORATE GOVERNANCE STATEMENT (Cont.)

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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 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 reviews risks to the Company at regular Board meetings.

The Company manages material business risks under a series of risk management strategies. There is an ongoing program to identify, monitor and manage compliance issues and material business risks with a view to safeguarding the Company's investments and the integrity of its operations. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

The Board has formally assessed material business risk during the financial year.

Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Board has the responsibility for ensuring the effectiveness of risk management and internal compliance and control. As part of the review process the Board considers the extent to which the risk process has been successful in retrospect with regard to the identification and mitigation of risks. This is required at all times and the Board actively promotes a culture of quality and integrity.

The Company does not have an internal audit function due to its size; however the Company's procedures and policies are subject to regular review. The Board also liaises closely with the Company's external auditor to identify potential improvements to the risk management and internal control procedures.

The Board recognises that no cost-effective internal control system will preclude the possibility of errors and irregularities. The Company has insurance policies to cover unexpected or unforeseen events and reduce any adverse consequences.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company does not believe it currently has material exposure to economic, environmental and social sustainability risks, which risks are currently being managed in the normal course of business.

CORPORATE GOVERNANCE STATEMENT (Cont.)

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

It is the Company's objective to provide maximum shareholder 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. The Chairman of the Committee is an Independent Director.

The members of the Remuneration Committee are:

Mr. Graeme Johnston (Chairman)

Mr. Brett Manning

Mr. Robert Sun

Mr. Robert Sun is a non-executive director but is not classified as an Independent Director because of his position as General Manager of the Company's major shareholder, however, the Board is of the view that for the purposes of his role as a Remuneration Committee member, Mr. Sun's independence is not compromised by his association and that he is an Independent Director for the purposes of his role in this capacity. Therefore, the majority of the Committee are considered to be Independent Directors.

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 in the success of the Company.

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

The Managing Director is responsible for the general remuneration policies and practices that apply to the balance of employees within the Company.

Details of the qualifications and experience of the members of the Committee are detailed in the 'Information on Directors' section of the Directors' report.

The Remuneration Committee has a Charter to govern its activities that has been approved by the Board of Directors. The number of meetings of the Audit Committee during the financial year is provided in the Directors' Report.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT (Cont.)

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Directors' Report.

The level of remuneration reflects the anticipated time commitments and responsibilities of the position having regard to the financial constraints on the Company. Senior executives may be remunerated using combinations of fixed and performance based remuneration. Salaries are set at levels reflecting market rates having regard to the financial constraints on the Company and performance based remuneration, when offered, will be linked to specific performance targets that are aligned to both short and long term objectives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

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 31 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.

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

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it

The use of derivatives or other hedging arrangements for unvested securities of the Company or vested securities of the Company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the Company, this must be disclosed.

OTHER GOVERNANCE MATTERS

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

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.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Ferrowest Limited for the year ended 30 June 2015, 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 2015

N G Neill
Partner

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015**

		Consolidated	
	Notes	2015 \$	2014 \$
Revenue	2	52,649	11,790
Salaries and employee benefits expense		(583,200)	(557,062)
Depreciation		(25,152)	(35,738)
Exploration expenditure written off	8	(389,514)	(582,916)
Impairment of deferred exploration expenditure	8	(8,745,433)	-
Interest and finance costs		(106,443)	(65,805)
Land option written-off		-	(300,000)
Corporate and administration costs		(225,144)	(319,852)
Loss before income tax expense	2	(10,022,237)	(1,849,583)
Income tax expense	3	-	-
Net loss for the year		(10,022,237)	(1,849,583)
Other Comprehensive Income		-	-
Total Comprehensive Loss		(10,022,237)	(1,849,583)
Basic loss per share (cents per share)	4	(4.46)	(0.84)

The accompanying notes form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

		Consolidated	
	Notes	2015 \$	2014 \$
Assets			
Current Assets			
Cash and cash equivalents	5	48,369	34,736
Other assets	6	402	402
Total Current Assets		48,771	35,138
Non-Current Assets			
Other assets	6	33,828	41,445
Property, plant and equipment	7	16,016	40,742
Asset held for sale	8	750,000	-
Deferred exploration expenditure	8	127,867	9,616,345
Total Non-Current Assets		927,711	9,698,532
Total Assets		976,482	9,733,670
Liabilities			
Current Liabilities			
Trade and other payables	10	998,358	389,644
Borrowings	11	1,531,735	336,400
Total Current Liabilities		2,530,093	726,044
Non-Current Liabilities			
Borrowings	11	-	539,000
Total Non-Current Liabilities		-	539,000
Total Liabilities		2,530,093	1,265,044
Net Assets		(1,553,611)	8,468,626
Equity			
Issued capital	12	19,700,333	19,700,333
Reserves	12	-	39,341
Accumulated losses		(21,253,944)	(11,271,048)
Total Equity		(1,553,611)	8,468,626

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015		Consolidated	
		2015	2014
		\$	\$
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(499,508)	(727,098)
Interest received		275	6,369
Interest paid and finance costs		(19,329)	(18,535)
Other revenue received		1,283	-
Net cash (used in) operating activities	5	(517,279)	(739,264)
Cash flows from investing activities			
Payments for plant and equipment		(426)	-
Proceeds on disposal of plant & equipment		11,091	14,090
Payments for deferred exploration expenditure		(183,705)	(871,084)
Proceeds of option fees		40,000	-
Performance and rental bond repayments		7,617	49,179
Net cash (used in) investing activities		(125,423)	(807,815)
Cash flows from financing activities			
Proceeds from issue of securities		-	180,000
Proceeds from borrowings		656,335	719,000
Net cash provided by financing activities		656,335	899,000
Net increase/(decrease) in cash and cash equivalents		13,633	(648,079)
Cash and cash equivalents at 1 July		34,736	682,815
Cash and cash equivalents at end of year	5	48,369	34,736

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015**

	Consolidated			
	Issued Capital \$	Accumulated Losses \$	Reserves \$	Total \$
Balance at 1 July 2013	19,500,333	(9,507,646)	125,522	10,118,209
Securities issued during the period	200,000	-	-	200,000
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
Transfer of reserve on option expiry	-	39,341	(39,341)	-
Net loss for the year	-	(10,022,237)	-	(10,022,237)
Balance at 30 June 2015	19,700,333	(21,253,944)	-	(1,553,611)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 \$2,481,322 as at 30 June 2015, 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 for a period of at least twelve months from the date of signing this financial report.

The Company's largest shareholder, TFA, has put forward a proposal to recapitalise the Company and change its primary business from mineral exploration to property development. The Board believes in the current circumstances facing the Company, the proposal has merit and has agreed to put it to shareholders for consideration as soon as possible. A condition of the proposal is that TFA will provide loan funding sufficient to ensure that the Company remains a going concern until the proposal can be determined and, if approved, to fund its implementation. On this basis, TFA provided \$180,000 to the Company for the period from when the proposal was put to the Board, up until 30 June 2015 and a further \$146,000 from 1 July 2015 to 31 August 2015. Funding will continue to be provided by TFA as long as the proposal remains under consideration or proceeds to implementation.

If the proposal is approved by shareholders and successfully implemented, the majority of the Company's debt (\$1,950,000) will be converted to equity under the proposal and a minimum of \$4,450,000 cash will be raised. These measures would significantly improve the financial position of the Company.

If the proposal is rejected by shareholders or the proposal fails for any other reason (including upon unsuccessful implementation), the Company would urgently need to secure further capital by some other means.

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 while the proposal is under consideration 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 the proposal be rejected or otherwise fail for any reason and 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(b) Adoption of new and revised standards

Standards and Interpretations applicable to 30 June 2015

In the year ended 30 June 2015, 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 2015. 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.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2015.

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.

Assets held for sale:

Assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than continuing use. The condition is regarded as being met when the asset is available for immediate sale in its present condition. Management must be committed to the sale which is expected to be completed within one year.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(I) 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(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.

(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 probable 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(r) Interest-bearing loans and borrowings (Cont.)

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).

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(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.

(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 2015 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

(x) Basis of consolidation (Cont.)

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 2015

Consolidated

NOTE 2: REVENUE AND EXPENSES**(a) Revenue**

	2015	2014
	\$	\$
Interest received	275	6,369
Other revenue – Fuel credits	1,283	2,419
Net gains on disposal of plant and equipment	11,091	3,002
Option fee	40,000	-
	<u>52,649</u>	<u>11,790</u>

(b) Expenses

Depreciation of non-current assets

Plant and Equipment	25,152	35,738
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Amounts, received or due and receivable by auditors for:

• audit or review services	32,750	26,000
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NOTE 3: INCOME TAX**(a) Income Tax Expense**

	2015	2014
	\$	\$

The income tax expense for the year differs from the prima facie tax as follows:

Loss for year	(10,022,237)	(1,849,583)
Prima facie income tax (benefit) @ 30%	(3,006,671)	(554,875)
Exploration and Evaluation Impairment	2,623,630	-
Tax effect of non-deductible items	5,403	367
Tax effect of capital losses	-	90,000
Deferred tax assets not brought to account	377,638	464,508
Total income tax expense	<u>-</u>	<u>-</u>

(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 [#]	3,878,591	3,567,457
Temporary differences	155,260	88,756
Tax losses - capital	90,000	90,000
	<u>4,123,851</u>	<u>3,746,213</u>

⁺ - 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 2015

NOTE 4: LOSS PER SHARE

	Consolidated	
	2015	2014
Basic loss per share (cents per share)	(4.46)	(0.84)
	\$	\$
Earnings – Net loss for year	(10,022,237)	(1,849,583)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	224,819,808	219,174,623

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

	2015	2014
	\$	\$
Cash at bank	48,369	34,736

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:

Loss for the year	(10,022,237)	(1,849,583)
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Non-Cash items and reclassifications

Depreciation	25,152	35,738
Profit on disposal of plant & equipment	(11,091)	(3,002)
Land option written off	-	300,000
Supplier payments settled in securities	-	40,000
Exploration expenditure written off	389,514	582,916
Impairment of deferred exploration expenditure	8,745,433	-
Option fee for tenements	(40,000)	-

Changes in assets and liabilities

Receivables	6,950	30,424
Payables	388,333	110,742
GST recoverable	667	13,501

Net cash flows (used in) operating activities

54

(517,279)	(739,264)
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 5: CASH AND CASH EQUIVALENTS (continued)

(ii) Non-cash financing and investing activities

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

NOTE 6: OTHER ASSETS

	Consolidated	
	2015	2014
<u>Current</u>	\$	\$
Sundry debtors and prepayments	402	402
	<u>402</u>	<u>402</u>

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.

	2015	2014
<u>Non-Current</u>	\$	\$
Performance and rental bonds	33,828	41,445
	<u>33,828</u>	<u>41,445</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Consolidated		
	Option Fee – freehold land (i) \$	Plant and equipment \$	Total \$
Year ended 30 June 2015			
At 1 July 2014, net of accumulated depreciation	-	40,742	40,742
Acquisitions	-	426	426
Depreciation charge for the year	-	(25,152)	(25,152)
At 30 June 2015, net of accumulated depreciation	-	16,016	16,016
At 1 July 2014			
Cost	-	110,390	110,390
Accumulated depreciation	-	(69,648)	(69,648)
Net carrying amount	-	40,742	40,742
At 30 June 2015			
Cost	-	110,816	110,816
Accumulated depreciation	-	(94,800)	(94,800)
Net carrying amount	-	16,016	16,016
Year ended 30 June 2014			
At 1 July 2013, net of accumulated depreciation	300,000	87,568	387,568
Disposals	-	(11,089)	(11,089)
Depreciation charge for the year	-	(35,737)	(35,737)
Land Option Expired	(300,000)	-	(300,000)
At 30 June 2014, 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 8: DEFERRED EXPLORATION EXPENDITURE

	Consolidated	
	2015	2014
	\$	\$
Exploration and evaluation phase – at cost:		
Expenditure brought forward	9,616,345	9,264,589
Expenditure incurred	396,469	934,672
Expenditure written off during year ¹ .	(389,514)	(582,916)
Transferred to assets held for sale ² .	(750,000)	-
Impairment of deferred exploration	(8,745,433)	-
Expenditure carried forward	127,867	9,616,345

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.

². Write down of Yogi Mine Project to its recoverable amount based on proposed sale to Padbury Mining Limited.

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

	2015	2014
	\$	\$
Share based payments expensed-directors	-	-

(b) Summary of share-based payments

There were no options granted as share based payments during the financial year.

(c) Weighted average remaining contractual life

There were no outstanding share-based payment options at 30 June 2015. Share-based payment options outstanding at 30 June 2014 expired during the year.

(d) Weighted average fair value

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

(e) Other Option Issues

There were no option issues during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 10: TRADE AND OTHER PAYABLES

	Consolidated	
	2015	2014
	\$	\$
Current		
Trade payables and accruals	514,638	287,094
Employee benefits	483,720	102,550
	<u>998,358</u>	<u>389,644</u>

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

	2015	2014
	\$	\$
Current		
Unsecured loans – Related Parties (i)	136,400	136,400
Unsecured loan – Other (ii)	856,335	200,000
Convertible Notes – Unsecured (iii)	539,000	-
	<u>1,531,735</u>	<u>336,400</u>
Non-Current		
Convertible Notes - Unsecured (iii)	-	539,000
	<u>-</u>	<u>539,000</u>

(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 Convertible 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 defer repayment until a demand for repayment is made. These loans are owed to Directors and related parties of the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 12: ISSUED CAPITAL AND RESERVES (continued)

(b) Share Options

At the end of the year there were no options over unissued ordinary shares outstanding.

The following options over unissued ordinary shares expired during the financial year:

- 3,500,000 options with an exercise price of 25 cents each expired unexercised on 19 April 2015; and
- 38,250 options with an exercise price of 21 cents each expired unexercised on 6 August 2014.

(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.

	Consolidated	
	2015	2014
	\$	\$
Reserves		
Share based payments reserve	-	11,549
Option issue reserve	-	27,792
	-	39,341

(a) Movement in reserves

Share based payments reserve

Balance at beginning of year	11,549	97,730
Share based payment	-	-
Transfer on expiry of options	(11,459)	(86,181)
Balance at end of year	-	11,549

Option issue reserve

Balance at beginning of year	27,792	27,792
Options issue for cash	-	-
Transfer on expiry of options	(27,792)	-
Balance at end of year	-	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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 12: ISSUED CAPITAL AND RESERVES (continued)

Option issue reserve

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

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:

	Consolidated	
	2015	2014
	\$	\$
Within one year	266,300	704,780

Project Acquisition Commitments – Yalyirimbi Iron Project

Ferrowest has written down the carrying value of this project because it has determined that it is not viable in the current iron ore price climate. The Company will not commit to further exploration of this project unless the iron ore price improves significantly. If this were to occur, then the following obligations in relation to the project would apply.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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.

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	
			2015	2014
Urban Minerals Pty Ltd	Ordinary	Australia	100%	100%
Altitude Metals Pty Ltd	Ordinary	Australia	100%	-
Ferrowest Hong Kong Ltd	Ordinary	Hong Kong	100%	-
Panaust (Chengdu) International Trade Co., Ltd	Ordinary	China	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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 16: PARENT ENTITY INFORMATION

	Parent	
	2015	2014
	\$	\$
Current assets	40,263	33,857
Total assets	911,686	9,814,229
Current liabilities	(1,991,276)	(525,227)
Total liabilities	(2,530,276)	(1,284,227)
Net assets	(1,618,590)	8,530,002
Issued capital	19,700,333	19,700,333
Reserves	-	39,341
Accumulated losses	(21,318,923)	(11,209,672)
Total equity	(1,618,590)	8,530,002
Loss of the parent entity after tax	(10,148,592)	(1,824,123)
Other comprehensive income / (loss), net of tax	-	-
Total comprehensive loss of the parent entity	(10,148,592)	(1,824,123)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 17: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

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

	2015	2014
	\$	\$
Primary benefits	382,437	695,471
Post-employment benefits	27,390	42,182
Total	409,827	737,653

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

NOTE 19: FINANCIAL INSTRUMENTS (Continued)

	Consolidated	
	2015	2014
	\$	\$
<i>Financial Assets</i>		
Cash and cash equivalents (interest-bearing accounts)	48,369	34,736
Net exposure	48,369	34,736

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

At 30 June 2015, 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:	2015	2014
	\$	\$
<i>Post tax profit/(loss) – higher / (lower)</i>		
+ 1.0%	484	347
- 1.0%	(484)	(347)
<i>Equity – higher / (lower)</i>		
+ 1.0%	484	347
- 1.0%	(484)	(347)

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 2015

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
2015						
Non-interest bearing	-	24,528	973,830	-	-	-
Fixed interest rate instruments	8.77	894,735	68,000	569,000	-	-
		919,263	1,041,830	569,000	-	-
2014						
Non-interest bearing	-	-	389,644	-	-	-
Fixed interest rate instruments	10	136,400	-	200,000	539,000	-
		136,400	389,644	200,000	539,000	-

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: 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 2015 that have affected or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

The Company has entered into agreements to secure a 51% controlling interest in Sichuan Fuchuang Property Co., Ltd. ("SFP"), the owner of the Zigong Guodun Farmers Market project for 9.28 million CNY (A\$2,047,977). The agreements are conditional on Shareholder approval of the Proposal to reconstruct the Company and its successful implementation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015**

NOTE 20: EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD (continued)

The Company has secured a further \$146,000 in loan funding from TFA since the end of the financial year to fund the maintenance of the Company as a going concern while the Proposal is prepared for shareholders. The loans are unsecured and interest bearing at 7.8% per annum, repayable at various dates within six months.

On 22 September 2015, the Company entered a Deed of Cancellation in respect of the Yalyirimbi Iron Project with Arafura Resources Limited ("Arafura"). This includes the transfer of the 51% of the shares in Arafura Iron Pty Ltd held by Ferrowest back to Arafura.

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 2015 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 2014.

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



Bryan Hughes
Chairman
PERTH, Western Australia
30 September 2015



Managing Director
PERTH, Western Australia
30 September 2015

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 2015, 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 group. The group 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 group's financial position as at 30 June 2015 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 for a period of at least twelve months from the date of signing this financial report. Should the recapitalisation proposal be rejected or otherwise fail for any reason and 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 2015. 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 2015 complies with section 300A of the *Corporations Act 2001*.


HLB Mann Judd
Chartered Accountants
N G Neill
Partner

Perth, Western Australia
30 September 2015

SUPPLEMENTARY INFORMATION

The shareholder information set out below was applicable as at 31 August 2015

Distribution of Shareholders**Fully Paid
Ordinary Shares**

Number of Holders	784
Holders of less than a marketable parcel	611

Number of holders in the following distribution categories

1 – 1000	39
1,001 – 5000	115
5,001 – 10,000	148
10,001 – 100,000	309
100,001 and over	173

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	3.78%
3	Western Opals	8,100,000	3.60%
4	Sin-Tang Mining Pty Ltd	6,647,176	2.98%
5	De Belle S & Sheehan J	6,508,333	2.96%
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	3,400,000	1.51%
13	Anthony James Baker	3,032,766	1.35%
14	Bakeburg Ronald H + C	3,000,000	1.33%
15	Brett Manning	2,300,000	1.02%
16	Wyatt Family S/F A/C	2,070,858	0.92%
17	Matthew Bruijnzeel	1,961,800	0.87%
19	Eugenia Manning	1,900,000	0.85%
13	Robert David Evers	1,869,080	0.83%
20	Feldman Alex	1,760,750	0.78%
		146,035,945	65.04%

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

Options

There are no options on issue as at 30 June 2015.

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
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
L59/119	Granted	17,684 ha	-	100% Ferrowest Limited
E77/2108	Granted	11 blocks	\$20,000	80% Urban Minerals Pty Ltd

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