

3 February, 2011

ASX Announcement

DRILLING COMMENCED

Exploration Drilling

The Company is pleased to announce that following a two week delay caused by rains and flooding throughout regional WA, a reconnaissance drilling programme has commenced on the Yogi tenement package 14km east of Yalgoo.

The first phase of the drilling will focus on the as yet un-drilled 'Tweety' magnetite formation located in the northern section of the Company's tenement package. Tweety is one of three significant magnetite formations still to be explored at Yogi.

Successful drilling at Tweety, followed by later resource drilling, would play a major part in moving the Company's magnetite resource inventory toward its target potential[#] of 0.8 – 1.2Bt.

The current Inferred Resource at Yogi is:

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.

Investment and Product Off-Take Agreement Negotiations

Discussions resumed in January with four parties in respect of investment and product off-take for the Company's projects. These discussions were interrupted for three weeks in February by the Chinese New Year holidays.

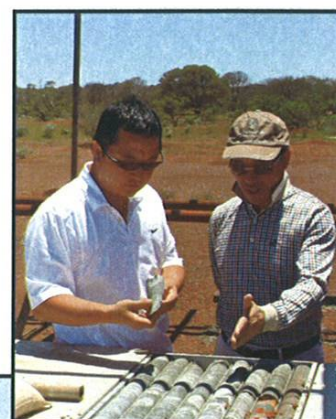
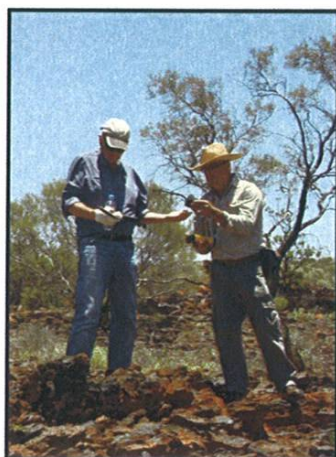
Currently one of the four parties has advanced a strategy and offer that is sound but which, in the opinion of the directors, does not reflect sufficient value for shareholders at this time. Discussions are ongoing with two of the parties around terms preferred by the Company and detailed contracts are under consideration. Discussions have not yet resumed with the forth party following the Chinese New Year holiday.

New Tenement Applications

The Company is pleased to announce that it has recently pegged four new exploration licences. One, E09/1853 is located to the north west of the Jack Hills iron ore mine, while the other three (E59/1754, 1755 & 1756) are located at New Forest, north of the Talling Peak iron ore mine.

Sin-Tang Mining Visits Yogi

Earlier this year senior executives from Sin-Tang Mining, the Company's largest shareholder, visited Yogi with their technical advisors to see both the magnetite exploration undertaken to date and to view the prospectivity of the haematite outcrops of the Western Haematite Project.



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

The Yalgoo Iron Project - Outline

Ferrowest Limited is developing the Yalgoo Iron Project aimed at producing seaborne traded merchant pig iron (96%Fe) 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 iron ore to pig iron 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 Western Haematite Project - Outline

Ferrowest Limited has identified potential zones of direct shipping ore ("DSO") grade haematite at its Yogi iron deposit 14 km east of Yalgoo in the mid west of Western Australia. Exploration of a 600Ha area is ongoing with a number of potential haematite targets identified. The current concept for the WHP, subject to satisfactory exploration, study results and government approvals, envisages mine production of around 1.5Mtpa, with the direct shipping grade ore being 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 the WHP.

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.