

20 December 2010

ASX Limited
Level 8, Exchange Plaza
2 The Esplanade
Perth WA 6000

Dear Sir/Madam

**Takeover Bid by Wah Nam International Australia Pty Ltd in
relation to FerrAus Limited**

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), we enclose a copy of the Target's Statement prepared by FerrAus Limited in response to the off-market takeover offer by Wah Nam International Australia Pty Ltd (ACN 134 696 727), a wholly owned subsidiary of Wah Nam International Holdings Limited (ARBN 143 211 867) as set out in its Replacement Bidder's Statement dated (and lodged with ASIC on) 6 December 2010.

Yours faithfully

Christopher Hunt
Company Secretary



(ABN 86 097 422 529)

(ASX:FRS)

Target's Statement

DO NOT ACCEPT

the takeover offer by

Wah Nam International Australia Pty Ltd

(ACN 134 696 727)

a wholly-owned subsidiary of

Wah Nam International Holdings Limited

(ARBN 143 211 867)



This is an important document that requires your immediate attention. If you do not know what to do, you should promptly consult your financial, legal, tax or other professional adviser.

Financial Adviser



Legal Adviser



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Important Notices

Nature of this Document

This is the Target's Statement dated 20 December 2010 given by FerrAus Limited (ACN 097 422 529) (*FerrAus*) under Part 6.5 Division 3 of the Corporations Act. This Target's Statement is given in response to the Bidder's Statement.

ASIC and ASX Disclaimer

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the content of this Target's Statement.

A copy of this Target's Statement has also been provided to ASX. Neither ASX nor any of its officers takes any responsibility for the content of this Target's Statement.

Defined Terms and Interpretation

Capitalised terms used in this Target's Statement are defined in section 7. Section 7 also sets out some rules of interpretation which apply to this Target's Statement.

Disclaimer Regarding Forward-Looking Statements

This Target's Statement contains statements in the nature of forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Shareholders should note that forward-looking statements are only predictions and are subject to inherent uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from implied values or anticipated results, performance or achievements expressed or implied in those forward-looking statements. These risks, variables and other factors include matters specific to the mining industry as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of FerrAus shares, including the risk of possible price decline in the absence of the Offer or other takeover or merger speculation; and risks associated with the business and operations of FerrAus. None of FerrAus, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) or gives any assurance that the implied values, anticipated results, performance or achievements expressed or implied in forward-looking statements contained in this Target's Statement will be achieved, and you are cautioned not to place undue reliance on these statements. The forward-looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

No Account of Personal Circumstances

The information in this Target's Statement does not constitute financial product advice. This Target's Statement has been prepared without reference to your particular investment objectives, financial situation, taxation position and particular needs.

It is important that you read this Target's Statement in its entirety before making any investment decision and any decision relating to the Offer. If you are in any doubt in relation to these matters, you should consult your investment, financial, taxation or other professional adviser before making a decision whether to accept the Offer.

What You Need To Do

DO NOTHING
**DO NOT ACCEPT THE
WAH NAM OFFER**

To not accept the Offer by Wah Nam Australia, you should ignore all documentation sent to you by Wah Nam Australia and take no action.

Read this Target’s Statement, which contains each director’s recommendation that you DO NOT ACCEPT the Offer, and provides reasons for this recommendation.

Key Dates	
Date of Wah Nam’s Offer	15 December 2010
Date of this Target’s Statement	20 December 2010
Expiry of Wah Nam’s Offer (unless extended)	4 pm WST time, 17 January 2011

FerrAus Shareholder Information

If you have any queries concerning the Offer, please contact the FerrAus Shareholder Information Line on 1300 133 271 (toll free) within Australia or +61 3 9415 4157 from outside Australia.



Chairman's Letter



20 December 2010

Dear Shareholder,

On 10 November 2010, Wah Nam International Holdings Limited (**Wah Nam**), through a wholly owned subsidiary, announced its intention to make an unsolicited, conditional, off-market takeover offer to acquire all of the ordinary shares in FerrAus Limited (**FerrAus**) that it does not already own, on the basis of 6 Wah Nam shares for every FerrAus Share (the **Offer**).

At the same time, Wah Nam also announced that it would make a takeover offer to acquire all of the shares in Brockman Resources Limited (**Brockman**), another ASX listed company with a developing iron ore project in the Eastern Pilbara.

Wah Nam is a Hong Kong listed company with a 19.9% holding in FerrAus and a 22.6% holding in Brockman and whose other assets comprise a limousine rental and airport shuttle bus business operating in Hong Kong and China and a small scale base metals project in China.

Your Board considers that the Offer recognises the significant potential value and strategic importance underlying both FerrAus' Pilbara Project and the Eastern Pilbara region. However, after careful consideration of the Offer by your Board, together with our corporate advisers and our legal advisers, the directors unanimously recommend that Shareholders **DO NOT ACCEPT** Wah Nam's Offer.

The key reasons for the Board's recommendation are as follows:

- 1** Wah Nam's Offer is unsolicited, complicated and highly conditional
- 2** The price of Wah Nam shares does not appear to be supported by underlying value
- 3** Your interest in the Pilbara Project would be significantly diluted
- 4** Certain key benefits that Wah Nam claims flow from its Offer only arise if Wah Nam acquires Brockman as well as FerrAus
- 5** Wah Nam's ability to advance FerrAus' Project is uncertain
- 6** FerrAus remains committed to grow shareholder value without Wah Nam

A detailed explanation of these reasons is contained section 1 of this Target's Statement. The Board's recommendation is based on the Offer as it currently stands, but may be reconsidered should circumstances change.

In providing this recommendation, your Board is confident that FerrAus can continue to independently advance the Pilbara Project towards production in a timely manner. Following successful completion of a positive pre feasibility study at the Pilbara Project in mid November 2010, your Board believes that there is significant value to be unlocked through the development of the Pilbara Project, which you would have greatest exposure to as a Shareholder of an independent FerrAus.

By now, you should have received a copy of Wah Nam's Bidder's Statement, setting out the terms and conditions of Wah Nam's Offer. In assessing the Offer, you should read both this Target's Statement and the Bidder's Statement and have regard to your own investment objectives, financial situation and tax position, and, if necessary, consult with an independent adviser.

For the reasons outlined above and described subsequently in this Target's Statement, I encourage you to continue to support FerrAus in its efforts to realise value for Shareholders through the development of the Pilbara Project and recommend that you **DO NOT ACCEPT** Wah Nam's Offer by **TAKING NO ACTION**.

If you have any queries concerning the Offer, please contact the FerrAus Shareholder Information Line on 1300 133 271 (toll free) within Australia or +61 3 9415 4157 from outside Australia.

Thank you for your continuing support for FerrAus.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. Nyvlt', with a stylized, cursive script.

John Nyvlt
Chairman

1. Why You Should NOT ACCEPT the Offer

1 Wah Nam's Offer is unsolicited, complicated and highly conditional

The Offer is unsolicited

Wah Nam's Offer is unsolicited and, as a result, FerrAus has not had the opportunity to:

- conduct due diligence on Wah Nam's assets;
- properly assess Wah Nam's ability to advance and develop FerrAus' Pilbara Project;
- negotiate appropriate and acceptable terms; or
- fully explore what other alternatives may be available to maximise value for FerrAus shareholders.

The Offer is complicated

Wah Nam has launched simultaneous takeover offers for both FerrAus and Brockman. Wah Nam's capital structure and composition will be dependent on whether these offers are successful and the extent to which they are successful. In addition to the shares which may be issued under these two takeover bids:

- Wah Nam is undertaking an initial public offering of Wah Nam shares on the ASX to raise between A\$2 million and A\$3 million at a price of A\$0.20 per Wah Nam share; and
- Wah Nam has obtained shareholder approval for a placement of up to 600 million new Wah Nam shares on the Hong Kong stock exchange (the **Placement Mandate**), at a price that is equal to or higher than the higher of:
 - HK\$1.30 (A\$0.17¹) per share; or
 - A discount of not more than 30% to the average closing price for the 20 trading days prior to the date of the agreement in respect of the placing of shares.

Wah Nam has also recently increased its authorised share capital from 4 billion shares to 10 billion shares, and has received a new general mandate from Wah Nam shareholders authorising Wah Nam directors to issue up to an additional 20% of the issued share capital of the company (approximately 781 million shares). This general mandate is in addition to the Placement Mandate for 600 million shares referred to above.

Given the above, there is significant uncertainty as to what the ultimate composition and capital structure of Wah Nam would be if its Offer was successful.

The Offer is highly conditional

The Offer has a number of defeating conditions, which may not be satisfied. If these conditions are not satisfied or waived before the end of the Offer period, the Offer will lapse. The key conditions of the Offer include:

- Wah Nam acquiring a relevant interest in at least 90% of all FerrAus shares.
- The ASX granting Wah Nam permission to list the Wah Nam shares, to be issued under the Offer, on the ASX within 7 days after the end of the Offer Period.
- The exchange rate of Australian dollars to Hong Kong dollars not appreciating more than 10% from the closing level of that rate on the date before announcement of the Offer.
- Between the announcement date of the Offer and the end of the Offer Period, the S&P/ASX300 index not falling more than 15%.

You should also note that, Wah Nam Australia is yet to receive confirmation from FIRB that the Offer can proceed. In the Bidder's Statement, Wah Nam Australia states that while FIRB had previously advised that it had no objections to Wah Nam Australia making the Offer, this was based on the then value of the Offer not exceeding the threshold prescribed under the Foreign Acquisitions and Takeovers Act. Since the lodgement of the Original Bidder's Statement, FIRB has asked Wah Nam Australia to seek written confirmation of the previous clearance based on the terms and conditions of the Offer. This has not yet been received.

For further details on the conditions of the Offer, see sections 13.9 and 13.15 of the Bidder's Statement.

¹ Based on an A\$:HK\$ exchange rate of 0.129

2 The price of Wah Nam shares does not appear to be supported by underlying value

The closing price of Wah Nam shares prior to announcement of the Offer was HK\$1.69 per share, which implied a market capitalisation for Wah Nam of more than A\$850 million². Wah Nam's assets include:

- a net cash balance of HK\$90.3 million (A\$11.6 million³);
- a 19.9% investment in FerrAus and a 22.6% investment in Brockman, which based on the closing prices of FerrAus and Brockman shares as at the date of announcement had a combined value of A\$188.5 million;
- a limousine rental and airport shuttle bus service operating in Hong Kong and China; and
- a 90% interest in the small scale Damajianshan copper-lead-arsenic project in China.

The FerrAus Board note that:

- After deducting Wah Nam's net cash balance and the value of its investments in FerrAus and Brockman, the value for Wah Nam's other assets implied by the Wah Nam share price as at the announcement date was A\$654 million³.
- By comparison, the assessed book value of Wah Nam's other assets (excluding cash and its FerrAus and Brockman investments) as at 30 June 2010 was approximately A\$123 million³.
- In the six months to 30 June 2010, Wah Nam's earnings from its other assets was negative A\$22.3 million³ and its operating cash flow was negative A\$0.3 million³.

Given the above, combined with the inability of FerrAus to conduct due diligence on Wah Nam's assets, the FerrAus Board is not confident that the Wah Nam share price is fully supported by underlying value.

Liquidity

In addition, in the 6 months to the announcement of the Offer, the average daily traded value of Wah Nam shares on the Hong Kong stock exchange was approximately A\$0.22 million³, which the Board considers to be low by comparison to the liquidity of similar sized, publicly listed companies in Australia and Hong Kong. Given the limited depth of trading in Wah Nam shares, and the potential disparity between price and underlying value, the Board considers that there is a risk that the price of Wah Nam shares may not be sustainable and may fall, should it be successful with its offers for Brockman and FerrAus.



² Based on an A\$:HK\$ exchange rate of 0.129

³ Excludes equity issuance events

3 Your interest in the Pilbara Project would be significantly diluted

Your Board considers that there is significant value to be unlocked through the development of FerrAus' Pilbara Project. The recent pre feasibility study at the Pilbara Project, announced in mid November 2010, estimated⁴ a net present value (assuming an 8% discount rate (net, after tax)) of between A\$1.12 billion and A\$1.34 billion. FerrAus Shareholders currently have a 100% exposure to this potential value of the Pilbara Project.

However, if the Offer is successful, FerrAus shareholders' aggregate interest⁵ in the Pilbara Project would be significantly diluted to:

- 21.2% if Wah Nam successfully acquires FerrAus only.
- 12.4% if Wah Nam successfully acquires both FerrAus and Brockman.
- 11.6%⁶ if Wah Nam successfully acquires both FerrAus and Brockman, raises A\$3 million by way of the proposed ASX initial public offering and issues the 600 million shares on the Hong Kong stock exchange for which a mandate has been obtained.

In addition to a significantly reduced exposure to the Pilbara Project, FerrAus shareholders would also gain significant exposure to Wah Nam's assets. FerrAus has a number of concerns regarding the risks present in Wah Nam's businesses including:

- the profitability and viability of the limousine rental and airport shuttle bus services, particularly given that Wah Nam reported a net profit of A\$0.2 million for the most recent half year;
- the high levels of arsenic in the Damajianshan orebody which may negatively impact the marketability of any concentrate produced at the mine or create significant potential environmental liabilities;
- the commercial viability of the Damajianshan mine, where no formal mining occurred in the previous two calendar years and for which Wah Nam has provided no production forecast; and
- the Damajianshan mining permit which presently only covers part of the defined Mineral Resource and which expires in 2012.



⁴ Based on the key parameters outlined in section 4.2. Note that this is a pre feasibility study estimate only and is subject to completion of a positive definitive feasibility study and if that occurs, to financing, development, operational and other risks associated with the Pilbara Project.

⁵ Excluding Wah Nam.

⁶ Assumes that FerrAus' shareholders do not participate in any placement of Wah Nam shares.

4 Certain key benefits that Wah Nam claims flow from its Offer only arise if Wah Nam acquires Brockman as well as FerrAus

In its Bidder's Statement, Wah Nam has claimed a number of potential benefits associated with its Offer. However, the FerrAus Board considers that certain key claimed benefits, such as being in a better position to develop an independent "end-to-end" infrastructure solution, will only arise if Wah Nam is successful in acquiring 100% of Brockman and there is significant uncertainty as to whether Wah Nam will achieve this. In particular, FerrAus shareholders should note that:

- Wah Nam's offer for Brockman is highly conditional.
- The Brockman directors have recommended that Brockman shareholders **REJECT** Wah Nam's offer for Brockman.
- Wah Nam's offer for Brockman has a 50% rather than a 90% minimum acceptance level condition, which indicates that Wah Nam is prepared to acquire less than 100% of Brockman.
- Wah Nam currently only has a relevant interest in Brockman of 22.6%.

Other than its shareholdings in FerrAus and Brockman, Wah Nam's sole material assets are a limousine rental and airport shuttle bus service operating in Hong Kong and China and a 90% interest in a small scale copper-lead-arsenic project in China. The FerrAus Board considers that there are no synergies between FerrAus' Pilbara Project and Wah Nam's existing assets, and that there is limited or no strategic rationale for the Offer unless Wah Nam successfully acquires control of Brockman as well as FerrAus.



5 Wah Nam's ability to advance FerrAus' Pilbara Project is uncertain

Wah Nam has not provided FerrAus or its shareholders with its proposed strategy to fund and develop the Pilbara Project and associated infrastructure.

Funding Ability

There are significant funding requirements to develop the Pilbara Project along with associated rail and port infrastructure. In order to meet these funding requirements, FerrAus has established key relationships with major shareholders China Railway Materials Commercial Corporation and Western Mining Co. Ltd (together holding 20%), who may have the capacity to assist FerrAus in funding and developing the Pilbara Project.

However, Wah Nam's ability to fund the capital requirements, particularly compared to FerrAus on a stand-alone basis, is uncertain as:

- Wah Nam's net cash position is only approximately A\$11.6 million⁶.
- Wah Nam has not conducted a major equity raise previously and the average size of its equity raisings in the last four years is only HK\$142 million (A\$18.3 million⁷) per raising as disclosed in Wah Nam's Bidder's Statement.
- As far as FerrAus is aware, Wah Nam has no agreement with another party that has the capability to provide the necessary funding required.

In addition, Wah Nam has indicated that it may seek to develop an independent "end-to-end" infrastructure solution should its offers for Brockman and FerrAus be successful. This would require significantly more capital than the current estimate for FerrAus' Pilbara Project and Wah Nam has not provided FerrAus or its Shareholders with any details explaining how it intends to secure the required funding for such a development.

Development Experience

FerrAus has established a dedicated board and management team that have substantial experience, including development experience, in the mining and iron ore industry along with a strong knowledge of the Pilbara Project. Having successfully delivered a pre feasibility study on the Pilbara Project in mid November 2010, FerrAus is now focussed on advancing the Pilbara Project through to production and securing an infrastructure solution in an optimal and timely manner for the benefit of FerrAus shareholders.

By comparison, Wah Nam's existing board and management have no experience in the iron ore industry or developing large scale iron ore projects based on the disclosure in Wah Nam's Bidder's Statement. Given this lack of experience, there is a significant risk that Wah Nam would not be able to either develop the Pilbara Project in accordance with the pre feasibility study or secure an appropriate infrastructure solution, which would have a substantial negative impact on value.

FerrAus continues to undertake significant work in an effort to finalise an infrastructure solution for the Pilbara Project, involving both rail and port infrastructure, and is a founding member of the North West Iron Ore Alliance (NWIOA). The NWIOA has completed a pre feasibility study to develop the required port infrastructure and has commenced a definitive feasibility study, which is scheduled for completion in the first quarter of 2011. In parallel, FerrAus is seeking a solution for rail transport between the mine and the NWIOA port in Port Hedland on a number of fronts including negotiations with BHP Billiton Iron Ore, The Pilbara Infrastructure Pty Ltd and Fortescue Metals Group Limited, FerrAus expects to have an outcome prior to the completion of the Pilbara Project definitive feasibility study.

For further information on the development of the Pilbara Project and an associated infrastructure solution on a stand-alone basis, see Section 4.2 of this Target's statement.

⁷ Based on an A\$:HK\$ exchange rate of 0.129

6 FerrAus remains committed to grow shareholder value without Wah Nam

FerrAus has achieved significant share price growth. Over the two year period from 16 December 2008 until 16 December 2010, the FerrAus share price has increased by over 424%. Over the same period, Wah Nam's share price appreciation was significantly less, as demonstrated in the graph below.

FerrAus' share price growth has been driven by a number of achievements at the Pilbara Project including FerrAus' history of growing the resource as well as the pre feasibility study results announced in mid November 2010, which confirmed that the Pilbara Project is financially robust and technically viable.

Going forward, FerrAus considers that there is significant potential to further grow value for shareholders without Wah Nam through the completion of a definitive feasibility study, finalisation of an infrastructure solution, and ultimately the completion of the development of the Pilbara Project by the end of 2014.

Comparative Share Price Performance



2. Answers to Frequently Asked Questions

This section answers some frequently asked questions about Wah Nam's Offer. It is not intended to address all relevant issues for FerrAus shareholders. This section should be read together with all other parts of the Target's Statement.

Question	Answer
Who is offering to purchase my FerrAus shares	<p>Wah Nam International Australia Pty Ltd (<i>Wah Nam Australia</i>), a wholly-owned subsidiary of Wah Nam.</p> <p>Wah Nam is a company incorporated in Bermuda and listed on the Hong Kong stock exchange.</p>
What is Wah Nam Australia offering for my FerrAus shares?	The consideration under the Offer is 6 Wah Nam shares for each of your FerrAus shares.
What is the Bidder's Statement?	The Bidder's Statement contains information on Wah Nam's Offer for your FerrAus shares. The law requires Wah Nam Australia to send it to you.
What is a Target's Statement?	This booklet comprises a Target's Statement. FerrAus is required, by law, to produce this Target's Statement in response to Wah Nam's Offer. The Target's Statement contains information to help you decide whether to accept the Offer for your FerrAus shares.
What choices do I have as a shareholder?	<p>As a FerrAus shareholder you can:</p> <ul style="list-style-type: none"> ■ NOT ACCEPT Wah Nam's Offer by doing nothing. As discussed below, each FerrAus Director recommends that you DO NOT ACCEPT the Offer, and none of them intend to accept the Offer for the FerrAus shares that are held by them or on their behalf; ■ sell your FerrAus shares on market (unless you have previously accepted Wah Nam's Offer and have not validly withdrawn your acceptance); or ■ accept Wah Nam's Offer for all the FerrAus shares you hold.
What are the director's recommending?	<p>Each FerrAus Director recommends that you DO NOT ACCEPT the Offer for the reasons explained in section 1 of this Target's Statement.</p> <p>One of the directors, Mr Robert Greenslade holds an equity interest in Gryphon Partners, the financial advisers to FerrAus in connection with the Offer, which will receive fees from FerrAus for professional services related to the Offer. Those fees may vary depending on the outcome of the Offer. Notwithstanding this interest, Mr Greenslade believes that he is able to make the above recommendation in relation to the Offer and has done so in order that shareholders are informed of his views on the Offer.</p>
Will I be forced to sell my FerrAus shares?	You cannot be forced to sell your FerrAus shares unless Wah Nam Australia receives acceptances giving it more than 90% voting power in FerrAus and acquires at least 75% of the FerrAus shares that it offers to acquire under the Offer. Then Wah Nam Australia will be entitled to proceed to compulsory acquisition of FerrAus shares held by FerrAus shareholders who did not accept the Offer, in which case you will receive the same consideration for your FerrAus shares that you would have received under the Offer. More information about this is contained in section 6.17.
When do I have to make a decision?	Wah Nam's Offer must remain open for at least one month. It is currently scheduled to close at 4pm WST on 17 January 2011. Wah Nam Australia may extend the Offer. Your directors will keep you informed if there are any material developments in relation to the Offer. Shareholders are also encouraged to monitor the FerrAus website at ferraus.com for any updates on the Offer.
How do I reject Wah Nam's Offer?	To reject Wah Nam's inadequate Offer, you should do nothing. Disregard all documents sent to you by Wah Nam Australia.

Question	Answer
How do I accept the Offer?	Instructions on how to accept the Offer are set out in the Bidder's Statement and on the acceptance form which accompanies the Bidder's Statement. If you want to accept the Offer, you should follow these instructions carefully to ensure that your acceptance is valid.
What are the consequences of accepting the Offer now?	<p>Accepting Wah Nam's conditional Offer would (subject to any withdrawal rights):</p> <ul style="list-style-type: none"> ■ prevent you from accepting any higher takeover bid that may be made by a third party or any alternative transaction proposal that may be recommended by the FerrAus Board; ■ relinquish control of your FerrAus shares to Wah Nam Australia with no guarantee of receiving the consideration until the Wah Nam's Offer becomes, or is declared, unconditional; and ■ prevent you from selling your FerrAus shares on ASX. <p>The effect of acceptance of Wah Nam's Offer is set out in more detail in section 13.7 of the Bidder's Statement. You should read those provisions in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your FerrAus shares and the representations and warranties that you are deemed by Wah Nam Australia to give to it by accepting Wah Nam's Offer.</p>
If I accept the Offer now, can I withdraw my acceptance?	<p>You will only be permitted to withdraw your acceptance if:</p> <ul style="list-style-type: none"> ■ the Offer lapses without becoming unconditional; or ■ the Offer Period is extended by more than one month (and then only if the Offer has not become unconditional). <p>In the latter circumstances, you will have a period of one month after the date that Wah Nam's Offer is extended to withdraw your acceptance. These statutory withdrawal rights will terminate upon the expiry of that one month period, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.</p>
Can Wah Nam withdraw the Offer once I have accepted?	Wah Nam Australia may be able to withdraw the Offer if it obtains the written consent of ASIC, subject to the conditions (if any) specified in such consent.
Can I accept the Offer for only some of my FerrAus shares?	Not unless you hold the FerrAus shares as trustee or nominee for, or otherwise on account of, another person.

Question	Answer
What are the conditions of the Offer?	<p>Wah Nam's Offer is subject to a number of important conditions. Those conditions are set out in full in section 13.9 of the Bidder's Statement. By way of broad overview the conditions include:</p> <ul style="list-style-type: none"> ■ no prescribed occurrences occur between the Announcement Date and the end of the Offer Period (each inclusive); ■ the Offer results in Wah Nam Australia having relevant interests in more than 90% of FerrAus shares; ■ all other regulatory approvals necessary in relation to the Offer are obtained and there are no materially adverse regulatory actions taken to restrain, prohibit or impede the Offer; ■ no material adverse change occurs in relation to FerrAus between the Announcement and the end of the Offer Period (each inclusive); ■ no material acquisition, disposal or commitment is undertaken by FerrAus between the Announcement and the end of the Offer Period (each inclusive); ■ no person has or will have any right as a result of the Offer to acquire or require the disposal of any material asset of FerrAus or its subsidiaries; FerrAus, its subsidiaries or any of FerrAus' material assets; ■ no person has or will have any right as a result of the Offer to terminate, or vary the terms of performance of, any material agreement of FerrAus or its subsidiaries; ■ no dividend or distribution is declared or made by FerrAus nor any subsidiaries of FerrAus between the Announcement Date and the end of the Offer Period (each inclusive); ■ FerrAus does not become a party to a related party transaction between the Announcement Date and the end of the Offer Period (each inclusive); ■ between the Announcement Date and the end of the Offer Period (each inclusive), the S&P/ASX300 index does not fall more than 15% from the closing level of that index on the day before the Announcement Date at any time on any ASX trading day; ■ between the Announcement Date and the end of the Offer Period (each inclusive), the exchange rate of A\$ to HK\$ does not appreciate more than 10% from the closing level of that rate on the day before the Announcement Date; and ■ no later than 7 days after the end of the Offer Period, Wah Nam receives ASX approval for quotation of all Wah Nam shares to be issued as Offer Consideration.
What happens if the conditions of the Offer are not satisfied or waived?	<p>If any condition is unsatisfied (or has been triggered), and has not been waived, Wah Nam Australia will have an option as to whether to proceed with the acquisition of FerrAus shares under its Offer or allow its Offer to lapse with unsatisfied conditions. Generally speaking, Wah Nam Australia would not have to decide whether to proceed with the acquisition of FerrAus shares under its Offer until the date that is required to provide its Notice of Status of Conditions which, as discussed in section 6.16, can be postponed if the Offer Period is extended.</p> <p>If the conditions are not satisfied or waived before the Offer closes, the Offer will lapse, and you will not receive the Offer consideration (even if you had accepted the Offer). However, you would then be free to deal with your FerrAus shares.</p>

Question	Answer
Does Wah Nam Australia have FIRB approval to acquire FerrAus shares under the Offer?	In its Bidder's Statement, Wah Nam Australia states that while FIRB had previously advised that it had no objections to Wah Nam Australia making the Offer, this was based on the then value of the Offer not exceeding the threshold prescribed under the Foreign Acquisitions and Takeovers Act. Since the lodgement of the Original Bidder's Statement, FIRB has asked Wah Nam Australia to seek written confirmation of the previous clearance based on the terms and conditions of the Offer. This has NOT yet been received.
When will I receive the Offer Consideration if I accept the Offer?	<p>If you accept the Offer, and all the Offer conditions are satisfied or waived, Wah Nam Australia will allot the Offer Consideration that you are entitled to under the terms of the Offer on or before the earlier of:</p> <ul style="list-style-type: none"> ■ 1 month after the date you validly accepted this Offer or, if at the time of your acceptance the Offer is still subject to conditions, within 1 month after the contract resulting from your acceptance of the Offer becomes, or is declared unconditional; and ■ 21 days after the end of the Offer Period. <p>It is uncertain when (if ever) Wah Nam's Offer will become unconditional.</p>
What are the tax implications of accepting the Offer?	<p>A general outline of the tax implications for certain Australian resident FerrAus shareholders of accepting the Offer is set out in section 9 of the Bidder's Statement. Note that if you are an Australian resident for tax purposes you may be liable to pay capital gains tax on the disposal of your FerrAus shares unless capital gains tax rollover relief is available. Capital gains tax rollover relief will only be available if Wah Nam Australia acquires 80% or more of all FerrAus shares, which is highly uncertain.</p> <p>You should not rely on the outline in the Bidder's Statement as advice on your own affairs. It does not deal with the position of certain FerrAus shareholders. You should therefore seek your own personal, independent financial and taxation advice before making a decision as to whether or not to accept Wah Nam's Offer for your FerrAus shares. You may, for example, be liable for capital gains tax. See section 6.10 for further information.</p>
Who should I call if I have questions?	If you have any queries concerning the Offer, please contact the FerrAus Shareholder Information Line on 1300 133 271 (toll free) within Australia or +61 3 9415 4157 from outside Australia or you can speak to your financial or other professional adviser.
Can the Offer Period be extended?	<p>Wah Nam Australia may extend the Offer Period at any time before giving the Notice of Status of Conditions whilst the Offer is subject to conditions. However, if the Offer is unconditional (that is, all the conditions are satisfied or waived), Wah Nam Australia may extend the Offer Period at any time before the end of the Offer Period. The maximum Offer Period is 12 months.</p> <p>Wah Nam Australia must extend the Offer Period if, within the last seven days of the Offer Period, Wah Nam Australia increases the consideration offered or Wah Nam's voting power in FerrAus increases to more than 50%. If that happens, the Offer must be extended so it ends 14 days after that event.</p>
What happens to my acceptance if the Offer lapses?	If the Offer lapses acceptances given by FerrAus shareholders will be void. FerrAus shareholders will continue to own the FerrAus shares the subject of any such acceptances and will be free to deal with them as they choose. Wah Nam's Offer will lapse if, at the end of the Offer Period, the conditions to which Wah Nam's Offer is subject are not satisfied or waived.

3. Directors Recommendation and Intention to NOT ACCEPT THE OFFER

3.1 Directors recommendation

As at the date of this Target's Statement, the FerrAus Directors are:

- Mr John Nyvlt, *Chairman*
- Mr Bryan Oliver, *Executive Director*
- Mr Robert Greenslade
- Mr Guoping Liu
- Mr James Wall
- Mr Joe Singer
- Mr James Li (Alternate Director for Mr Liu)

Each director recommends that you DO NOT ACCEPT the Offer, for the reasons set out in section 1.

Mr Greenslade holds an equity interest in Gryphon Partners, the financial advisers to FerrAus in connection with the Offer, which will receive fees from FerrAus for professional services related to the Offer. Those fees may vary depending on the outcome of the Offer. Notwithstanding this interest, Mr Greenslade believes that he is able to make the above recommendation in relation to the Offer and has done so in order that shareholders are informed of his views on the Offer.

In considering whether you wish to follow that recommendation, you should:

- read the whole of this Target's Statement;
- consider your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- obtain independent financial and taxation advice if you believe that is necessary.

3.2 Intentions of the Directors

None of the Directors intend to accept the Offer in respect of the FerrAus shares held by him or on his behalf.

4. Overview of FerrAus

4.1 Overview

FerrAus is an ASX listed mine development and exploration company, with a focus on iron ore and manganese in the East Pilbara region of Western Australia.

FerrAus is currently progressing development of the FerrAus Pilbara Project. The company owns another exploration project in Western Australia, the Enachedong Manganese Project, located in the East Pilbara near the operating Woodie Woodie Mine.

As a company with shares listed on the ASX, FerrAus is subject to regular reporting and disclosure obligations. Further information on FerrAus and its projects can be found on the FerrAus website or in the announcements and reports released by FerrAus to the ASX, which can be found on the ASX website.

4.2 FerrAus Pilbara Project

FerrAus' flagship project is the wholly owned FerrAus Pilbara Iron Ore Project (*Pilbara Project*), which consists of the Robertson Range Area and the Davidson Creek Area.

Pre Feasibility Study

A pre feasibility study (*PFS*) was completed on the Project in mid November 2010, which confirmed that the Project is financially robust and technically viable. The PFS estimated that, based on the key parameters described below, the Net Present Value (*NPV*) of the Project, using an 8% discount rate (real, after tax) ranged from A\$1,120 million to A\$1,340 million.⁸ The range was driven by two separate rail outcomes, namely, the Mount Newman railroad and The Pilbara Infrastructure Pty Ltd (*TPI*) railroad, a 100% owned subsidiary of Fortescue Metals Group Limited.

The initial capital cost estimate of approximately A\$960 million includes mine and plant infrastructure, rolling stock and a capital contribution for port development. The operating costs are estimated at A\$43.5/wmt ore sold to A\$46.5/wmt ore sold, and include contract mining, processing and rail costs along with a tariff for port facilities and a rail spur to link to existing rail infrastructure (which includes an operating cost, a capital recovery cost and return on capital to a third party), and exclude royalties and general and administration costs.

Key consultants engaged to complete the PFS included, SKM, Snowden, Aquaterra, Calibre Rail, LFJ Consulting, Metalytics, Ecologia, Phoenix, G&G and Eureka.

A summary of key Pilbara Project Parameters is shown below.

Table 1: Summary of key Pilbara Project parameters

Net Present Value (real, 8% discount rate, after tax)	A\$1,120 million to A\$1,340 million
Internal Rate of Return (real)	24% to 26%
Initial Capital Cost	A\$960 million
Probable Ore Reserve ¹	126Mt @ 57.3% Fe
Life of Mine Production ²	227Mt (wet)
Average Life of Mine Waste Strip Ratio	4.32
Average Product Grade (approximately)	59% Fe, 2.3% Al ₂ O ₃ , 4% SiO ₂ , 0.09% P, 8.3% LOI
Peak Production	Ramping up to 15Mtpa of fines (wet)
Operating Cash Cost	A\$43.5 - A\$46.5 per wmt of ore sold (including rail and port tariffs and excluding royalties, administration and marketing costs)
Price Assumptions	Price and exchange rate assumptions provided by industry experts. These include a forward curve trending down to a long term fines price of US\$101c/dmtu from 2023 onwards and a long term AUD:USD exchange rate of US\$0.77.

¹ Note that this is a PFS estimate only and is subject to completion of a positive definitive feasibility study and if that occurs, to financing, development, operational and other risks associated with the Pilbara Project.

Note 1: Prepared to meet JORC Code guidelines

Note 2:

PFS Mining Inventory (including Inferred)	
Davidson Creek (DC) and Robertson Range (RR)	153Mt (dry) - this includes 126Mt of Probable Ore Reserves
FerrAus Internal Preliminary Mining Inventory - Inferred Category	
Mirrin Mirrin (MM) +52% Fe	32Mt (dry)
Low Grade (RR, DC and MM) 50-52% Fe DC, MM and 50-53% Fe RR	17Mt (dry)
Sub Total	49Mt (dry)
Total Dry Tonnes	202Mt (dry)
Corporate Target	
Corporate Exploration Target	49Mt (dry)
Total	
Nominal Total Dry Tonnes (including Corporate Target)	251Mt (dry)
Product	
Life of Mine Average Yield	82.8%
Moisture	9 %
Life of Mine Production	227Mt (wet)
Product Grade	59.1% Fe

The term "Target", and "Exploration Target", where used in this table, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context.

Following the successful release of the FerrAus Pilbara Project PFS, FerrAus has approved the commencement of a definitive feasibility study (**DFS**). FerrAus intends to proceed with a DFS in order to be ready to begin construction of the mine in 2012 and achieve first shipment in the fourth quarter of 2014.

Infrastructure

FerrAus has undertaken significant work in an effort to finalise an infrastructure solution for the Pilbara Project, involving both rail and port infrastructure. The status of these efforts is outlined below:

Port Infrastructure

FerrAus is a founding member of the NWIOA, which includes two other members. The NWIOA has been working with communities in the region, Government, infrastructure providers, existing producers and other stakeholders to promote the development of a vibrant junior iron ore industry.

A strong, cooperative relationship has been forged between FerrAus and the other founding members as each works to ensure the efficient development of the two new multi-user berths, with a shipping allocation of 50 million tonnes per annum, at the Port Hedland Port. FerrAus currently has an initial allocation of 24% of that NWIOA allocated port capacity.

Rail Infrastructure

FerrAus is seeking a solution for rail transport between the mine and the NWIOA port in Port Hedland on a number of fronts and expects to have an outcome prior to the completion of the DFS.

Potential BHPB Rail Haulage Solution

On 23 September 2010, FerrAus sent the owners of the Mount Newman railway (**Mount Newman Participants**) and BHP Billiton Iron Ore (**BHPBIO**) as operator of the railway and agent of the Mount Newman Participants, a draft rail haulage agreement. This draft agreement was modelled on the extensive provisions and principles, including dispute resolution mechanisms, as set out in the WA 1987 Rail Transport Agreement (**1987 RTA**). The 1987 RTA is an agreement between the Mount Newman Participants and the WA Government that sets out the principles on which the Mount Newman Participants are required to carry the iron ore of third parties on the Mount Newman railway when requested by third parties to do so. In particular, the 1987 RTA provides that if the parties cannot agree on detailed contractual arrangements of rail haulage and cannot agree upon an independent expert to determine those arrangements, either party can request the President of Engineers Australia to appoint an independent expert to determine those arrangements which are final and binding.

As FerrAus considered that the parties were unable to reach agreement on any of the terms of the draft rail haulage agreement despite attempts to do so, on 15 November 2010 FerrAus sought agreement from the Mount Newman Participants to appoint Professor Allan Fels AO as an independent expert to determine final and binding terms of rail haulage.

The Mount Newman Participants did not agree to the appointment of Professor Fels and on 18 November 2010 the Mount Newman Participants commenced legal proceedings in the Supreme Court of Western Australia against FerrAus and the President of Engineers Australia seeking declarations and injunctive relief in respect of possible further steps leading to the appointment of an independent expert by the President of Engineers Australia. The present status of this litigation is described further in section 6.11 below.

FerrAus and the Mount Newman Participants have now agreed on the terms of a confidentiality agreement for the purposes of negotiating contractual arrangements for rail haulage on the Mount Newman railway and will seek to meet in the week following the date of this Target's Statement to negotiate those arrangements. For the purposes of these negotiations, FerrAus has already undertaken significant preparatory work with rail experts.

Potential TPI Rail Access or Haulage Solution

TPI is subject to a state agreement signed in 2004 between TPI and the Western Australian State Government (*TPI Agreement*), which amongst other things includes a requirement that TPI provide third parties with access to TPI's railroad, subject to certain terms. The policies, procedures and pricing used to determine the terms of access to the TPI railway, known as the Part 5 Instruments, are administered by the Economic Regulatory Authority (*ERA*), an external third party. Presently the only Part 5 Instrument that remains outstanding is the final determination of the floor and ceiling prices that a third party is required to pay for access to the line. Draft pricing was released by TPI to the ERA in July 2010 and was used as the basis for rail costing in FerrAus' PFS. The final pricing is expected to be provided in the first quarter of 2011. Once the final pricing has been determined the rail line can be used by third parties.

Separate to FerrAus' rights to access the TPI railway under the TPI Agreement, FerrAus is also in commercial discussions with Fortescue Metals Group Limited with regards to a potential rail haulage solution on the TPI railway.

As set out in under Port and Rail Infrastructure Risks in section 5.1 there are a number of risks in relation to port and rail infrastructure. As discussed in section 5, there is a risk that FerrAus is unable to reach agreement on acceptable terms, or at all, in relation to rail haulage or access to rail infrastructure, and there is no guarantee that the port facilities will be constructed.

4.3 Enachedong Manganese Project

The 100% owned Enachedong Project is prospective for manganese mineralisation and lies about 60km south of Consolidated Mineral's Woodie Woodie manganese operations in the Balfour Downs area.

In October 2010, FerrAus announced the results of geological mapping and sampling recently completed on the project's tenements. The results included in situ rock chip results up to 57.5% manganese. The recent mapping program discovered previously unknown manganese outcrops within tenement (EL46/614) and identified apparent high grade mineralisation in several zones at the surface. This mineralisation is consistent with known manganese producing mineralisation models such as Consolidated Mineral's Woodie Woodie style hydrothermal deposits and Hancock Prospecting's Boogina Hill manganiferous shale deposits.

A total of 69 surface rock chip samples were collected from around the Enachedong Project area and submitted for analysis. Of the original suite, 56 samples returned significant manganese assay results. The 56 manganese results show values that range from 26.6% to 57.5% manganese. Of these, there are 24 samples that returned manganese values of greater than 40%.

Detailed mapping has identified three main prospect areas; Eastwood, Omen and Black Stripe, which delivered outstanding first pass rock chip assay results.

Mapping at Eastwood Prospect has shown anomalous manganese up to 40.6% Mn within Balfour Formation shales over a 5km strike length recognisable from aerial and satellite photography by dark manganiferous staining, not dissimilar to Hancock Prospecting's Boogina Hill shale deposits.

Mapping at Omen and Black Stripe Prospects has shown anomalous manganese up to 57.5% Mn and 1.1% Fe within strongly altered, brecciated and hydrothermally invaded Carawine dolomite, not dissimilar to Consolidated Minerals' Woodie Woodie style hydrothermal deposits.

It is anticipated that the reconnaissance RC drilling program, scheduled to commence in the second quarter of the 2011 calendar year, will include an initial 4,000 metres with provisions to extend to 6,000 metres subject to results.

4.4 Mineral Resources and Ore Reserves

Table 2 - FerrAus Pilbara Project, Ore Reserves Estimate

Ore Reserve Estimate - Davidson Creek (cut off grade: +52% Fe)						
Category	Tonnes (Mt)	% Fe	% SiO ₂	% Al ₂ O ₃	% P	% LOI
Proved	-	-	-	-	-	-
Probable	95	57.0	5.5	3.3	0.1	8.9
Total	95	57.0	5.5	3.3	0.1	8.9
Ore Reserve Estimate - Robertson Range (cut off grade: +53% Fe)						
Category	Tonnes (Mt)	% Fe	% SiO ₂	% Al ₂ O ₃	% P	% LOI
Proved	-	-	-	-	-	-
Probable	31	58.1	5.5	3.1	0.1	7.4
Total	31	58.1	5.5	3.1	0.1	7.4
Total Ore Reserve Estimate						
Proved	-	-	-	-	-	-
Probable	126	57.3	5.5	3.2	0.1	8.5
Total	126	57.3	5.5	3.2	0.1	8.5

Table 3 - FerrAus Pilbara Project, Mineral Resources Estimate

Area	Category	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	CaFe (%)
High Grade Resources (+55% Fe)								
Robertson Range	Measured	23.4	59.93	4.54	2.71	0.11	7.69	63.84
	Indicated	20.70	58.98	5.40	2.99	0.10	6.48	63.07
	Inferred	10.60	58.11	6.56	3.37	0.10	6.15	61.93
	Total	54.60	58.79	5.26	2.94	0.11	6.93	63.18
Davidson Creek	Measured	9.50	58.10	4.31	2.83	0.08	9.12	63.90
	Indicated	91.60	58.70	4.44	2.43	0.08	8.63	64.20
	Inferred	62.10	58.00	4.94	2.69	0.10	8.63	63.48
	Total	163.20	58.40	4.60	2.54	0.09	8.66	63.91
Total (+55% Fe)		217.80						
Medium Grade Resources (between 50-55% Fe)								
Robertson Range	Inferred	16.20	53.00	8.51	5.40	0.12	8.85	58.20
Davidson Creek	Inferred	94.60	53.20	8.41	5.11	0.09	9.28	58.60
Total (between 50-55% Fe)		110.80						
Total Resources		328.70						

Notes:

1. The Mineral Resources above are inclusive of published Ore Reserves.
2. Minor rounding errors may occur.

The Ore Reserve statement in this section 4.4 has been prepared by Snowden Mining Industry Consultants ('Snowden') on behalf of FerrAus. The author of the report, Mr. Alan G Cooper, Principal Mining Consultant for Snowden Mining Industry Consultants, states that he is a member of The Australasian Institute of Mining and Metallurgy (The AusIMM) and has more than five years mining experience applicable to the mining of iron ore. He consents to the public release of this Ore Reserve estimate, providing it remains in the context presented.

4.5 Third Party Proposals

Within the previous 18 months FerrAus has received a number of proposals from various third parties. These proposals have included potential control transactions in relation to FerrAus, agreements to subscribe for equity in FerrAus and/or the Pilbara Project, haulage agreements and infrastructure funding agreements. At this stage the FerrAus Board does not regard any of those proposals as being sufficiently attractive and definite to pursue. However FerrAus remains in on-going discussions with a number of these parties in an effort to secure more favourable proposals.

4.6 Financial information and project activities

FerrAus' last published financial statements are for the financial year ended 30 June 2010, and were lodged with the ASX on 22 October 2010.

Details of FerrAus' operational, financial and exploration activities for the period 30 June 2010 until 30 September 2010 are provided in FerrAus' quarterly report lodged with ASX on 29 October 2010.

As at 30 September 2010, the reported cash balance for FerrAus was A\$22.1 million, with no debt on the balance sheet. As at the date of this Target's Statement, the cash balance for FerrAus was approximately A\$17.8 million.

Copies of the quarterly report and annual report may be obtained from the ASX website (ASX code: FRS) or from the FerrAus website.

4.7 Funding requirements

As at the date of this Target's Statement, FerrAus has a number of funding requirements over the next 12 months, including:

- the Pilbara Project DFS estimated to cost approximately A\$30 million;
- explorations costs at the Pilbara Project and Enachedong Project; and
- general working capital and administration costs.

In addition, the NWIOA may seek to conduct a dredging programming for its planned port facility at Port Hedland in the latter half of 2011. As a result, FerrAus may also be required to fund a portion of the costs associated with this dredging program.

FerrAus shareholders should note that given its current cash balance, the Company will need to raise additional funds in the first quarter of 2011 to meet all of these funding requirements. The Company remains confident that it will be able to raise such funds when necessary, as it has done in the past.

In addition to the above short term funding requirements, FerrAus will need to raise equity and/or debt funding to develop the Pilbara Project. FerrAus' PFS estimated that the Pilbara Project would require A\$960 million in upfront capital expenditure. There are risks involved in meeting the above funding requirements, which are disclosed in further detail in section 5.1 of this Target's Statement.

4.8 Issued capital

As at the date of this Target's Statement, FerrAus' issued capital comprises FerrAus shares, FerrAus options and Class B Performance Shares as set out below:

Class of Security	Exercise Price	Expiry Date	Total
FerrAus shares	N/A	N/A	205,700,890
Class B Performance Shares	N/A	N/A	7,500,000
FerrAus options	\$0.25	17 March 2011	3,000,000
FerrAus options	\$1.00	28 April 2011	300,000
FerrAus options	\$0.40	7 June 2011	200,000
FerrAus options	\$1.15	31 December 2011	1,200,000
FerrAus options	\$1.00	27 April 2012	200,000
FerrAus options	\$1.35	8 November 2012	400,000
FerrAus options	\$0.75	13 October 2013	50,000
FerrAus options	\$1.00	2 November 2013	50,000
FerrAus options	\$1.25	2 November 2013	75,000
FerrAus options	\$1.00	6 September 2013	500,000

4.9 Agreement to issue additional FerrAus shares

On 7 September 2009 FerrAus entered into a Share Subscription Agreement with UPC (**UPC Subscription Agreement**), a Hong Kong incorporated company and wholly-owned subsidiary of China Railway Materials Commercial Corporation (**CRM**), a company incorporated in the People's Republic of China.

Pursuant to the UPC Subscription Agreement and following shareholder approval at FerrAus' 2009 Annual General Meeting, FerrAus issued and allotted to UPC 22,940,664 FerrAus shares at \$0.55 per FerrAus share, representing 12% of FerrAus' fully diluted share capital as at the time of issue.

Also on 7 September 2009, FerrAus entered into a Co-operation and Support Agreement (**Co-operation and Support Agreement**) and a non-binding Strategic Alliance Agreement (**Strategic Alliance Agreement**) with CRM.

The Co-operation and Support Agreement provides that FerrAus and CRM will co-operate and mutually seek to develop other potential iron ore resource opportunities in the Eastern Pilbara region of Western Australia with the intention of assembling a sufficient quantity of quality iron ore resources to support the financing and construction of rail and port infrastructure necessary for the development of the iron ore resources assembled.

Pursuant to the Strategic Alliance Agreement, it was agreed between FerrAus and CRM, on a non-binding basis, that CRM would assist FerrAus in sourcing finance for the construction of supporting rail infrastructure for FerrAus' Pilbara Project, in consideration of which CRM would receive a substantial entitlement to iron ore offtake from FerrAus' Pilbara Project at market terms to be negotiated.

A key component of the strategic co-operation between FerrAus and CRM is the right given to CRM (via UPC) to maintain a significant shareholding in FerrAus. The UPC Subscription Agreement provides that if FerrAus issues further FerrAus shares, UPC will have the right, but not the obligation, to subscribe for up to an additional number of FerrAus shares that is equal to 12% of the number of FerrAus shares issued under the share issue at the same issue price as those FerrAus shares were issued or, in the case of FerrAus shares issued on conversion of convertible securities, at the

volume weighted average sale prices of FerrAus shares sold on ASX during the 10 ASX trading days preceding the date of FerrAus notifying UPC of the share issue (**Top-Up Right**). Information concerning the Top-Up Right was disclosed to FerrAus shareholders in the Notice of Meeting to the Annual General Meeting released to the ASX on 27 October 2009.

The Top-Up Right is subject to certain conditions, including UPC remaining a wholly owned subsidiary of CRM, UPC having fully exercised the Top-Up Right on each previous occasion, UPC not disposing of any FerrAus shares subscribed by it on any previous operation of the Top-Up Right and the parties obtaining all necessary regulatory and shareholder approvals in a timely manner and not later than 90 days after exercise of the Top-Up Right (including approvals required under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) and all necessary Chinese regulatory approvals). ASX has granted a waiver of ASX Listing Rule 6.18 (which would otherwise prohibit UPC from holding an option over a percentage of FerrAus' capital) in relation to the Top-Up Right.

4.10 Agreements to issue additional FerrAus options

Prior to the announcement of the Wah Nam Offer, the FerrAus Board resolved to grant the following options to certain employees:

- (a) 350,000 FerrAus options with an exercise price of \$1.00 expiring 14 September 2013; and
- (b) 360,000 FerrAus options that were to be granted upon completion of the PFS with an exercise price of \$1.00 expiring three years after the date of grant.

FerrAus has sought a waiver from ASX Listing Rule 7.9 to permit it to grant those options within 3 months after the announcement date of the Wah Nam Offer.

FerrAus is, under the terms of a draft land access agreement (**Land Access Agreement**), to grant to Jigalong Community Incorporated and the Nyiyaparli People a total of 7 million options in the following tranches and at the following times:

- (c) Tranche 1 options consisting of 4 million FerrAus options, exercisable at A\$0.50 each within 4 years from the date of issue of those options, to be issued within 7 days of execution of the Land Access Agreement ; and
- (d) Tranche 2 options consisting of 3 million FerrAus options, exercisable at A\$1.00 each within 4 years from the date of issue of those options, to be issued within 7 days of the first anniversary of the date of execution of the Land Access Agreement.

FerrAus shareholders have previously approved the grant of the tranche 1 options, however none of these options have been issued.

FerrAus has also advised certain employees that it intends to grant them FerrAus options under the FerrAus employee option plan following the completion of the DFS in relation to the Pilbara Project. FerrAus intends to grant 720,000 FerrAus options (in total) to those employees when that occurs.

4.11 Substantial FerrAus shareholders

Shareholders who have voting power in more than 5% of FerrAus' ordinary shares are as follows:

Shareholder	FerrAus shares	Relevant Interest
Wah Nam Australia	40,934,400	19.90%
China Railway Materials Commercial Corporation	25,946,417	12.61%
Mr John Nyvlt, Mr Joe Singer & Penfold Limited*	23,756,470	11.72%
Western Mining Co Ltd	15,145,892	7.47%

* The relationship between Mr John Nyvlt, Mr Joe Singer and Penfold Limited is set out in detail in section 6.2 below.

5. Risk Factors

5.1 Risk of holding FerrAus shares

In considering this Target's Statement, FerrAus shareholders should be aware that there are a number of risks which may affect the future operating and financial performance of FerrAus. The risks which apply to holding FerrAus shares can be categorised as industry risks which FerrAus shares with other mining companies, risks which relate to FerrAus business, and risks which relate to the outcome of the Offer. The principal risks you should consider when deciding whether to maintain your investment in FerrAus in the present circumstances include the following:

Industry risks

FerrAus is exposed to the following risks which apply to the mining industry generally:

Mining and exploration risks

The business of mining exploration, mineral development and production is subject to risk by its nature. The success of the business depends on successful exploration and/or acquisition of reserves, securing and maintaining title to tenements and consents, successful design, construction, commissioning and operating of mining and processing facilities, successful development and production in accordance with forecasts and successful management of the operations. Exploration and mining are speculative undertakings which may be hampered by force majeure circumstances, land claims and unforeseen mining problems. Increased development costs, lower output or high operating costs may all contribute to make a project less profitable than expected at the time of the development decision. There is no assurance that FerrAus' attempts to develop and exploit its exploration activities will be successful or that production will remain profitable in the long term.

Ore Reserve and Mineral Resource estimates

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and, thus, estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop reserves. Further, Ore Reserves are valued based on future costs and future prices and, consequently, the actual Ore Reserves and Mineral Resources of FerrAus may differ from those estimated, which may result in either a positive or negative effect on FerrAus' operations.

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of iron ore recovery will be realised. Iron ore price fluctuations, as well as increased production costs or reduced recovery rates, may render Ore Reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such Ore Reserves. Moreover, short-term operating factors relating to Ore Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades, may cause a mining operation to be unprofitable in any particular accounting period.

Inferred Mineral Resources do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Measured or Indicated Mineral Resources or Proven or Probable Ore Reserves as a result of continued exploration.

Operational risks

The operations of FerrAus may be affected by various factors not within its control, including operational and technical difficulties encountered in production, sourcing difficulties, commissioning, operating and maintaining plant and equipment, mechanical failure, industrial accidents, processing deficiencies, labour shortages, industrial and environmental disputes, obtaining government approvals, adverse weather conditions, fire, explosions, rock falls, unusual or unexpected rock formations, unanticipated metallurgical problems and unexpected shortages or increases in the costs of consumables, spare parts, plant equipment or labour. These risks and hazards could also result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. FerrAus may become subject to liability for accidents, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.

Commodity price fluctuations

The revenues of FerrAus may be materially impacted by fluctuations in the global prices of iron ore, which are in turn affected by many factors beyond the control of FerrAus, such as macro-economic factors and consumer sentiment. In particular, the exchange rate between Australian dollars and US dollars, in which the global prices of iron ore are set, affects the revenue received by FerrAus.

Geological and geotechnical

There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves. In this event, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

Environmental risks

Mining and exploration involves a risk of environmental damage. FerrAus may be required to comply with certain environmental management issues from time to time. The potential for liability is an ever-present risk. FerrAus intends to ensure that it conducts its operations to the highest standard of environmental obligation, including complying with all relevant applicable environmental legislation. Despite this endeavour, certain environmental risks are inherent in FerrAus' operations.

General legal and taxation matters

Future earnings, asset values and the relative attractiveness of FerrAus shares may be affected by changes in law and government policy in the jurisdictions in which FerrAus will operate, in particular, changes to taxation law.

On 2 July 2010, the Australian Federal Government proposed a new tax on the resources industry, known as the Mineral Resources Rent Tax (**MRRT**), which may result in some resource companies paying additional or increased amounts of tax. The Australian Federal Government has established a Policy Transition Group which will engage in industry consultation. The introduction of the MRRT, which is set to apply from 1 July 2012, may have an adverse impact on FerrAus subject to the finalised legislation

In addition, FerrAus understands that the Australian Federal Government is currently considering a new tax on carbon emissions. The introduction of such a tax may have an adverse impact on FerrAus subject to any finalised legislation.

Government policy

Industry profitability can be affected by changes in Government, both within Australia and externally, which are not within the control of FerrAus. Each of FerrAus' activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. There is no assurance that permits will be obtained when sought or that unfavourable conditions will not be imposed. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of FerrAus' tenements, the extent of which cannot be predicted.

Risks associated with FerrAus' business

There are also a number of risks which are specific to FerrAus and its current operations. A non-exhaustive list of some of the more important of these risks is set out below.

Funding risk

As noted above, FerrAus has recently completed its PFS in relation to the Pilbara Project and has commenced a DFS in relation to the Pilbara Project. Development of the Pilbara Project will ultimately require FerrAus to raise equity or debt funding. The PFS estimated that the Pilbara Project would require A\$960 million in upfront capital expenditure. In addition, FerrAus will need to obtain funding in 2011 to complete the DFS in relation to the Pilbara Project and the further exploration required to support the DFS, and to potentially support a dredging commitment in respect of the NWIOA port development. Further, FerrAus will require further financing to undertake further feasibility studies, to develop other projects or to meet future objectives.

There is no assurance that FerrAus will be successful in obtaining financing as and when needed. Market conditions may make it difficult or impossible for FerrAus to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause FerrAus to postpone future development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

External financial and credit markets are subject to numerous influences so there can be no assurance that equity or debt funding will be available to FerrAus, whether credit approvals for the Pilbara Project will be forthcoming, or whether any funding will be on acceptable terms. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that development funding will be available on terms acceptable to FerrAus. If FerrAus is unable to obtain development funding as needed, it may be required to reduce or terminate its operations or scale back its development programs.

Infrastructure risks

As discussed in section 4.2 above, FerrAus is progressing several alternatives to provide an infrastructure solution for the Pilbara Project in relation to both port and rail infrastructure. There is a risk that FerrAus may not be able to achieve any of the infrastructure alternatives discussed in section 4.2 on acceptable terms or at all, and as a result there is a risk that FerrAus may be required to construct its own infrastructure, to the extent it is able to do so, or may be required to delay or reduce its operations or scale back its development programs, which may affect the financial performance of FerrAus.

The development funding risks, environmental risks, government approval and permit risks discussed elsewhere in this section 5.1 apply equally to the construction of any port or rail infrastructure that FerrAus may undertake.

Uncertainty of exploration, optimisation and development programs

FerrAus' future profitability will be significantly affected by the costs and results of its exploration, optimisation and development of the Pilbara Project.

There is a risk that further feasibility studies may not return positive results in respect of the Pilbara Project and even if they do, there is the risk that the development of the project will not be economic, completed on schedule, or that the construction cost may exceed the budget, or that significant problems in commissioning the project may arise.

Accordingly, FerrAus' exploration, optimisation and development programs relating to the Pilbara Project may not result in an economically viable operation.

Permitting risk

There is a risk that the necessary land acquisitions, permits, consents, authorisations and agreements required to implement planned exploration, project development, or mining of the Pilbara Project may not be obtained under conditions or within timeframes that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

Land and resource tenure

FerrAus' land and resource tenure may be disputed resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, native title and cultural heritage issues to be addressed, which can have significant timing and cost implications.

Risks relating to the outcome of the Offer

Maintaining your investment in FerrAus may attract the following risks, depending on the outcome of the Offer:

- FerrAus shares acquired by Wah Nam Australia under the Offer will reduce the number of FerrAus shares which can be expected to be available for trading on ASX. This is likely to reduce the liquidity of FerrAus shares, and may adversely affect the price at which they might otherwise be expected to trade.
- If Wah Nam Australia acquires control of FerrAus, it will have enhanced capacity to influence the manner in which the business is conducted. Wah Nam's intentions for FerrAus are described in section 8 of the Bidder's Statement, but those intentions may change, particularly as a result of the review which Wah Nam Australia states that it will undertake. Changes to the business which are implemented by Wah Nam Australia may mean that you may subsequently choose to dispose of your FerrAus shares at a time when market conditions are less favourable than those prevailing at the date of this Target's Statement.
- If Wah Nam Australia acquires control of FerrAus, you will be exposed to a number of potentially significant risks associated with Wah Nam shares. FerrAus shareholders should read section 7 of Wah Nam's Bidder's Statement for a description of these risks.
- Should Wah Nam's Offer for FerrAus be successful, there is a risk that member(s) of the FerrAus Board or management will not accept any offer of employment from Wah Nam. In such a circumstance, Wah Nam's board and management may have limited or no knowledge of the Pilbara Project, and may not be able to develop the project in accordance with the PFS.
- If you choose not to accept the Offer and Wah Nam Australia subsequently exercises compulsory acquisition rights, you are likely to be paid later than shareholders who accept the Offer.
- The value of the Offer Consideration received by FerrAus shareholders will be dependent upon the price at which Wah Nam shares trade. FerrAus shareholders should be aware that the market price of shares in a listed company is subject to fluctuations in the share market and affected by various factors. While the Offer Consideration is fixed at 6 Wah Nam shares for every 1 FerrAus share, the implied value of the Offer Consideration will change if the market price of Wah Nam shares increases or decreases.

6. Additional Information

In making a decision whether to accept the Offer, FerrAus shareholders should also carefully consider the following matters.

6.1 Relevant interests in marketable securities of FerrAus and Wah Nam Australia

The marketable securities that Wah Nam has on issue are fully paid Wah Nam shares, Wah Nam options and FerrAus Class B Performance Shares.

The number and description of marketable securities of FerrAus and Wah Nam Australia in which each FerrAus Director has a relevant interest as at the date of this Target's Statement are as follows:

FerrAus Director	FerrAus shares	FerrAus options	FerrAus Class B Performance Shares
Mr John Nyvlt ⁽¹⁾	9,023,797*	1,114,290	1,462,500*
Mr Bryan Oliver	Nil	500,000	Nil
Mr Robert Greenslade	1,540,650*	Nil	Nil
Mr Guoping Liu	Nil	Nil	Nil
Mr James Wall	50,400*	400,000*	Nil
Mr Joe Singer ⁽¹⁾	14,732,673*	1,671,420*	2,193,825*
Mr James Li	Nil	Nil	Nil

* Held by Directors and entities in which Directors have a relevant interest.

⁽¹⁾ Mr John Nyvlt and Mr Joe Singer are associates in relation to FerrAus as set out in section 6.2 below.

FerrAus Director	Wah Nam shares	Wah Nam options
Mr John Nyvlt	Nil	Nil
Mr Bryan Oliver	Nil	Nil
Mr Robert Greenslade	Nil	Nil
Mr Guoping Liu	Nil	Nil
Mr James Wall	Nil	Nil
Mr Joe Singer	Nil	Nil
Mr James Li	Nil	Nil

6.2 Australian Manganese Share Sale Agreement

On 19 September 2005, FerrAus (then known as NiQuest Limited) entered into an agreement to acquire Australian Manganese Pty Ltd (*Australian Manganese Share Sale Agreement*). Consideration payable to the vendors under the Australian Manganese Share Sale Agreement included the issue of FerrAus shares, FerrAus Class A Performance Shares, FerrAus Class B Performance Shares, and FerrAus Options. Among others the vendors included Penfold Limited and the Nyvlt Family Trust, each of whom received the following securities as part of the total consideration payable to them under the Australian Manganese Share Sale Agreement:

Vendor	FerrAus shares	FerrAus options	FerrAus Class A Performance Shares	FerrAus Class B Performance Shares
Penfold Limited	6,727,730	1,671,420	5,703,945	2,193,825
Nyvlt Family Trust	4,485,000	1,114,290	3,802,500	1,462,500

Penfold Limited is an unlisted Hong Kong registered company founded in 1996 and involved in marketing, trading and investment in minerals and metals industries. Mr Joe Singer is the founding director of, and shareholder in, Penfold Limited. Pursuant to section 608(3)(b) of the Corporations Act, Mr Joe Singer has a relevant interest in the FerrAus shares in which Penfold Limited has a relevant interest.

Mr John Nyvlt is the trustee of the Nyvlt Family Trust. Pursuant to section 608(1) and 608(2)(b) of the Corporations Act, Mr John Nyvlt has a relevant interest in the securities held by him in his capacity as trustee of the Nyvlt Family Trust.

By reason of the Australian Manganese Share Sale Agreement Mr John Nyvlt (as trustee of the Nyvlt Family Trust), Penfold Limited and Mr Joe Singer are associates for the purposes of section 12(2)(c) the Corporations Act.

6.3 Dealings in marketable securities of FerrAus and Wah Nam Australia

No FerrAus Director acquired or disposed of any FerrAus share within the 4month period preceding the date of this Target's Statement.

No FerrAus Director acquired or disposed of any Wah Nam shares within the 4 month period preceding the date of this Target's Statement.

6.4 Conditional agreements

Except as set out in this Target's Statement no FerrAus Director is a party to any agreement or arrangement with any other person in connection with or conditional on the outcome of the Offer.

6.5 Payments and benefits

As a result of the Offer, no benefit (other than a benefit permitted by section 200F or 200G of the Corporations Act) has been or will be given to a person:

- in connection with the retirement of a person from a board or managerial office in FerrAus or a related body corporate of FerrAus; or
- who holds, or has held a board or managerial office in FerrAus or a related body corporate, or a spouse, relative or associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of FerrAus.

6.6 Insurance and indemnities

FerrAus has entered into standard form deeds of indemnity with certain FerrAus Directors against all liabilities which they may incur in the performance of their duties as directors or officers of FerrAus, except liability to FerrAus or a related body corporate, liability for a pecuniary penalty or compensation order under the Corporations Act, and liabilities arising from conduct involving a lack of good faith. FerrAus is obliged to meet the full amount of all such liabilities in accordance with the terms of the deeds of indemnity.

In addition, each FerrAus Director is indemnified, as authorised by the FerrAus Constitution, against personal liability arising from their respective positions within FerrAus and its related bodies corporate.

FerrAus holds a directors' and Officers' Liability Insurance Policy on behalf of current directors and officers of FerrAus and its controlled entities. The period of the policy extends from 31 October 2010 to 31 October 2011.

6.7 Impact on FerrAus employee incentive plans

As previously disclosed to ASX, FerrAus established the FerrAus Employee Option Scheme. At the 2009 Annual General Meeting held on 27 November 2009, FerrAus shareholders approved the issue of securities in accordance with the scheme within the three year period ending 27 November 2012. The terms and conditions of the FerrAus Employee Option Scheme were set out in the accompanying notice of meeting.

The Offer extends to any FerrAus shares issued during the Offer Period as a result of the exercise of FerrAus options held under the Employee Option Scheme.

6.8 Material contracts

To the best of the FerrAus Directors' knowledge, none of the material contracts to which FerrAus is a party contain change in control provisions which may be triggered as a result of, or as a result of acceptances of, the Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of FerrAus.

6.9 Impact on arrangements with Wah Nam Australia

If Wah Nam acquires control of FerrAus but not full ownership, future transactions between members of the Wah Nam Group and members of the FerrAus which are entered into after that date will be related party transactions for the purposes of ASX Listing Rules and the Corporations Act. Generally speaking, transactions under which a financial benefit is given by a member of the FerrAus Group to a member of the Wah Nam Group will need to be on terms which are at least as favourable to FerrAus as arm's length terms, or the transactions will need to be approved by disinterested shareholders. Under ASX Listing Rules, any transfers of assets between FerrAus (or a controlled entity of FerrAus) on the one hand and Wah Nam (or a controlled entity of Wah Nam) on the other, where the consideration payable or the value of the relevant assets is more than 5% of FerrAus shareholders' funds, will need to be approved by an ordinary resolution of FerrAus shareholders (Wah Nam would not be entitled to vote on the resolution).

6.10 Taxation considerations for FerrAus shareholders

Section 9 of the Bidder's Statement sets out advice on Australian capital gains tax consequences of the acceptance of the Offer.

FerrAus shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. FerrAus shareholders should not solely rely on section 9 of the Bidder's Statement in relation to the taxation implications of accepting the Offer. In particular, FerrAus shareholders who are subject to taxation outside Australia should obtain their own advice as to the tax consequences for them of the Offer, which may be different to those applicable to Australian resident FerrAus shareholders.

6.11 Material litigation

As set out above under “Potential BHPB Rail Haulage Solution” in section 4.2, on 18 November 2010 the Mount Newman Participants commenced legal proceedings in the Supreme Court of Western Australia against FerrAus and the President of Engineers Australia.

The Mount Newman Participants are seeking declarations and injunctive relief in respect of possible further steps that FerrAus may take to seek the appointment of an independent expert by the President of Engineers Australia as provided for by the 1987 RTA.

In light of the agreement on terms of a confidentiality agreement for the purposes of negotiating contractual arrangements for rail haulage on the Mount Newman railway and the likelihood that the parties will meet in the week following the date of this Target’s Statement to negotiate, the Mount Newman Participants have agreed to adjourn the proceedings in the WA Supreme Court until February 2011.

Other than as set out in this section 6.11, to the best of the FerrAus Directors’ knowledge, FerrAus is not involved in any ongoing or threatened litigation which is material in the context of FerrAus.

6.12 Director’s conflict of interest

One of the directors, Mr Robert Greenslade, holds an equity interest in Gryphon Partners, the financial advisers to FerrAus in connection with the Offer. Gryphon Partners will receive fees from FerrAus for professional services related to the Offer. Those fees may vary depending on the outcome of the Offer. Notwithstanding this interest, Mr Greenslade believes that he is able to make the above recommendation in relation to the Offer and has done so in order that shareholders are informed of his views on the Offer.

6.13 Consents

The following persons have given and have not, before the date of issue of this Target’s Statement, withdrawn their consent to:

- be named in this Target’s Statement in the form and context in which they are named;
- the inclusion of their respective reports or statements noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target’s Statement; and
- the inclusion of other statements in this Target’s Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Name of Person	Named as	Report or Statement
Allens Arthur Robinson	Legal adviser	N/A
Gryphon Partners	Financial adviser	N/A
Peter Brookes	Competent person	N/A
Alan Cooper	Principal Mining Consultant for Snowden	Section 4.4

Each of the above persons:

- does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 01/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or ASX (in compliance with the ASX Listing Rules). Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

As permitted by ASIC Class Order 03/635, this Target's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or published book, journal or comparable publication.

Pursuant to this Class Order, the consent of persons such statements are attributed to is not required for the inclusion of those statements in this Target's Statement.

Any FerrAus shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to Class Order 01/1543 may obtain a copy free of charge by contacting the FerrAus Shareholder Information Line.

6.14 Competent persons statement

Geological interpretation, exploration results, and Mineral Resource information contained in this Target's Statement is based on information compiled by Mr Peter Brookes who is a member of the Australian Institute of Geoscientists (AIG) and who is a full time employee of FerrAus. Peter Brookes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves". Mr Brookes consents to the inclusion in this Target's Statement of the matters based on the information in the form and context in which it appears.

6.15 Continuous disclosure

FerrAus is a "disclosing entity" under the Corporations Act and subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. These obligations require FerrAus to notify ASX of information about specified matters and events as they occur for the purpose of making that information available to the market. In particular, FerrAus has an obligation (subject to limited exceptions) to notify ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of FerrAus shares.

Copies of the documents filed with ASX may be obtained from the ASX website at asx.com.au.

In addition, FerrAus will make copies of the following documents available for inspection at Suite 10, 100 Mill Point Road, South Perth, WA (between 9am and 5pm on business days). The documents are also available on FerrAus' website at ferraus.com.

A copy of the following may be requested to be provided free of charge by contacting the FerrAus Shareholder Information Line on 1300 133 271 (if in Australia) or +61 3 9415 4157 (if outside Australia):

- Annual Report for the year 2010;
- FerrAus Constitution; and
- any continuous disclosure document lodged by FerrAus with ASX between the lodgement of its 2010 Annual Report on 22 October 2010 and the date of this Target's Statement. A list of these documents is included the Annexure to this Target's Statement.

Copies of documents lodged with ASIC in relation to FerrAus may be obtained from, or inspected at, an ASIC office.

6.16 Notice of Status of Conditions

The Wah Nam Australia Bidder's Statement indicates that Wah Nam Australia will give a Notice of Status of Conditions on 10 January 2011.

Wah Nam Australia is required to set out in its Notice of Status of Conditions:

- whether the Offer is free of any or all of the conditions of the Offer;
- whether, so far as Wah Nam Australia knows, any of the conditions have been fulfilled; and
- Wah Nam Australia's voting power in FerrAus at that time.

If the Offer Period is extended before the Notice of Status of Conditions is to be given, the date that Wah Nam Australia must give its Notice of Status of Conditions will be taken to be postponed for the same period. In the event of such an extension, Wah Nam Australia is required, as soon as reasonably practicable after the extension, to notify ASX and FerrAus of the new date for giving the Notice of Status of Conditions.

In addition, if a condition of the Offer is fulfilled during the Offer Period but before the date on which the Notice of Status of Conditions is required to be given, Wah Nam Australia must, as soon as practicable, give ASX and FerrAus a notice stating that the particular condition has been fulfilled.

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6.17 Compulsory acquisition

Post-bid compulsory acquisition

Wah Nam Australia will be entitled to acquire compulsorily any outstanding FerrAus shares for which it has not received acceptances on the same terms as the Offer if, during or at the end of the Offer Period, Wah Nam Australia (taken together with its associates):

- has a relevant interest in at least 90% (by number) of FerrAus shares; and
- has acquired at least 75% (by number) of FerrAus shares for which it has made an Offer.

In calculating the 75% test described above, FerrAus shares in which Wah Nam Australia and its associates have a relevant interest as at the date of the Offer is first made are disregarded.

If the compulsory acquisition thresholds are met, Wah Nam Australia will have one month from the end of the Offer Period within which to give compulsory acquisition notices to FerrAus shareholders who have not accepted the Offer, but it may choose to commence compulsory acquisition as soon as the relevant thresholds are satisfied. Shareholders have statutory rights to challenge compulsory acquisition, but this will require the relevant Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent fair value for FerrAus shares. Shareholders should be aware that, if their FerrAus shares are acquired compulsorily, they are not likely to receive any consideration until at least one month after the compulsory acquisition notices are sent.

General compulsory acquisition

Section 8.3(a) of the Bidder's Statement describes Wah Nam Australia's general compulsory acquisition rights, which may be triggered even if Wah Nam Australia does not reach the compulsory acquisition thresholds described above, as long as it holds full beneficial interests in at least 90% by value of FerrAus shares (or securities which are convertible into FerrAus shares, such as FerrAus options) and its voting power in FerrAus is above 90%. In that case, Wah Nam Australia will have a period of six months from that time to exercise general compulsory acquisition rights, which requires the acquisition to take place at a cash price which equals or exceeds the "fair value" of the shares. If shareholders holding more than 10% of the FerrAus securities covered by the compulsory acquisition notice FerrAus shares object to the compulsory acquisition, Wah Nam Australia would need to approach the court for orders to the effect that the acquisition should proceed. If Wah Nam established that the compulsory acquisition price is a fair value the court must approve the compulsory acquisition. General compulsory acquisition rights extend to FerrAus options, on the same basis.

Compulsory buy-out rights

If Wah Nam Australia (taken together with its associates) has a relevant interest in at least 90% of FerrAus shares at the end of the Offer Period and it does not exercise or is not entitled to exercise the compulsory acquisition rights described above, Wah Nam Australia must offer to acquire the remaining FerrAus shares and FerrAus options. The terms of the offer must be set out in a notice given during or within one month after the end of the Offer Period and the offer must be accepted within one month after the notice has been given.

6.18 Other information

This Target's Statement is required to include all the information FerrAus shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer, but:

- only to the extent to which it is reasonable for investors and their professional advisers to expect to find this information in this Target's Statement; and
- only if the information is known to any of the FerrAus Directors.

Each director is of the opinion that the information that shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Offer is:

- the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- the information contained in FerrAus' 2010 Annual Report;
- the information contained in FerrAus' releases to ASX prior to the date of this Target's Statement; and
- the information contained in this Target's Statement, including the annexures to this Target's Statement.

The directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the FerrAus Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all statements contained in it.

In deciding what information should be included in this Target's Statement, the directors have had regard to:

- the nature of the FerrAus shares;
- the matters FerrAus shareholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisers of FerrAus shareholders; and
- the time available to FerrAus to prepare this Target's Statement.

7. Interpretation and Authorisation

7.1 Defined terms

In this Target's Statement, the following words have these meanings unless the contrary intention appears:

Term	Meaning
Announcement Date	day on which the Offer was announced being 10 November 2010.
ASIC	Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532), the body that administers the CHESS system in Australia.
ASTC Settlement Rules	the settlement rules of ASTC.
ASX	ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.
ASX Listing Rules	listing rules of ASX.
Australian Manganese Share Sale Agreement	The Agreement dated 19 September 2005 pursuant to which FerrAus (then known as NiQuest Limited) acquired Australian Manganese Pty Ltd.
BHPBM	BHP Billiton Minerals Pty Ltd (ACN 008 694 782).
BHPBIO	BHP Billiton Iron Ore Pty Ltd (ACN 008 700 981).
Bidder's Statement	Replacement Bidder's Statement dated 6 December 2010 lodged by Wah Nam Australia in relation to the Offer.
Brockman	Brockman Resources Limited (ACN 009 372 150).
Brockman Resources Bidder's Statement	bidder's statement issued by Wah Nam Australia which includes the Brockman Resources Offer.
Brockman Offer	offer by Wah Nam Australia to acquire all of the Brockman securities on the terms and conditions set out in the Brockman Resources Bidder's Statement.
CGT	Australian capital gains tax.
CHESS	Clearing House Electronic Subregister System, which provides for electronic security transfer in Australia.
Co-operation and Support Agreement	The co-operation and support agreement between FerrAus and CRM dated 7 September 2009.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
CRM	China Railway Materials Commercial Corporation, a company incorporated in the People's Republic of China.
DFS	definitive feasibility study.
ERA	Economic Regulatory Authority of Western Australia.

Term	Meaning
FerrAus	FerrAus Limited (ACN 097 422 529).
FerrAus Board or Board	board of directors of FerrAus.
FerrAus Class A Performance Shares	shares described as such, and on the terms and conditions set out, in Part A of Annexure A to the notice of meeting and explanatory statement to the 2005 Annual General Meeting of FerrAus (then known as NiQuest) held on 30 November 2005.
FerrAus Class B Performance Shares	shares described as such, and on the terms and conditions set out, in Part B of Annexure A to the notice of meeting and explanatory statement to the 2005 Annual General Meeting of FerrAus (then known as NiQuest) held on 30 November 2005.
FerrAus Constitution	constitution of FerrAus, as amended from time to time.
FerrAus Director	a Director of FerrAus.
FerrAus Group	FerrAus and its subsidiaries.
FerrAus option	an option to subscribe for a FerrAus share.
FerrAus share	an ordinary share in FerrAus.
FerrAus shareholder	a person who is registered as the holder of a FerrAus share in the FerrAus register of members.
Indicated Resource or Indicated Mineral Resource	has the meaning given to Indicated Mineral Resource in the JORC Code.
Inferred Resource or Inferred Mineral Resource	has the meaning given to Inferred Mineral Resource in the JORC Code.
JORC Code	means the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, which is available at jorc.org .
Mount Newman Participants	BHPBM, Mitsui-Itochu Iron Pty Ltd (ACN 008 702 761) and ITOCHU Minerals and Energy of Australia Pty Ltd (ACN 009 256 259).
Measured Resource or Measured Mineral Resource	has the meaning given to Measured Mineral Resource in the JORC Code.
North West Iron Ore Alliance	an alliance between Atlas Iron Limited, Brockman, and FerrAus.
Notice of Status of Conditions	Wah Nam Australia's notice disclosing the status of the conditions of its Offer which is required to be given under section 630(3) of the Corporations Act.
Offer or Wah Nam's Offer	takeover offer dated 15 December 2010 by Wah Nam Australia to acquire all of the ordinary shares in FerrAus on the terms and conditions set out in the Bidder's Statement.
Offer Consideration	six Wah Nam International shares for every FerrAus share held.

Term	Meaning
Offer Period	period within which the Offer is open for acceptance.
Ore Reserve	has the meaning given to Ore Reserve in the JORC Code.
Original Bidder's Statement	the original bidder's statement dated 10 November 2010 lodged by Wah Nam Australia in relation to the Offer.
PFS	pre feasibility study.
Pilbara Project	the wholly owned FerrAus Pilbara Iron Ore Project described in section 4.2 of this Target's Statement.
Probable Ore Reserve	has the meaning given to that term in the JORC Code.
Proved Ore Reserve	has the meaning given to that term in the JORC Code.
Strategic Alliance Agreement	a non-binding strategic alliance agreement between FerrAus and CRM dated 7 September 2009.
Target's Statement	this statement.
TPI	The Pilbara Infrastructure Pty Ltd (ACN 103 096 340).
TPI Agreement	the 2004 agreement between TPI and the Western Australia State Government.
UPC	Union Park Company Limited, a Hong Kong incorporated company and wholly owned subsidiary of CRM.
UPC Subscription Agreement	the share subscription agreement between FerrAus and UPC dated 7 September 2009.
Wah Nam	Wah Nam International Holdings Limited (ARBN 143 211 867), a company incorporated in Bermuda and listed on the Hong Kong stock exchange.
Wah Nam Australia or the Bidder	Wah Nam International Australia Pty Ltd (ACN 134 696 727).
Wah Nam Group	Wah Nam and each of its subsidiaries.
Wah Nam share	a fully paid share in the share capital of Wah Nam.
1987 RTA	the 1987 Rail Transport Agreement between the Government of Western Australia and the Mount Newman Participants.

7.2 Interpretation

The following rules of interpretation apply unless the contrary intention appears or the context requires otherwise.

- (a) A reference to time is a reference to Eastern Standard Time.
- (b) A gender includes all genders.
- (c) The singular includes the plural and vice versa.
- (d) A term not specifically defined in this Target's Statement has the meaning given to it (if any) in the Corporations Act or the ASTC Settlement Rules, as the case may be.
- (e) A reference to any legislation or to any provision of any legislation includes any modifications or re-enactment of it, any legislative provision substituted for it and all regulations and statutory instruments issued under it.
- (f) A reference to a person includes a corporation, an unincorporated body or other entity and conversely.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including, but not limited to, persons taking by novation) and assigns.
- (h) A reference to a right or obligation of any two or more persons confers that right, or imposes that obligation, as the case may be, jointly and individually.
- (i) A reference to any instrument or document includes any variation or replacement of it.
- (j) Headings used in this Target's Statement are for ease of reference only and shall not affect the meaning or interpretation of this Target's Statement.
- (k) A reference to a section is to a section of this Target's Statement.
- (l) Where a word is defined, its other grammatical forms have a corresponding meaning.
- (m) A\$, \$ or cent is a reference to the lawful currency of Australia.

7.3 Authorisation

This Target's Statement has been approved by a resolution passed by the FerrAus Board. Each director (other than Mr Robert Greenslade who, did not vote on the resolution because he holds an equity interest in Gryphon Partners, the financial advisers to FerrAus in connection with the Offer, which will receive fees from FerrAus for professional services related to the Offer) has voted in favour of the resolution authorising this Target's Statement.

Dated: 20 December 2010

Signed for and on behalf of FerrAus Limited (ACN 097 422 529)



John Nyvlt
Chairman

Annexure - List of FerrAus Announcements to ASX

Below is a list of the announcements which have been made by FerrAus to ASX between 22 October 2010 and the date of this Target's Statement:

Date	Headline
16-Dec-2010	Replacement Bidder's Statement
16-Dec-2010	Change in substantial holding from Wah Nam Int.
15-Dec-2010	Bidder's Statement - Off-market bid - sent
15-Dec-2010	Bidder's Statement - Off-market bid - sent
13-Dec- 2010	Notice of Fulfilment of Condition re Wah Nam Int. T/O
10-Dec-2010	FerrAus Responds to Media Article
10-Dec-2010	Trading Halt
7-Dec-2010	Replacement Bidder's Statement Part 5 of 5
7-Dec-2010	Replacement Bidder's Statement Part 4 of 5
7-Dec-2010	Replacement Bidder's Statement Part 3 of 5
7-Dec-2010	Replacement Bidder's Statement Part 2 of 5
7-Dec-2010	Replacement Bidder's Statement Part 1 of 5
1-Dec-2010	Details of Company Address
26-Nov-2010	Appendix 3Y
26-Nov-2010	Appendix 3B
26-Nov-2010	Investor Briefing Presentation
25-Nov-2010	Results of Meeting
25-Nov-2010	Executive director's Report to AGM
25-Nov-2010	Chairman's Address to Shareholders
25-Nov-2010	Letter to Shareholders - Offer from Wah Nam
24-Nov-2010	FerrAus and Mount Newman Participants Progress Update
22-Nov-2010	Discussions With Mount Newman Participants On Legal Action
18-Nov-2010	Mount Newman Participants Commence Legal Action
16-Nov-2010	Lapse of Options
16-Nov-2010	BRM: Response to Media Reports
16-Nov-2010	Investor Briefing - Presentation
15-Nov-2010	Seeks to Appoint Allan Fels AO as Independent Expert
15-Nov-2010	Maiden Reserve and Mirrin Mirrin Resource Upgrade

15-Nov-2010	Pre Feasibility Study Confirms Robust Project
12-Nov-2010	Letter to Shareholders
11-Nov-2010	Bidder Statement - Part 2
11-Nov-2010	Bidder Statement - Part 1
11-Nov-2010	BRM: Takeover Offer - Wah Nam Update
11-Nov-2010	Revised Takeover Offer Received From Wah Nam International
11-Nov-2010	Change in substantial holding
11-Nov-2010	Takeover Offer Received From Wah Nam International
29-Oct-2010	Quarterly Cashflow Report
29-Oct-2010	Quarterly Activities Report
27-Oct-2010	East Pilbara High Grade Manganese Results
22-Oct-2010	Annual Report to shareholders
22-Oct-2010	Notice of Annual General Meeting/Proxy Form

Corporate Directory

FerrAus Limited

(ABN 86 097 422 529)

(ASX:FRS)

ferraus.com

Directors

Mr John Nyvlt, Chairman

Mr Bryan Oliver, Executive Director

Mr Robert Greenslade

Mr Guoping Liu

Mr James Wall

Mr Joe Singer

Mr James Li (Alternate director for Mr. Liu)

Company Secretary

Mr Christopher Hunt

FerrAus Shareholder Information Line

1300 133 271 (from within Australia, toll free)

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