

FerrAus Limited - 2009 AGM - Friday 27 November 2009

## **Managing Director's Report**

Thanks John, as I mentioned in my written report, the considerable potential offered by a substantial high quality resource was the key factor in my decision to join FerrAus.

That vital first impression has, I am delighted to say, only been reinforced, during my time with the Group.

It is a very exciting time for a junior iron ore developer in the Pilbara Region and FerrAus now has the opportunity to capitalise on the increasing stability of financial markets.

The general commentary in the market place reflects a view that new iron ore developments, both from the current suppliers and new entrants, will challenge the future specifications of products, as new sources increase as a proportion of the total supply.

Ore grades and quantities, once considered marginal, will become mainstream products.

Another encouraging indicator is the fact that each week our office receives a number of legitimate and well credentialed enquiries from potential customers seeking a new supplier of iron ore.

FerrAus has continued to explore its wholly owned leases in the East Pilbara in order to meet our key objective to grow its resource base to a globally significant size (greater than 500 million tonnes).

We intend to achieve this through exploration and consolidation with other iron ore prospects, in order to support an efficient, viable infrastructure investment.

During the past year, our resources of direct shipping iron ore (DSO) had increased in size, quality and classification represented an impressive result for the Group.

I am convinced that there remains significant upside exploration potential to further increase this resource base.

Also, our resource upgrades have established a high conversion rate from inferred resources to indicated and measured resource categories; this is in the order of 70-80 per cent.

The robust technical fundamentals of the FerrAus iron ore deposits both underscore and support development plans for large scale open pit mining operations.

On the ground activities in the East Pilbara, where one drilling rig has been constantly active since July, has seen more than 12,500 metres of drilling completed by the end of September, with a further 11,000 metres scheduled to be completed by the end of next month.

As a result of reconnaissance drilling, in recent months FerrAus announced the discovery of an additional six kilometres strike extent of Marra Mamba formation in the Davidson Creek Project area.

We are processing a large quantity of assays from recent drilling, which will allow the Company to announce a modest increase in resources early next year.

Also, we commissioned a high density aeromagnetic survey over the entire FerrAus tenement area during October, as new resource targets will be mainly under cover.

This survey data is providing important indicators that will assist with the identification of new targets and FerrAus is fortunate to have flat topography over its areas and that will allow easier development.

All in all these exploration activities are designed to contribute to FerrAus achieving our target to identify 230 million tonnes of resource by mid 2010.

Another important opportunity will come when FerrAus evolves from an exploration to a production business. Wherever possible FerrAus will endeavour to offer the members of the local Indigenous communities opportunities to assist with these activities.

During the year FerrAus was also pleased to welcome the appointment of new North West Iron Ore Alliance Chairman, Ian Campbell.

Mr Campbell, in highlighting the need for the associated rail and port infrastructure, as well as services necessary to support the development of the junior iron ore sector, has already made important contribution.

It will be in the interests of all stakeholders for fair and reasonable rail haulage service agreements for both providers and users to be put in place.

Such agreements will also ensure Australia is seen as a competitive source of supply and allow Australia to not lose out to other emerging iron ore suppliers from other countries.

The critical factor is whether governments can move quickly to ensure that the Pilbara becomes a competitive, major and diverse iron ore supply source for the benefit of all. On this point, I am pleased to advise of the increasing support from both State and Federal governments.

In particular I acknowledge the strong public support the junior iron ore mining companies have received from the Western Australian Premier, on this issue.

One of the key concerns of government is to encourage the development of key infrastructure to underpin Australian economic growth, optimise existing infrastructure and avoid unnecessary duplication.

From our company's perspective, FerrAus continues to have discussions with infrastructure owners with the aim of reaching an amicable and commercially sound resolution of this matter. Lastly I will touch on our financial position.

At end of September 2009 our cash position was at \$12.5 million and the Company has a market cap of \$120 million.

With the anticipated cash injection from our new strategic alliance partner CRM we will be a strong position to fund our programs throughout 2010.

I wish to acknowledge the tremendous work undertaken by our close knit teams in Perth and at the Robertson Range exploration site.

Without this ongoing effort the significant progress we are making in building a substantial resource base in a safe and environmentally sensitive manner, would be impossible.

In closing, I would like to thank you, our shareholders, for your ongoing support and I am confident that you can expect to see considerable progress toward FerrAus' objective of becoming a new iron ore supplier in the near future.

Thank you and I will hand back to John to officially close the meeting.