26 June, 2013

ASX Announcement

COMPANY UPDATE

- **Payment for Yalyirimbi Iron Ore Project completed**
- **Planning for diamond drilling of haematite underway**
- **Project level investment opportunities being considered**
- **Engineering changes benefitting ITmk3® commissioning in the US**
- **Soil sampling at Toomey Hills and East Bounty complete**

YALYIRIMBI IRON PROJECT

Update

Ferrowest Limited ("Ferrowest" or "the Company") is pleased to advise that it has completed its current payment obligations under the Sale and Purchase Agreement with Ngalia Resources Pty Ltd ("Ngalia") to acquire up to 60% of the Yalyirimbi Iron Ore Project ("the Project") in the Northern Territory.

Ferrowest previously issued 20M shares to Ngalia and has now completed a $500,000 cash payment in order to secure the right to earn a 60% interest in the Project. To complete this earn-in, Ferrowest will expend approximately $600,000 on exploration and studies to establish an Indicated Resource classified and reported in accordance with the JORC Code.

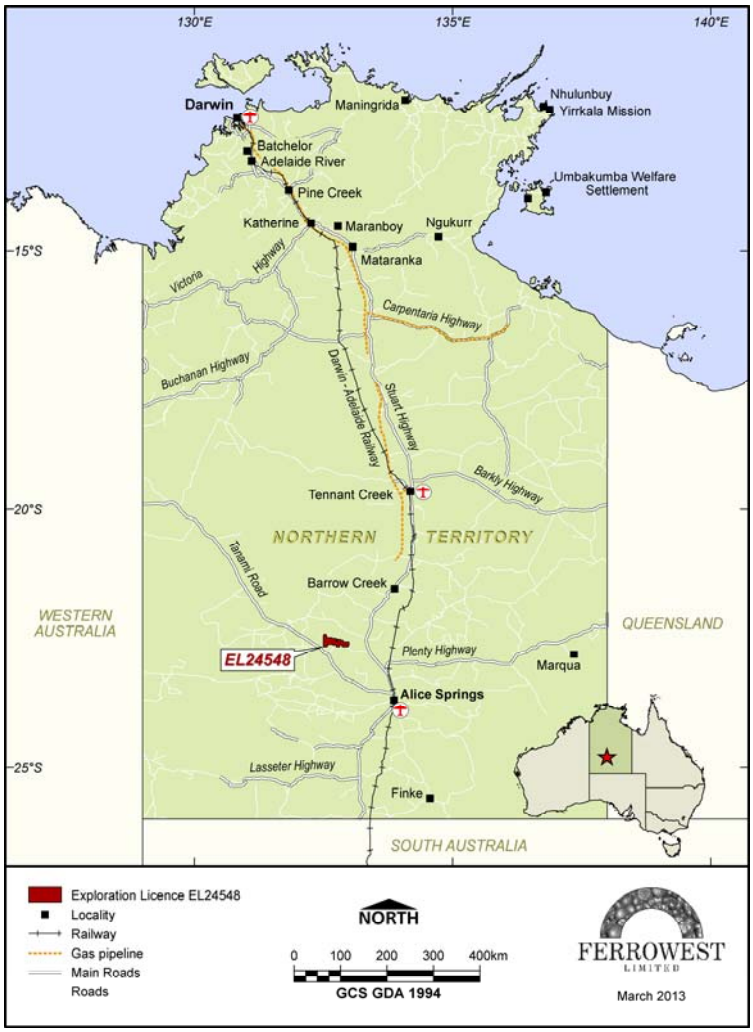
An Inferred Resource estimate of 14.1 million tonnes of haematite at 27.1%Fe classified and reported in accordance with the JORC Code [2004 Edition] is already established (full details are provided on page 8 of this report). Planning is now underway for Ferrowest to complete a diamond drilling programme in the September quarter that is expected to lift the resource estimate category to the required level. Additional RC drill planning is also underway for a follow up programme in the fourth quarter, which is aimed at further increasing the Resource base.

Building on the Scoping Study previously completed by Ngalia, Ferrowest has commenced reviewing project design parameters, project costings and economics with a view to optimising the Project's design and cost estimates.

The Scoping Study produced by Ngalia indicates, based on the level of work completed to date, the project will generate good returns for a relatively low capital investment. However, Ferrowest is confident there is scope to further improve the economic outcomes of the Project by applying contemporary technologies and innovative project solutions. New quotations have been received and are being evaluated for a number of aspects of the Project.

The planned diamond drilling is not only expected to raise the Resource estimate category from Inferred to a mix of Indicated and Measured, it will also provide sample material for more comprehensive metallurgical testwork. While the bulk of the Inferred Resource is low grade haematite, the unique genesis of this specular haematite means that it is relatively easy to upgrade with a 1mm crush and gravity separation, producing 63%Fe haematite fines with very low Alumina and Phosphorus.

On completion of the diamond drilling, further metallurgical testwork and process design is expected to lead to capital and operating cost savings for the ore concentrator plant when compared with costs envisaged in the Ngalia Scoping Study.



The remaining obligations to Ngalia under the Sale and Purchase Agreement only occur following success with key Project milestones as follows:

1. Upon announcement by Ferrowest of a JORC Reserve (probable and/or proven) capable of providing 10 million tonnes or more of haematite concentrate product ready for export, the Company will issue the lesser of either 10,000,000 ordinary shares or such lower number of ordinary shares to the value of A$1,000,000 based on the volume weighted average price of Ferrowest shares for the 10 trading days prior to the issue; and
2. A further A$2,000,000 cash is payable to Ngalia immediately prior to the start of construction of the Project, when a decision to mine is taken by the Company and its joint venture partner, Arafura Resources Limited (ASX Code: ARU).

A royalty will be payable to Ngalia from Ferrowest's share of the Project at the rate of A$1.00 per tonne of product loaded for export at Darwin. This royalty reduces on a stepped scale in the event the sale price for the Haematite product falls below A$120 per tonne.

The Company is very pleased with its initial investigations into the haematite Project and the Directors are confident that the Yalyirimbi Iron Project represents a good source of potential early cash flow with a relatively low start up cost and excellent prospects of success.

Project Level Investment Opportunities

Ferrowest has received a number of inquiries about the potential for investment funding and product off-take in respect of the Yalyirimbi Iron Project. Early stage discussions are already underway with several parties and further proposals are likely in the near future. The Company is considering all opportunities to fund the studies and, subject to continued feasibility, to secure the funding necessary to move the Project toward production.

The Company will keep the market informed of developments in this regard.

ERADU MPI PROJECT

ITMk3® Iron Making Technology

The Company's Eradu MPI Project proposes the production of 1,000,000 tonne per annum of merchant pig iron (MPI) in the form of 96%Fe iron nuggets using new ITMk3® manufacturing process.

The world's first full scale ITMk3® plant is being commissioned in the USA for Steel Dynamics Inc. Being new, ground breaking technology, it has experienced teething problems to be expected with such a quantum step forward in steel making methods. However, solid progress is being made and engineering enhancements to the design are continuing to secure better performance outcomes.

Product quality has been high from the start of commissioning but ensuring sustained 'name plate' production capacity has been a long process.

75% production capacity has been achieved and a sustained level of 85% is targeted following some further engineering changes that are currently underway. The Company remains confident that full name plate capacity will be achieved in time for Ferrowest to be able to utilise the technology in a 'proven' form.

Recent experience with the tough iron market has demonstrated the soundness of the Company's unique business plan to add value to iron ore to produce MPI. This has been shown to be a superior approach had the project been in operation in the last year when compared to the sale of magnetite concentrate. The increased product price margins generated through the value adding approach makes a more resilient operational scenario. There is also less competition in the MPI sector for supply into Asia, where Ferrowest would hold a cost advantage over its main competitors that are based outside the region.

While the Company's current plans are to supply the Eradu MPI plant with magnetite concentrate from its Yogi Mine Project, it is expected there will be two and possibly three sources of magnetite concentrate available in the Mid West Region in the time frame required for the Eradu MPI plant. This further provides opportunities for the Company to stage development of its projects in a more manageable way.

MARVEL LOCH PROJECT

Soil Sampling Programme at Toomey Hills and East Bounty

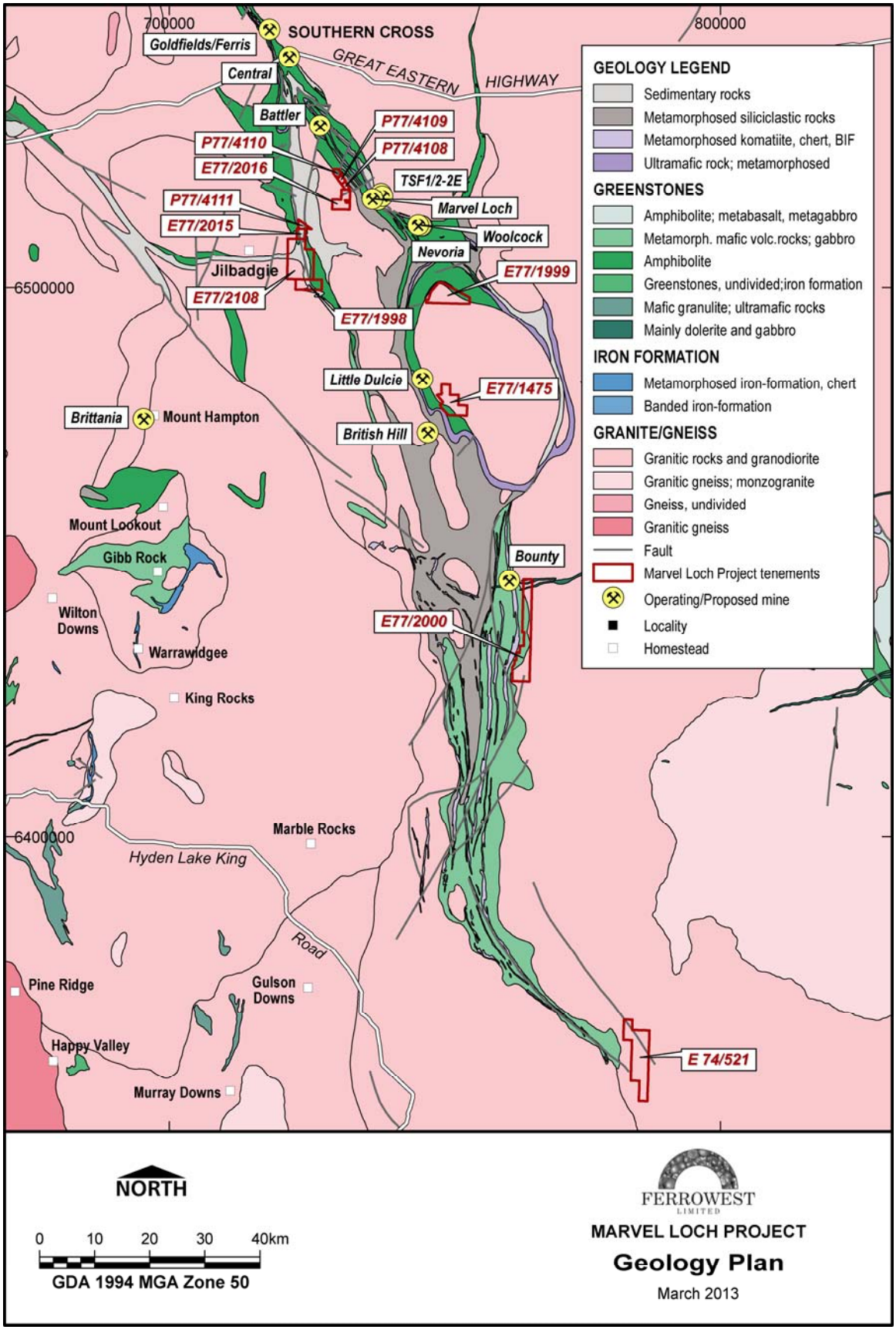
The Company, through its wholly owned subsidiary Urban Minerals Pty Ltd, has completed a soil sampling programme for gold and base metals at its Toomey Hills (E77/1999) and East Bounty (E77/2000) prospects in the Marvel Loch Project (please refer to the map below). Assay results remain pending at this time.

It is hoped that further targets will be generated, along with the gold and nickel anomalies previously advised to the market that were identified at Jaccoletti (P77/4018 to 4010 and E77/2016) and Edward (P77/4011, E77/2015, E77/2018 and E77/1998), which also form part of the Company's Marvel Loch Project.

Once the assay results are obtained from the recent soil sampling programmes, target priorities will be established for RAB drilling and possible electromagnetic surveys.

The Company is pleased with the results obtained so far from the Marvel Loch Project and with the level of renewed exploration activity in the general Marvel Loch district.

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


700000
800000
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SOUTHERN CROSS
Goldfields/Ferris
Central
Battler
GREAT EASTERN HIGHWAY
P77/4109
P77/4108
P77/4110
E77/2016
TSF1/2-2E
P77/4111
E77/2015
Marvel Loch
Woolcock
Nevoria
Jilbadgie
E77/2108
E77/1999
E77/1998
Little Dulcie
E77/1475
Brittania
Mount Hampton
British Hill
Mount Lookout
Gibb Rock
Bounty
Wilton Downs
E77/2000
Warrawidgee
King Rocks
Marble Rocks
Hyden Lake King Road
Pine Ridge
Gulson Downs
Happy Valley
Murray Downs
E 74/521
GEOLOGY LEGEND
Sedimentary rocks
Metamorphosed siliciclastic rocks
Metamorphosed komatiite, chert, BIF
Ultramafic rock; metamorphosed
GREENSTONES
Amphibolite; metabasalt, metagabbro
Metamorph. mafic volc.rocks; gabbro
Amphibolite
Greenstones, undivided;iron formation
Mafic granulite; ultramafic rocks
Mainly dolerite and gabbro
IRON FORMATION
Metamorphosed iron-formation, chert
Banded iron-formation
GRANITE/GNEISS
Granitic rocks and granodiorite
Granitic gneiss; monzogranite
Gneiss, undivided
Granitic gneiss
Fault
Marvel Loch Project tenements
Operating/Proposed mine
Locality
Homestead
NORTH
0 10 20 30 40km
GDA 1994 MGA Zone 50
FERROWEST LIMITED
MARVEL LOCH PROJECT
Geology Plan
March 2013

ABOUT FERROWEST

Ferrowest is an Australian public company established in 2005 and listed on the Australian Securities Exchange in 2006. Set up to value add to iron ore through the production of merchant pig iron, Ferrowest now boasts exploration and project development activities in magnetite, haematite, gold and nickel.

IRON

Ferrowest is actively pursuing three major iron related projects:

- **Yogi Iron Project** – 4.5Mtpa magnetite concentrate at 67%Fe;
- **Eradu MPI Project** – 1.0Mtpa merchant pig iron (MPI) at 96%Fe; and
- **Yalyirimbi Iron Project** – 1.8Mtpa haematite concentrate at 63.5%Fe

Each of these projects is detailed below and each plays a strategic role in an innovative business plan that sets Ferrowest apart from other iron ore juniors in the resources sector. The proposed Eradu MPI plant is the centre piece of this plan with the aim to produce high quality merchant pig iron ("MPI") at a grade of 96%Fe as a dedicated MPI producer to the Asian region. This will differentiate Ferrowest from other producers of iron ore in Western Australia and make it a unique supplier into Asia. MPI is a high value, low volume and high margin product. Most competition in the market for MPI comes from Brazil at double the shipping cost of the big Asian markets of Korea, China and Japan.

The Yogi Mine Project will provide the long term, consistent supply of high quality magnetite needed to support the MPI manufacturing operations at Eradu for more than 25 years. These two projects, linked by key existing infrastructure will combine to make a very long term strategic business.

The Yalyirimbi Iron Project will also play a key role in the development of the Company's iron plans by providing a low capital cost, cash generating business that can be brought into operation relatively quickly. Yalyirimbi will play a critical role in transforming the Company from explorer to producer ahead of the construction of the Yogi Iron Project and the Eradu MPI Project, whilst also meeting some of the ongoing costs of operations across the Company.

Ferrowest also holds early stage exploration projects for iron south east of Cue, north of Tallering Peak at New Forest and adjacent to the Jack Hills mine, which will continue to be explored.

GOLD & BASE METALS

Under a commodity diversity strategy implemented by the Company in late 2012, Ferrowest secured a 100% owned subsidiary called Urban Minerals Pty Ltd ("Urban") with a portfolio of tenements near Marvel Loch on the Southern Cross Greenstone belt that are prospective for gold, nickel and other base metals. Other projects are being added to Urban's portfolio, such as Lake Halbert East (on the Albany Fraser Orogen) and at Camel Back, 50Km south east of Leonora.

PROJECT OUTLINES

The Yogi Mine Project – Outline

The Yogi Mine Project proposes the development of a magnetite mining and concentration operation at the Yogi iron deposit near Yalgoo in the mid west region of Western Australia. Proposed production of magnetite concentrate will target 4.5M tonnes per annum ("tpa") at 67%Fe. 3Mtpa would be exported through the new proposed Port of Oakajee with the other 1.5Mtpa planned to supply the Eradu MPI Project (detailed below). If Oakajee Port is delayed, Ferrowest can stage the Yogi Mine Project to match the demand from the Eradu MPI Project, which is not dependent on Oakajee Port for export.

The current magnetite Inferred Resource estimate at Yogi, classified and reported in accordance with the JORC Code (2004), is 572.5 million tonnes at 27.5%Fe.

The Exploration Target[#] at Yogi is estimated at between 0.8 and 1.2 billion tonnes at an average grade of between 25.5%Fe to 29.5%Fe.

The Eradu MPI Project - Outline

The Eradu MPI Project envisages the production of seaborne traded merchant pig iron ("MPI") at 96%Fe using magnetite concentrate from the Yogi Mine Project. Proposed initial production is 1Mtpa. The plan is to process the magnetite concentrate into pig iron at Eradu, 60Km east of Geraldton using ITmk3® technology and the excellent existing infrastructure servicing the project.

MPI sells for around 4 times the value of iron ore fines, with a higher margin than bulk iron ore. The MPI also sells into a niche market that has seen less investment on dedicated production capacity than the iron ore industry. Unlike iron ore, MPI can be stored outside, won't create dust and with preferred shipment sizes ranging up to 55,000 tonnes, MPI is perfect for export through the existing Port of Geraldton.

Yalyirimbi Iron Project

The Yalyirimbi Iron Project is located in the Northern Territory on a 787Km^2 exploration licence and has an Inferred Resource of 14.1 million tonnes of haematite at 27.1%Fe.

The Exploration Target at Yalyirimbi is estimated at between 50 to 70 million tonnes at between 25% and 29%Fe.[#]

The current Resource is located in two zones totalling 1.5Km in length, out of a 30 to 40Km long formation that is yet to be explored. Test work carried out at Yalyirimbi demonstrated that with a crush to 100% passing 1mm and gravity upgrading, a haematite fines concentrate of 63.5%Fe with 7.1% SiO2, 0.84% Al2O3 and negligible P can be produced.

The Project envisages open cut mining of the specular haematite, before crushing and gravity based upgrading to produce a haematite fines concentrate at a nominal rate of 1.8 million tonnes per annum. The haematite will be transported via the existing railway to Darwin Port for export.

The Marvel Loch Project

The Marvel Loch Project consists of 12 granted tenements, considered to be highly prospective for gold and base metals, comprising 8 exploration licences and 4 prospecting licences. The project has a combined area of 156Km^2 and is located close to the historic Marvel Loch mining area, 31Km south of Southern Cross and 400Km east of Perth in Western Australia. Gold was first discovered in the region in 1906 and the area has since been the source of extensive gold and nickel exploration and production, with the Southern Cross greenstone belt hosting approximately 150 known significant gold occurrences.

[#] *An Exploration Target 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 Exploration Target is based upon calculations prepared by Ferrowest Limited with reference to current experience and available data.*

Exploration Results

Exploration results are based on standard industry practices including sampling, assay methods and appropriate quality control systems. Drillhole density for specific JORC reporting categories are based on a statistical analysis of the distribution of the iron mineralisation. The sampling of Reverse Circulation (RC) samples are collected as either single splits or 2 metre composite samples depending on the uniformity of mineralisation encountered. Core samples are sampled to geological boundaries with cored holes being twinned next to RC holes to check geological interpretation and also to provide sample material for Specific Gravity testwork . The quality of RC samples is optimised by the use of riffle and or cone splitters, dust collectors, logging of various criteria designed to record sample size, recovery and contamination and the use of field duplicates, blank samples and certified reference materials to measure sample representivity and reproducibility. In the case of ferrous metals and deleterious elements, the assays are prepared with a lithium borate fusion digest and X-ray fluorescence (XRF) finish. Sample preparation is undertaken at ALS in Alice Springs with the analyses being completed by ALS in Perth. The quality of analytical results is monitored by the use of internal laboratory procedures and standards together with certified standards, duplicates and blanks and statistical analysis where appropriate to ensure that results are representative and within acceptable ranges of accuracy and precision.

Competent Persons Statement

The information in this report that relates to Exploration Results and general geological commentary, including any Exploration Target estimates, is compiled by Graeme Johnston (please refer to details below).

The information in this report that relates to Mineral Resources or Ore Reserves at Yogi is based on information compiled by Graeme Johnston and Malcolm Titley (please refer to details below).

The Information in this report that relates to Mineral Resources or Ore Reserves at Yalyirimbi is based on information compiled by Grant Louw (please refer to details below).

***Graeme Johnston** is a Director of the Company, a geological consultant to it through Corad Pty Ltd and a Fellow of the Geological Society of London. Graeme Johnston has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). 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 a Member of the Australasian Institute of Mining & Metallurgy. Malcolm Titley has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Malcolm Titley consents to the inclusion of such information in this report in the form and context in which it appears.*

***Grant Louw** is a Consultant for CSA Global and a Member of the Australian Institute of Geoscientists. Grant Louw has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2004 Edition). Grant Louw consents to the inclusion of such information in this report in the form and context in which it appears. Grant Louw takes responsibility for the mineral resource estimate only.*