

28 October, 2010

ASX Announcement

QUARTERLY ACTIVITY REPORT

September 2010

During the September 2010 Quarter Ferrowest Limited ("Ferrowest" or "the Company") undertook the following activities:

YALGOO IRON PROJECT

Testwork Activities

The September Quarter 2010 saw the Company announce an increase in the Inferred Resource at its Yogi mineral tenements 14km east of Yalgoo in the mid west region of Western Australia. The magnetite mineralisation now supports an Inferred Resource of 572Mt at 27.5%Fe. The target resource potential[#] at Yogi has also been revised to between 0.8 and 1.2 billion tonnes based on the ground magnetic surveys of three further significant target areas that are yet to be drilled.

To put the potential of the Yogi deposit in perspective, based on the current expectation of the grades and recoveries likely from the new section of the deposit and the value adding nature of the Yalgoo Iron Project (which requires much lower annual consumption of iron ore than a direct shipping ore operation), approximately 200Mt of Proven and Probable Reserve would provide sufficient iron ore feed to sustain the planned 1 million tonne per annum merchant pig iron operation for 30 years. Therefore the flexibility that will be provided by the expanded Yogi deposit for possible future expansion and/or selective mining to maximise returns is a considerable competitive advantage. Most importantly, Yogi provides a long term stable supply of feed to the proposed merchant pig iron operation that will not be exposed to spikes in iron ore prices.

As announced previously, some preliminary metallurgical testwork, including Davis Tube tests, was undertaken during the quarter on samples from the new 460Mt section of the Company's Inferred Resource at Yogi. These tests have focused on a single section in the widest zone of the magnetite mineralisation. The response of the main mineral unit to these tests has been very encouraging with average mass recoveries of 33.6% to a concentrate grade of 68%. This compares well with the assumption of 21% average mass recovery to a concentrate grade of 67% used in the previously completed Preliminary Feasibility Study. Thorough testing of the entire mineralised unit will need to be completed in the future to confirm the overall mass recoveries from this area.

These indicative higher recoveries and the more favourable geometry of the banded iron magnetite zone in this area, which is more than double the widest previous zone drilled at Yogi, have the potential to significantly reduce mining costs in respect of this very large portion of the current Inferred Resource. Confirming the suitability of the Yogi magnetite for mining will be assessed as part of the sampling, testwork and evaluation process planned to be undertaken during 2011 with the aim of establishing, subject to successful results, Proven and Probable Ore Reserves.

The current Inferred Resource at Yogi now stands at:

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

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

*Transitional material is partially oxidised but magnetite-bearing.

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

The results of the DTR testwork for the main unit on Section 37, Hole 79 are:

Composite P80 25µm	DTR Mass Recovery (%)	Fe%	SiO ₂ %	Al ₂ O ₃ %	P%	S%
Comp 79-03	27.30	69.62	2.91	0.19	0.01	0.06
Comp 79-04	24.50	70.12	2.33	0.18	0.01	0.05
Comp 79-05	32.80	69.70	2.76	0.00	0.01	0.01
Comp 79-21	35.30	66.13	7.56	0.35	0.01	0.00
Comp 79-22	38.70	65.63	7.90	0.37	0.01	0.00
Comp 79-23	43.10	67.30	6.54	0.18	0.01	0.00
Averages	33.62	68.08	5.00	0.21	0.01	0.02

A cross section of Section 37 and a location plan are attached.

Commercial Scale ITmk3® Plant Commissioning Remains on Track

The commissioning process at the first full scale ITmk3® plant (the technology to be used as the centre piece of the Yalgoo Iron Project) being built for American steel maker 'Steel Dynamics' in Minnesota USA is continuing. The commissioning remains on track with the plant expected to reach full name plate capacity before the end of this year.

The Company intends to use the ITMk3® technology to convert magnetite concentrate from its proposed Yogi iron mine 14km east of Yalgoo in the Mid West Region of Western Australia into MPI nuggets for export. The 96%Fe MPI nuggets will sell for 4 to 5 times the value of the best iron ores (currently MPI is selling for around US\$460/t CFR in Asia).

The ITMk3® plant, which the Company proposes to build at Eradu 60Km east of Geraldton, proposes the installation of two of the production modules identical to the one that is currently being commissioned in Minnesota. Kobe Steel, the technology developer, has also announced its intention to study the feasibility of a six module plant in Vietnam.

"We are glad that Kobe is considering the Vietnamese operation in its own right because it further demonstrates Kobe's belief in this cutting edge technology. We also note with interest that Kobe is assuming an increased annual production capacity for each module of 600,000 tonnes per annum. This critical 20% increase in potential production capacity, without additional capital cost, bodes very well for the economics of the Yalgoo Iron Project", said Managing Director of Ferrowest, Mr Brett Manning.

Project Investment and Off-take Discussions

The Company is pleased to report that the discussions with new parties identified at the beginning of the quarter have progressed well during the reporting period. The most advanced of these discussions has seen a proposed term sheet exchanged, an overall deal structure agreed and detailed draft contracts prepared. Currently the draft contracts are being considered by both parties and discussions remain ongoing in respect of the overall quantum of the proposed deal. Interest is in both the Company's Yalgoo Iron Project and the Western Haematite Project. The Company will keep the market appraised of progress.

CORPORATE

On 14 July 2010 a General Meeting of the Company was held at which members ratified the Directors and related parties participation in the pro-rata non-renounceable rights issue of options to option holders.

On 20 July 2010 the company placed 26,891,560 new Listed Options (ASX Code: FWLOA) pursuant to the pro-rata non-renounceable rights issue of options to option holders to raise \$134,457.80 in accordance with the shareholder approval obtained earlier in the year.

On 22 September 2010 the Company announced the placement of 2,000,000 shares by private placement to raise \$120,000 in working capital.

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

The Yalgoo Iron Project - Outline

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

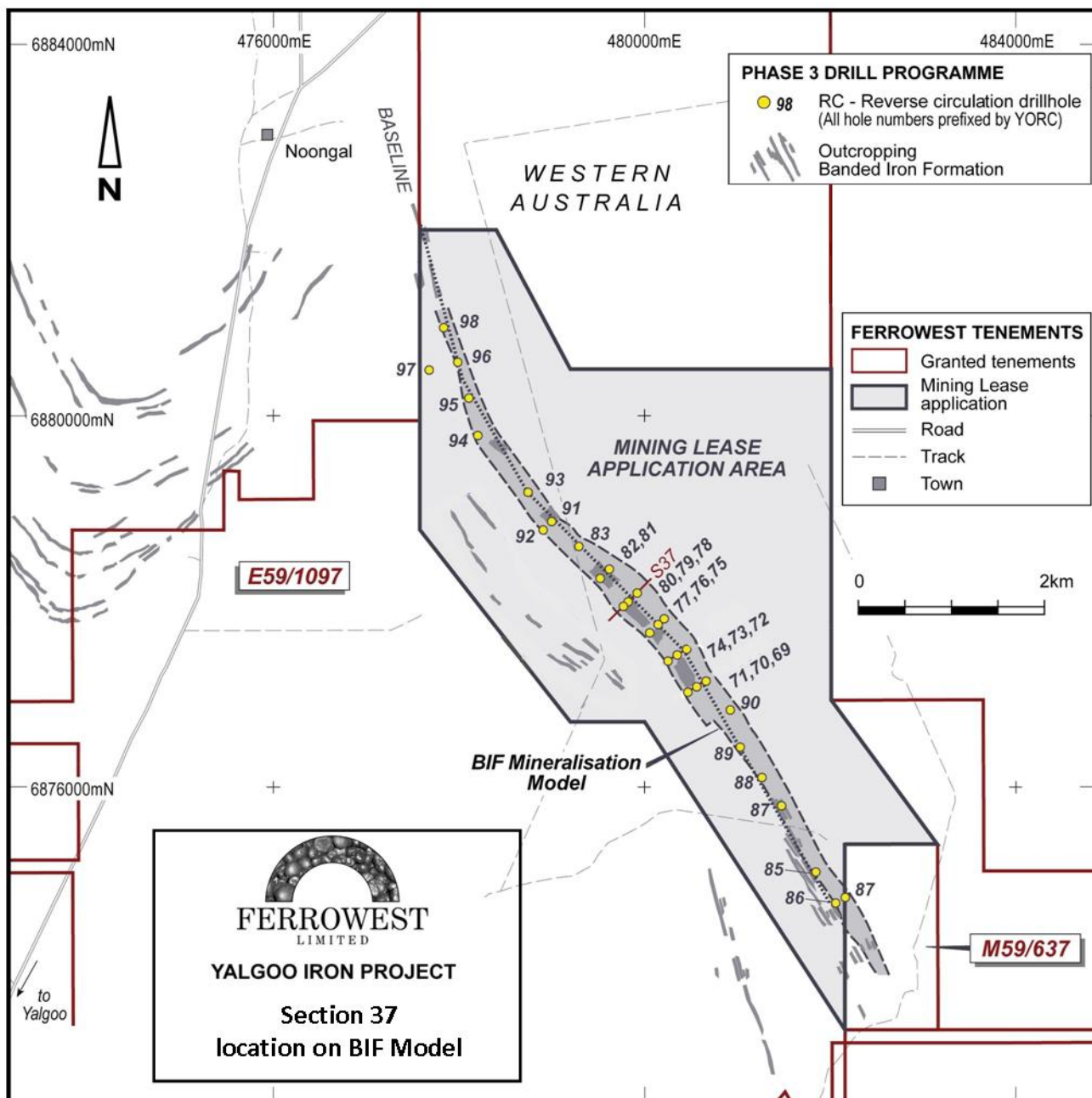
The Western Haematite Project - Outline

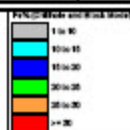
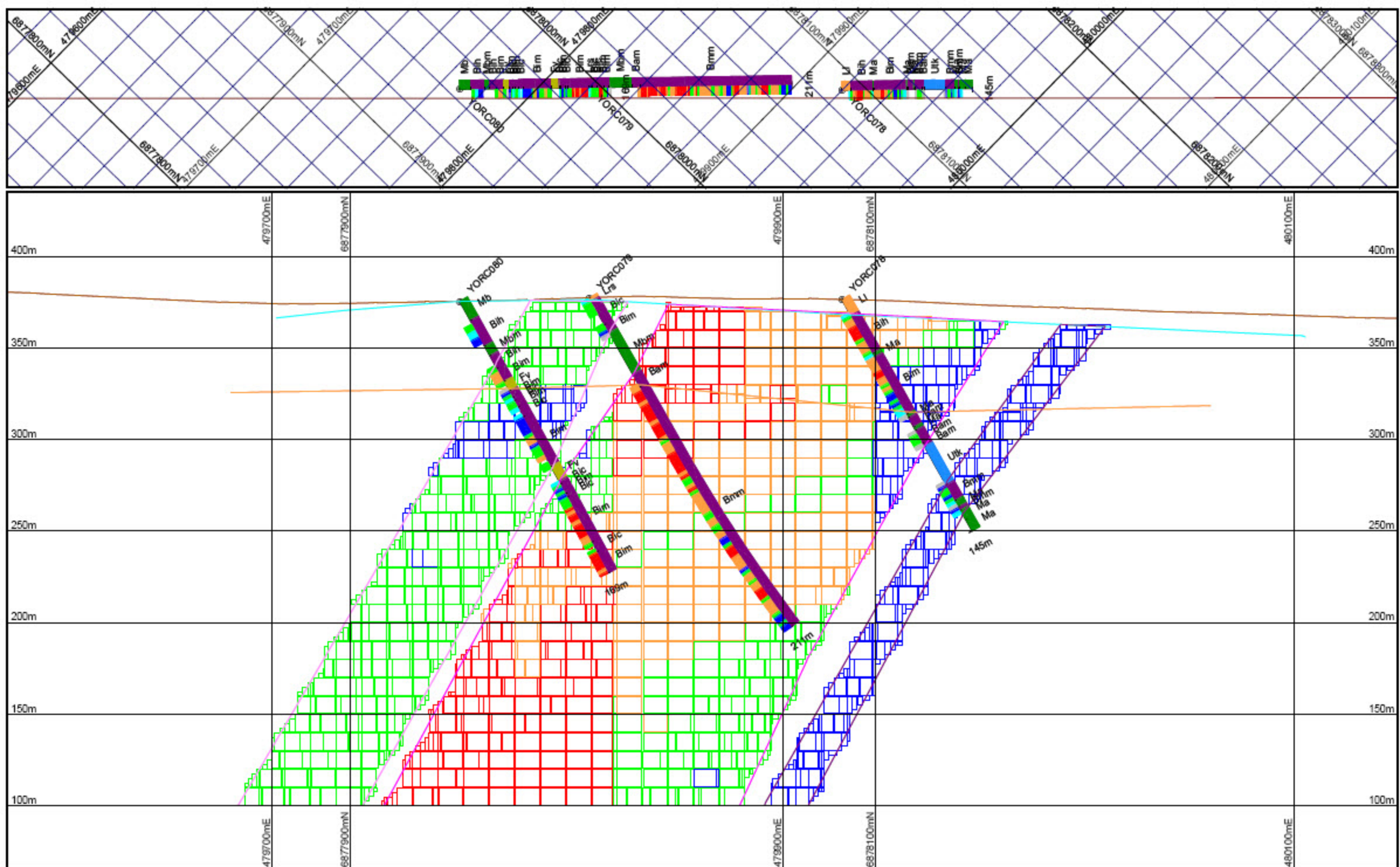
Ferrowest Limited has identified potential zones of direct shipping ore ("DSO") grade haematite at its Yogi iron deposit 14 km east of Yalgoo in the mid west of Western Australia. Exploration of a 600Ha area is ongoing with a number of potential haematite targets identified. The current concept for the WHP, subject to satisfactory exploration, study results and government approvals, envisages mine production of around 1.5Mtpa, with the direct shipping grade ore being transported by road train to Geraldton for export to China. The relatively simple open cut mine scenario and existing road train approved transport corridor over a relatively short trucking distance direct to the existing port provide an excellent basis for the WHP.

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

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

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



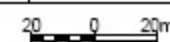


Scale
1 : 2000

Plot Date
07-May-2010

Plot File: 37

Sheet
1 of 1



Yalgoo Iron Project
Section 37
Drill Hole Geology & Assay
2010 Block Model

Ferrowest Limited
Yalgoo Iron Project

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Ferrowest Limited

ABN

14 074 009 091

Quarter ended ("current quarter")

30 September 2010

Consolidated statement of cash flows

Cash flows related to operating activities

1.1	Receipts from product sales and related debtors		
1.2	Payments for (a) exploration & evaluation	(113,373)	(113,373)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(112,807)	(112,807)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	762	762
1.5	Interest and other costs of finance paid	(1,754)	(1,754)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-

Net Operating Cash Flows

(227,172)

(227,172)

Cash flows related to investing activities

1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-

Net investing cash flows

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1.13	Total operating and investing cash flows (carried forward)	(227,172)	(227,172)
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+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(227,172)	(227,172)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	166,846	166,846
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	(6,600)	(6,600)
	Net financing cash flows	160,246	160,246
	Net increase (decrease) in cash held	(66,926)	(66,926)
1.20	Cash at beginning of quarter/year to date	176,287	176,287
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	109,361	109,361

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.23	Aggregate amount of payments to the parties included in item 1.2	45,276
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A	Amount used \$A
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A
4.1 Exploration and evaluation	20,000
4.2 Development	-
4.3 Production	-
4.4 Administration	65,000
Total	85,000

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A	Previous quarter \$A
5.1 Cash on hand and at bank	109,361	176,287
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	109,361	176,287

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2 Interests in mining tenements acquired or increased	M59/740	Mining Lease Application	0%	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter				
7.3 +Ordinary securities	82,851,367	82,851,367		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,000,000	2,000,000	6	6
7.5 +Convertible debt securities <i>(description)</i>	1,725,000#	-	\$0.40 face value	\$0.40 face value
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	26,891,561 3,325,000 634,500 1,250,000 1,250,000 1,250,000	26,891,561 - - - - -	<i>Exercise price</i> \$0.25 \$0.20 Various \$0.47 \$0.57 \$0.67	<i>Expiry date</i> 28 June 2012 1 January 2011 Various 31 January 2011 31 January 2011 31 January 2011
7.8 Issued during quarter	26,891,561	26,891,561	\$0.25	28 June 2012
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

The principle terms of the Notes are as follows:

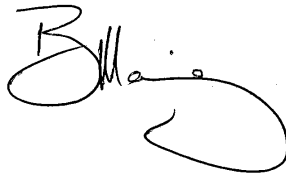
Number:	1,725,000
Face value:	\$0.40 per Note
Term:	Various – 20/3/2011 to 28/8/2011
Conversion price:	\$0.40 per share
Interest rate:	10%

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 28 October 2010

Print name: Brett Manning
 Managing Director

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.