

FerrAus Limited - 2009 AGM - Friday 27 November 2009

Chairman's Address

Good morning everyone, my name is John Nyvlt, Chairman of FerrAus Limited and I welcome you all to this, the sixth Annual General Meeting of the Company.

Since the previous AGM we have gone through an uncertain period caused by the global economic downturn.

Through that difficult time your Board responded to this challenging environment the prudent management of the Company's expenditures and its capital.

Although FerrAus suffered depreciation in its share price, we are meeting today at a time when there is renewed market optimism, in the outlook for global iron ore demand.

As many of you will have read in this year's annual report, we continued to make significant progress towards achieving the objective of becoming an iron ore producer.

There is increasing evidence of a global shift in economic and financial influence to China, as well as to other parts of East Asia, the Middle East, India and Russia.

Because these regions have growing populations and undergoing increasing urbanisation, each has a long-term need for economic development and major infrastructure which, in turn, increases the demand for iron and steel.

Supporting this is a trend for the steel mills of the world to increase the diversity of supply for steel making raw materials.

Several regions of the world and Australia in particular, have been the target of a number of significant multinational investments in new iron ore projects that are seen to be independent of the resource majors.

Companies that can demonstrate a capacity to provide significant amounts of good grade direct shipping iron ore in the Pilbara Region, are therefore well placed to receive support from customers.

I will now briefly cover some of the highlights of the year, before covering some of the other changes across the Group.

As many of you know, FerrAus continues to enjoy a longstanding relationship with its major shareholder Penfold Limited.

In what was seen as a positive development, Mr Joe Singer, who is a founder and Director of Penfold agreed to become a Non Executive Director of FerrAus in April this year.

As this is the first opportunity I have had, I will formally welcome Joe to the shareholders and acknowledge the considerable value his participation has already delivered.

At last year's AGM I explained the benefits of having Western Mining Co Ltd as a major shareholder and this year I am able to acknowledge the agreement with Union Park Company Limited a subsidiary of China Railway Materials.

As you may recall a little more than two months ago, we announced the strategic cooperation agreement and proposed share placement to Union Park which is the subject of Resolution 6 at today's meeting.

CRM is a large scale Chinese state owned enterprise. Its major business is to provide materials for the construction and operation of China's railway systems. It has a substantial business in international trade, particularly in steel and logistics.

I am pleased to inform the Meeting that earlier today we informed the ASX that late yesterday 26 November CRM was informed by Foreign Investment Review Board that there is no objection to the placement of shares in FerrAus to CRM's wholly owned subsidiary Union Park Company Limited. Chinese regulatory approval is expected to be received next week.

Should shareholders approve, FerrAus will proceed with the placement to CRM's subsidiary, subject to the receipt of the Chinese regulatory approval, to take a 12 per cent holding in the Company, calculated on a fully diluted basis. This placement consideration is likely to be approximately \$12.6 million.

From an external perspective, these investments in FerrAus by a major Chinese mining and smelting group and now the proposed investment by a major Chinese infrastructure and trading group, underpins the value of our Pilbara iron ore assets.

The proposed strategic co-operation with CRM is primarily targeting the opportunity to establish local infrastructure to transport FerrAus iron ore to market.

Our view is that the realization of an infrastructure solution will be the catalyst that unlocks the immense value of the resources owned by FerrAus and potentially, those of other East Pilbara iron ore juniors.

The FerrAus resources now total 166.6 million tonnes and have generally been drilled at a relatively close spacing. They are of good quality, averaging 58.6 per cent Fe. The individual deposits are located geographically close to each other which all lends itself to a more cost effective development and exploitation.

The FerrAus East Pilbara tenements remain prospective for further discoveries and as our main objective is to generate further targets for follow up drilling, we have placed a high priority on evaluating the prospectivity of all targets by mid 2011.

Seven months ago in April FerrAus reported another significant milestone when the Western Australian Department of Mines and Energy granted the Company the Consent to Mine on its Robertson Range

A critical factor in achieving that outcome was undoubtedly the recommendation and agreement of support for mining by the relevant Indigenous stakeholder groups - the Jigalong Community and the Nyiyaparli Native Title Claimant Group.

Your Board considers that our strong, ongoing and supportive relationship with these two Indigenous groups stands as a model for future projects within the Jigalong Aboriginal Reserve.

Following that achievement, FerrAus received formal approval of its Mining Proposal for iron ore production of 2 million tonnes per year.

Given our existing resources and our pipeline of drilling results and analysis in process, we have a base development option for the long term production of 10 million tonnes per annum of Direct Shipping grade iron ore.

This development option anticipates a likely outcome that FerrAus ore will be transported to Port Hedland under a haulage agreement with one of the Pilbara rail infrastructure owners.

FerrAus, as many shareholders will know, is a founding member of the North West Iron Ore Alliance.

Formed in 2007, the Alliance represents the interests of a group of emerging iron ore juniors in delivering a new iron ore supply capacity to allow customers to access iron ore from the Pilbara.

This Alliance has been working with all of the stakeholders to promote the development of a vibrant junior iron ore industry that has the potential to create thousands of jobs.

The founding members of the Alliance have forged a strong, cooperative relationship and the allocation of two new multi-user berths, with a ship loading capacity of 50 million tonnes per annum, at Port Hedland in August 2008 was a major highlight.

Several months ago in September, the North West Iron Ore Alliance commissioned an engineering prefeasibility study for the two berths and this is expected to be completed by the end of next month.

The Alliance, in conjunction with the efforts of its individual members, is also continuing to highlight the need to resolve the rail impasse.

Through this process Western Australian State Government is being urged to take the decisive action that will ensure that open access to the existing rail infrastructure is offered to the Pilbara Region's emerging iron ore developers.

Moving now to the management of your company and on behalf of all shareholders I would like to formally record the Company's appreciation of the impressive contribution made to the success of FerrAus by Mr David Turvey, in the role of Managing Director.

David, who stepped down from that role in June, has moved to a position of Non-Executive Director. David continues to be one of the driving forces behind FerrAus and his guidance, involving a wide range of activities, is highly valued.

Another key management event occurred with the appointment in July this of year of Mike Amundsen as the Company's Managing Director and Chief Executive Officer.

Again, on behalf of all shareholders, I am pleased to formally welcome Mike to the Group.

I am certain Mike's extensive international business experience, following 28 years spent primarily within the iron ore and coal business groups of BHP Billiton, will prove to be a tremendous asset as he leads the Group forward, into a very exciting future.

This year we have also moved the location of the Company's Principal Office to Perth from Adelaide.

This move was made to enable FerrAus to better facilitate communication with industry bodies and government, to progress project permitting, access to rail and port infrastructure and take advantage of opportunities to participate in the consolidation of the Pilbara junior iron ore sector.

Finally I also take this opportunity to thank my fellow Board members for their support during a challenging yet productive year, as well as expressing my appreciation to the entire FerrAus team for focusing on the next key steps to achieve success.

For those shareholders who have been unable to attend today's meeting, we intend to place a link to a recording of today's presentations on the web site (www.ferraus.com) shortly after the meeting.

That website has recently been refurbished and I invite all shareholders to visit the new look site to access the latest information about the Group.

I will now turn to the formal business of today's AGM. Following that, it will be my pleasure to invite Mike Amundsen to present his first address to shareholders as Managing Director of FerrAus Limited.