

29 October 2010

FIRST QUARTER ACTIVITY REPORT
For the period ending 30 September 2010

Highlights

- Pre Feasibility Study Nearing Completion
- Resource Increase To 316 Million Tonnes
- Mirrin Mirrin Prospect – Additional Drilling Results
- China Railway Materials Subscription
- Lawson Gold Limited Listed On Australian Securities Exchange
- Appointment Of Executive Director

FEASIBILITY STUDIES

The engineering studies that will provide the basis for the Pre Feasibility Study (PFS) continued during this quarter.

The studies are being conducted with the assistance of a number of highly respected iron ore specialists and independent consultants led by Sinclair Knight Merz (ore processing, plant design, materials handling, site infrastructure) and include Snowden (resource estimation, mining studies), Calibre Rail (railway spur), Aquaterra (hydrogeology, surface water management), Phoenix, Ecologia, and G&G Consultants (environment) and Shawmac (haulage road design).

The PFS process is focussed on the assessment of a range of available options with a view to optimising the resource extraction, mining, ore beneficiation and infrastructure aspects of the Project.

It is anticipated that the draft PFS documentation will be submitted for consideration by the Board in November 2010.

EXPLORATION ACTIVITY

Resource definition drilling was conducted at Mirrin Mirrin in the Davidson Creek area, resulting in a substantial increase in the resource base. Exploration drilling at Mirrin Mirrin and the Python-Gwardar Prospect in the Davidson Creek area has identified Fe mineralisation outside of the current resource footprint at both prospects.

Reconnaissance exploration conducted at the Enachedong Manganese Project returned visually encouraging surface rock chip samples.

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Resource Increase To 316 Million Tonnes

FerrAus announced, on 5 August 2010, that the resource total for the FerrAus Pilbara Project had reached 316.4 million tonnes, mainly as a result of the doubling of the +55% Fe inferred resource at the Mirrin Mirrin Prospect, within the Davidson Creek Area.

As part of the overall Project the importance of the Mirrin Mirrin Prospect continues to increase due to its:

- proximity to the proposed access corridor for transport infrastructure;
- location near the proposed Davidson Creek train load out facility; and
- low alumina ore type contained in a deposit that has an average thickness of 35-40 metres with structural thickening to the north.

Final results from the exploration holes, drilled outside the previously defined resource area during May 2010, indicated that mineralisation is continuous along strike and down dip to the north.

During the next quarter it is anticipated FerrAus will be able to provide both an update on the resource total and a maiden reserve.

FerrAus Limited has a corporate objective of achieving a resource total of 400 million tonnes which, depending on future drilling and development, may or may not be achieved.

FerrAus Pilbara Project – Iron Ore Resource Inventory August 2010

Area	JORC (2004) Resource Category	Million Tonnes	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	Ca Fe (%)
High Grade Resources (+55% Fe)								
Robertson Range	Measured	23.4	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.7	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.6	58.11	6.56	3.37	0.097	6.15	61.93
	Total	54.6	58.79	5.26	2.94	0.105	6.93	63.18
Davidson Creek	Measured	9.5	58.10	4.31	2.83	0.078	9.12	63.90
	Indicated	91.6	58.70	4.44	2.43	0.082	8.63	64.20
	Inferred	55.0	57.96	4.92	2.67	0.100	8.72	64.20
	Total	156.1	58.40	4.60	2.54	0.088	8.69	64.15
Total (+55% Fe)		210.7	58.50	4.77	2.64	0.092	8.23	63.90
Medium Grade Resources (between 50-55% Fe)								
Robertson Range	Inferred	16.2	53.00	8.51	5.40	0.123	8.85	58.2
Davidson Creek	Inferred	89.4	53.21	8.38	5.12	0.08	9.32	58.7
Total (between 50-55% Fe)		105.6	53.18	8.40	5.17	0.086	9.25	58.6
Total Resources		316.4						

Small discrepancies may occur in the tabulated resources due to the effects of rounding. Calcined Fe grade calculated as follows: $CaFe = (Fe \times 100) / (100 - LOI)$. Resources are reported above a 55% Fe cut-off grade, except for medium grade resources which are between 50-55% Fe. The above resources were classified and reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore reserves (the JORC Code). Snowden Mining Industry Consultants classified the mineral resources listed in the above table.

FerrAus Pilbara Project DSO Resources by Prospect at August 2010 ($\geq 55\%$ Fe)

Prospect	JORC (2004) Resource Category	Tonnes Mt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	CaFe (%)
King Brown	Measured	23.4	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.7	58.98	5.4	2.99	0.104	6.48	63.07
	Inferred	10.6	58.11	6.56	3.37	0.097	6.15	61.93
	Total	54.6	58.79	5.26	2.94	0.105	6.93	63.18
Gwardar- Python-Taipan	Measured	9.5	58.10	4.31	2.83	0.078	9.12	63.90
	Indicated	91.4	58.70	4.44	2.43	0.082	8.63	64.20
	Inferred	1.7	57.80	4.76	3.29	0.070	8.42	63.10
	Total	102.6	58.60	4.43	2.48	0.082	8.67	64.10
Tiger-Dugite	Indicated	0.2	58.90	3.62	2.00	0.120	9.52	65.10
	Inferred	22.5	57.50	5.28	3.15	0.100	8.38	62.80
	Total	22.7	57.50	5.26	3.14	0.100	8.39	62.80
Mirrin Mirrin	Inferred	30.8	58.30	4.67	2.29	0.101	8.98	65.10
	Total	30.8	58.30	4.67	2.29	0.101	8.98	65.10

Small discrepancies may occur in the tabulated resources due to the effects of rounding. Calcined Fe grade calculated as follows: $CaFe = (Fe \times 100) / (100 - LOI)$. Resources are reported above a 55% Fe cut-off grade, except for medium grade resources which are between 50-55% Fe. The above resources were classified and reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore reserves (the JORC Code). Snowden Mining Industry Consultants classified the mineral resources listed in the above table.

Mirrin Mirrin Prospect – Additional Drilling Results

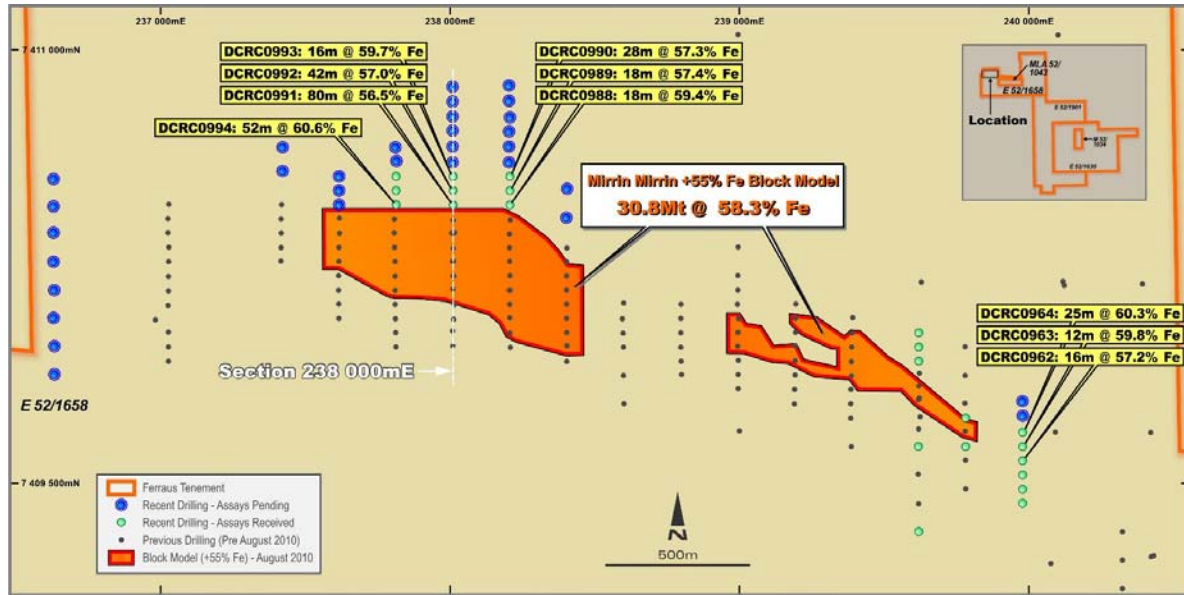
On 27 September FerrAus announced new drilling results obtained from ongoing RC drilling conducted at the Mirrin Mirrin Prospect. This Prospect is part of the Davidson Creek Area within the FerrAus Pilbara Project.

These results were from exploration holes drilled during July and August are outside the defined resource area and indicate that Fe mineralisation is continuous along strike to the east and west, as well as to the north.

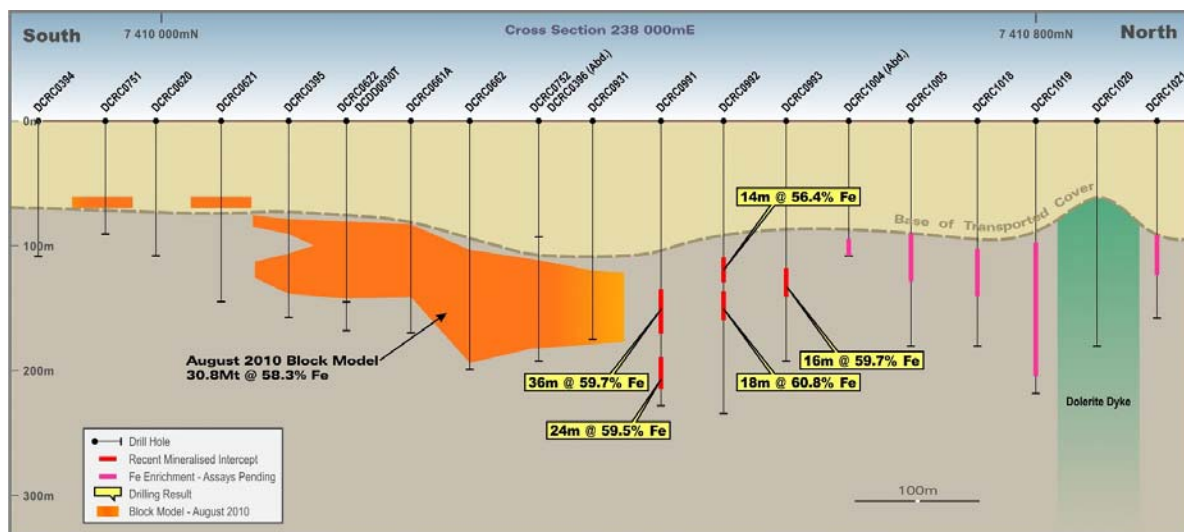
Following the completion of the drilling program at Mirrin Mirrin these results, along with pending assays, will enable a new resource assessment to be finalised during November.

The total resource (JORC) for the FerrAus Pilbara Project is 316.4 million tonnes (ASX release 5 August 2010).

Drilling Results Plan View - Mirrin Mirrin Prospect, Davidson Creek Area



Section 238,000mE - Mirrin Mirrin Prospect, Davidson Creek Area



Exploration and Evaluation Expenditure Summary

	Expenditure \$'000
FerrAus Pilbara Project	6,458
Lawson Gold Project	220
Enachedong	16
	6,694

Robertson Range (E52/1630, E52/1901, M52/1034) Pilbara Region, WA

No exploration drilling was carried out during the quarter. Core drilling for the purpose of metallurgical test work continued at the King Brown Prospect in support of the PFS.

A total of 13 PQ3 metallurgical core holes were completed for 947.2 metres.

Davidson Creek (E52/1658) Pilbara Region, WA

The Mirrin Mirrin Prospect was the focus of continued exploration and resource definition drilling, resulting in a substantial increase in the resource base and identification of encouraging Fe mineralisation outside of the current resource footprint.

At the Python-Gwardar Prospect, deep exploration drilling intersected Fe mineralisation down-dip to the north of the main mineralised zone. As well, metallurgical core drilling was conducted at the Mirrin Mirrin Prospect.

A total of 78 exploration RC holes and three RC re-entries were drilled for 14,453 metres.

The summary of drilling is as follows:

- 59 RC holes and 3 RC re-entries at the Mirrin Mirrin Prospect for 9,892 metres
- 19 RC holes at the Python-Gwardar Prospect for 4,561 metres

At the Mirrin Mirrin Prospect, a total of 5 PQ3 core holes were drilled for 768 metres.

Murramunda (E52/1901) Pilbara Region, WA

No exploration activity was conducted during the quarter.

Enachedong Manganese Project (E46/614) Pilbara Region, WA

Ground mapping and geochemical sampling was conducted within the tenement area, complimenting the work carried out in the previous quarter.

Visually, the majority of the surface rock chip samples looked highly encouraging with assays expected early in the fourth quarter of the 2010 calendar year.

Further reconnaissance exploration and drill hole targeting will be conducted in the next quarter, with drilling expected to commence in the second quarter of the 2011 calendar year following heritage and environmental approvals.

Lawson Gold Project (EL27/209 and ML's 27/262-265) Kalgoorlie Area, WA

The Lawson Gold project was officially handed over to newly listed Lawson Gold Limited in July 2010.

CORPORATE ACTIVITY

China Railway Materials Corporation Exercised Subscription Right

Union Park Company Limited (UPC), a wholly owned subsidiary of China Railway Materials Commercial Corporation (CRM), exercised its right to subscribe for 3,005,753 additional FerrAus shares following the recent share placement to Wah Nam International Australia Pty Ltd.

At an issue price of \$0.86 per share, the exercise of this right provides \$2.58 million in additional funds for FerrAus and was pursuant to the Share Subscription Agreement between FerrAus and CRM dated 7 September 2009.

Shareholder approval to proceed with this subscription was received at an Extraordinary General Meeting held on 17 September 2010.

Lawson Gold Listing

The completion of the Lawson Gold Offer was announced on 26 July 2010.

As a result of the Offer, Lawson Gold had successfully raised approximately \$4.7 million at \$0.20 per share, well above the minimum raise level of \$3m, which resulted in the issue of 24.9 million shares.

In accordance with the Tenement Sale Transfer Agreement, FerrAus Limited was issued 1,500,000 shares with a value of \$300,000.

Lawson Gold commenced trading on the Australian Securities Exchange (ASX) on 5 August 2010 and had a significant cash balance of more than \$4.3 million, representing a cash backing of more than 17 cents per share.

Change of Company Officers

On 30 July 2010 FerrAus announced that Mr Mike Amundsen had submitted his resignation as Managing Director in order to pursue other opportunities.

On behalf of the Board the Chairman, Mr John Nyvlt, thanked Mr Amundsen for his contributions to the company since his appointment and wished him success in his future endeavours.

The Board commenced a national search for a replacement for Mr Amundsen, who continued in the position of Chief Executive Officer for a two month period.

Appointment of Executive Director

On 6 September 2010 FerrAus announced that Mr Bryan Oliver had been appointed as an Executive Director.

Mr Oliver has more than 30 years experience as a senior executive in the iron ore industry for organisations within Australia and internationally with Midwest Corporation, Robe River Mining and Iron Ore Company of Canada.

His responsibilities have included the management of complex mining and resource operations, many of which have delivered significant increases in shareholder value over sustained periods of time.

It is anticipated that Mr Oliver will remain in an executive role until the Board, which is currently engaged in a national recruitment process, appoints a new Managing Director and Chief Executive Officer. It is also anticipated that he will then remain on the Board as a Non Executive Director.

Competent Person Statement

Geological interpretation, exploration results, and mineral resource information contained in this report to which this statement is attached is based on information compiled by Mr Peter Brookes who is member of the Australian Institute of Geoscientists (AIG) and who is a full time employee of FerrAus Ltd. 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 the report of the matters based on the information in the form and context in which it appears.

Forward Looking and Exploration Target Statements

This release may include forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of FerrAus Limited, that could cause actual results to differ materially from such statements. Forward looking statements include, but are not limited to, statements concerning the Company's exploration program, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "target", "scheduled", "planned", "estimate", "possible", "future", "prospective", and similar expressions. The term "Direct Shipping Ore (DSO)", "Target", and "Exploration Target", where used in this announcement, 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. Also, FerrAus Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.