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23 November, 2011

ASX Announcement

THIRD PARTY APPROVAL GRANTED

The Company is pleased to announce that it has secured the third party approval that was required as a condition of the Investment Agreement between Ferrowest Limited ("Ferrowest" or "the Company") TFA International Pty Ltd (100% owned subsidiary of Sichuan Taifeng Group of China) ("Taifeng") that was announced on 19 September 2011.

When Ferrowest first acquired the core of the Yogi tenement package from Prosperity Resources Limited and its subsidiary Prosperity Resource (Yalgoo) Pty Ltd (collectively "Prosperity") in 2006, Prosperity retained the non-ferrous mineral rights to the relevant tenements and a small ferrous mineral royalty right over some of the tenement areas (but not including the main iron ore strike known at the time).

The third party approval required under the Investment Agreement was finalised with the execution of a Deed of Assumption and Assignment between Ferrowest, Taifeng and Prosperity under which Prosperity agreed to the assignment of 67% of the rights and responsibilities in respect to the relevant tenements at Yogi passing to Taifeng once they had completed their sole funding of the \$20 million earn-in expenditure and secured their joint venture rights.

The Company is also pleased to advise that in addition to completing the requirements of obtaining the third party approval, the agreement includes the sale of the non-ferrous mineral rights at Yogi back to Ferrowest and Taifeng in the proportion of their future intended joint venture interests. The consideration to be paid to Prosperity for this return of the non-ferrous mineral right is:

- 33.3% of the non-ferrous mineral rights to Ferrowest for \$15,000 worth of Ferrowest shares at market price; and
- 66.7% of the non-ferrous mineral rights to Taifeng for \$30,000 in cash.

Therefore Prosperity's only remaining interest in some area of the Yogi tenements is the ferrous mineral royalty.

The only Investment Agreement condition that is now required prior to Taifeng's first investment of \$2.8M in Ferrowest shares at 20 cents per share is the FIRB approval. The decision from the Treasurer in respect of the FIRB application is expected within the next few weeks.

Condition	Current Status
1. Due-Diligence Approval	Completed
2. Foreign Investment Review Board Approval	Application being considered by FIRB
3. WA Minister for Mines Approval	Granted
4. Ferrowest Shareholder Approval	Approved
5. Third Party Approval	Completed

Under the terms of the Investment Agreement Taifeng will subscribe for:

- Tranche 1 – 14,000,000 shares at 20 cents per share to raise \$2.8M
- Tranche 2 – 10,000,000 shares at 20 cents per share to raise \$2.0M

Taifeng will also earn a 66.7% joint venture (“JV”) interest in the Yogi Mine Project by sole funding \$20M in exploration and studies. Under the terms of the Investment Agreement, the scale of the proposed magnetite mining and concentration operations at Yogi will be tripled to 4.5Mtpa.

Ferrowest will also retain 100% of the Eradu MPI Project.

The Tranche 2 share placement and the \$20M in project funding is conditional on a further item, being Chinese Government Approval. Taifeng has made application for further this approval.

Taifeng has also reimbursed Ferrowest approximately \$102,000 cash in compensation for a share of the Yogi tenement costs incurred between the signing of the HOA on 3 June 2011 and the Investment Agreement on 19 September 2011.

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

The Yogi Mine Project - Outline

The Yogi Mine Project proposes the development of a magnetite mining and concentration operation coupled with exploration of potential direct shipping ore ("DSO") grade haematite at the Yogi iron deposit near Yalgoo in the mid west region of Western Australia. Proposed production of magnetite concentrate will target 4,500,000 tonnes per annum ("tpa") at 67%Fe. 3,000,000tpa would be exported through the new proposed Port of Oakajee with the other 1,500,000tpa planned to supply the Eradu Pig Iron Project (detailed below).

Exploration of potential haematite DSO targets will be a high priority for the Yogi Mine Project with the current concept, subject to satisfactory exploration, study results and government approvals, envisaging conceptual mine production of around 1.5Mtpa. The DSO would be transported by road train to Geraldton for export to China. The relatively simple open cut mine scenario and existing road train approved transport corridor over a relatively short trucking distance direct to the existing port provide an excellent basis for rapid development where exploration is successful.

The current magnetite Inferred Resource estimate at Yogi classified and reported in accordance with the JORC Code is 572 million tonnes at 27.5%Fe with target magnetite potential[#] at Yogi estimated at between 0.8 and 1.2 billion tonnes.

Mineral Resource Estimate	Million Tonnes (Mt)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	LOI%
Inferred (Fresh)	500.0	27.68	48.19	5.40	0.06	0.08
Inferred (Transitional)*	72.5	26.28	45.38	5.59	0.05	1.39
Inferred Total	572.5	27.51	47.84	5.42	0.06	0.25

Notes: Tonnages rounded to nearest 10,000 tonnes. Cut-off Grade 23.0% total Fe. Surficial oxide material is not reported as part of the mineral resource estimate.

*Transitional material is partially oxidised but magnetite-bearing.

The target potential is conceptual in nature as insufficient data exists to define a Mineral Resource and it is uncertain if further exploration will result in further Mineral Resource. The target potential is based upon calculations prepared by Ferrowest Limited with reference to current experience at Yogi and available data.

The Eradu MPI Project - Outline

Ferrowest Limited is developing the Eradu MPI Project aimed at producing seaborne traded merchant pig iron ("MPI") at 96%Fe using magnetite concentrate from the Yogi magnetite deposit near Yalgoo in the mid west region of Western Australia. Proposed initial production is 1,000,000 tonnes per annum. The plan to process the magnetite concentrate to pig iron at Eradu, 60Km east of Geraldton is premised on the ITmk3[®] technology and excellent existing infrastructure servicing the project area. The resulting value added merchant pig iron product will be a relatively high margin, high quality, low volume product for export to quality electric arc furnace steel making plants worldwide.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Graeme Johnston, a Fellow of the Geological Society of London and Malcolm Titley, a Member of the Australasian Institute of Mining & Metallurgy.

Graeme Johnston is a Director of the Company and a geological consultant to it through Corad Pty Ltd. Graeme Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Graeme Johnston consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Malcolm Titley (MAusIMM) is a Director and Principal Consultant of CSA Global and is responsible for the estimation of the Mineral Resource for the Yogi deposit. Malcolm Titley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Malcolm Titley consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.