

25 November 2010

2010 Annual General Meeting

Executive Director's Report

As many of you are aware I have now been with FerrAus for almost three months and there has been more than enough action to keep me busy.

During my time with the Group we have completed the Pre Feasibility Study, delivered the maiden reserve, increased our total resource figure, received a takeover offer and engaged with the Mt Newman Participants on rail haulage – it is hard to imagine how we could have squeezed more significant events into such a relatively short time.

However, my task today is to deliver a brief summary of the events and activities recorded during the 2010 Financial Year and it is a summary of an exceptional year in the relatively brief history of FerrAus Limited.

To pick up John's earlier comments, all of these activities continue to reinforce the value of the FerrAus Pilbara Project, which is the name we now use, consistent with the development of a single project plan, to describe all of the three adjacent tenements.

It is not my intention today to attempt to cover all of the considerable detail about our exploration activities published in the Annual Report however, I will briefly run through the highlights for the 2010 financial year.

Exploration of FerrAus Ltd's quality tenement package is continuing to deliver great drilling results culminating in iron ore discovery.

This year, updated resources (totaling 10 million tonnes) were posted for the new Davidson Creek iron ore discoveries of Dugite and Tiger; while Python, Gwardar, Taipan Deposits incrementally grew by 40 million tonnes.

But more significantly this year was the announcement of the discovery of a new Marra Mamba Iron Formation mineralised trend, NW of Python Deposit, called Mirrin Mirrin.

In the 12 months since the first discovery in October 2009, Mirrin Mirrin Prospect has grown from a few lines of good results to a 60 million tonne plus iron ore discovery, and is expected to eclipse FerrAus's flagship iron ore discovery King Brown within the next 12 months.

Other outstanding exploration achievements during the last 12 months include:

- Overall growth of resources to date of 162 million tonnes
- Major resource upgrades at both Robertson Range and Davidson Creek – Measured and Indicated resources now 145 million tonnes, up by 122 million tonnes.
- Discovery of the detrital mineralisation adjacent to King Brown, still open to the SE.
- Mirrin Mirrin Prospect, 60 million tonnes plus and still open along strike.
- Dugite Tiger Deposit, 23 million tonnes and still open along strike to the east
- Implementation of airborne magnetic survey results and location of several prospective iron ore targets of both Marra Mamba and Brockman Iron Formation rocks, many yet to be tested.
- Mulga Prospect, approximately 4 kilometres east of King Brown, identified by the airborne magnetic survey, where scout drilling has intersected iron mineralisation, and
- Identification of high grade Woodie Woodie style Manganese enrichment from rock chips at FerrAus's Enacheddong Project.

If we now look at the key exploration events that have occurred since 30 June, we find FerrAus has announced two upgrades to resources at the Mirrin Mirrin Prospect.

The latest results at this Prospect increased the plus 55 per cent Fe resource from 30.8 million tonnes to 37.9 million tonnes and the 50-55 per cent Fe resource from 18.1 million tonnes to 23.3 million tonnes, an overall increase in resources of 12.3 million tonnes, which took the total resource (JORC) for the entire FerrAus Pilbara Project to 328.7 million tonnes.

We continue to build toward our corporate goal to achieve a resource of 400 million tonnes and Mirrin Mirrin can now be considered the cornerstone area within the FerrAus Pilbara Project.

To close off on our exploration activity, I can report that manganese has taken on a new level of prominence and we recently announced exciting results from rock chip samples collected at the remote Enachedong Project in the North East Pilbara.

Earlier exploration activity had focussed on ground based methodologies, including detailed mapping and sampling to produce some prospective results. As a result of this activity three separate areas, Omen, Eastwood and Black Stripe, were identified as prospects.

The recent geological mapping and sampling program discovered previously unknown manganese outcrops within the tenement and identified apparent high grade mineralisation in several zones at the surface.

This mineralisation is consistent with known mineralisation models such as Consolidated Minerals' Woodie Woodie style hydrothermal deposits and Hancock Prospecting's Boogina Hill manganese shale deposits.

These initial results indicate that there is tremendous potential for a high grade manganese deposit to be developed and we are planning an aggressive exploration effort at the beginning of the 2011 field season.

Moving on to other activities in our business, in February we announced the completion of a positive Scoping Study that found that the NPV of the FerrAus Pilbara Project, using an 8 per cent real after tax discount rate, ranges from A\$880 million to A\$1.1 billion, with indicative after tax margins of near 20 per cent.

The announcement just last week that FerrAus had completed its Pre Feasibility Study is another major milestone for the company and everyone involved can be very proud of this achievement.

Essential activities included in the pre feasibility study were infill drilling to increase resource confidence levels, mine planning, metallurgical test work, hydrology, environmental studies, process flow design, regulatory approvals, technical marketing, rail spur design and financial evaluation.

FerrAus appointed key members of the PFS owner's team were appointed and Sinclair Knight Merz was awarded the contract as the lead engineering company with overall responsibility for the preparation of an independent PFS.

SKM worked closely with FerrAus and a number of specialist sub-consultants in areas such as environment, community relations, hydrology, geotechnical studies and mine planning.

There have been a range of announcements from many of the significant junior iron ore developers in recent months underlining the important role each will play, either individually or collectively, in changing the face of iron ore production in Western Australia.

One other major activity this year was the spin-off of the former Silver Swan North Project to form a new company, Lawson Gold Limited, in March this year.

The Project, which comprised of four mining licences and an exploration licence, is located in the Kanowna Greenstone Belt approximately 45 kilometres north east of Kalgoorlie in Western Australia.

Although previous exploration efforts at Silver Swan had focussed predominantly on nickel, the Directors considered that these tenements are prospective for gold mineralisation of the style found at Kanowna Belle.

Following further work on the Project, FerrAus identified a number of potential gold targets and a work programme was developed to test these targets.

In May FerrAus announced the issue of the Lawson Gold Prospectus, which sought to raise up to \$5 million, through the issue of 25 million shares at 20 cents each.

The Lawson Gold Offer was successfully completed on 26 July 2010 and that company acquired the granted tenements under the terms of a Sale Agreement with FerrAus Limited for a total consideration of 1,500,000 ordinary shares in the capital of Lawson Gold.

As a result of the Offer, Lawson Gold raised approximately \$4.7 million at \$0.20 per share, well above the minimum raise level of \$3 million, which will result in the issue of around 23.4 million shares.

The Offer was well supported by both FerrAus shareholders and new investors, in difficult market conditions.

So that brings me to the end of the summary on our activities during the 2010 financial year and as I said it was a significant year in the development of your company.

In the past five months of this financial year we have already achieved a tremendous amount.

We have increased our resource by more than 30 million tonnes, completed the PFS to show we have a viable and robust project, progressed the quest for an effective rail solution and demonstrated that we represent considerable value in this sector.

I am sure you will agree that this is a very interesting time for FerrAus and our team is committed to achieving the best possible outcome for the shareholders.

Thank you for listening and I will now hand you back to the Chairman to complete the formal business of today's meeting.