

16 May, 2013

ASX Announcement

Ferrowest acquires Yalyirimbi Iron Project

- **Positive due diligence completed**
- **Ferrowest to proceed with the Sale and Purchase Agreement to acquire 60% of the Yalyirimbi Iron Project**
- **Strategic acquisition of DSO project with potential for early cash flow**
- **Key turning point in Ferrowest's strategy**

Ferrowest Limited ("Ferrowest" or "the Company") advises that following a period of successful due diligence, the Company will now proceed with the completion of the Sale and Purchase Agreement to acquire the rights of Ngalia Resources ("Ngalia") to the Yalyirimbi Ore Project ("the Project") in the Northern Territory. As a result the Company will also take up the proposed joint venture with Arafura Resources to develop the Project.

As part of the technical due diligence (announced to the market on 30 April 2013), the geological due diligence site visit to Exploration Licence 24548 confirmed occurrences of high grade Direct Shipping Ore. The samples were taken to the ALS laboratory in Alice Springs which indicated iron values up to **68.71% Fe** with negligible silica in five out of the nine samples tested. This confirms the Project has the potential for a relatively quick and low cost start-up operation which will allow the Company to generate a positive short term cash flow while developing the larger Project.

Following completion Ferrowest's first order of business will be to commence a diamond drilling programme with the aim of upgrading the existing Inferred Resource to an Indicated and Measured status. At the same time, the Company will open negotiations on rail and port options and commence the necessary environmental and native title approvals processes. Sample material from the diamond drilling will also be used to optimise the metallurgical test work and to determine a suitable flow sheet for the ore preparation plant.

Ferrowest will now proceed with the Terms of Acquisition as noted to the market on 25 March 2012, and repeated below.

The Earn In

Ferrowest has acquired Ngalia's rights to earn a 60% interest in the Project. This earn-in requires the expenditure of A\$2M on exploration and the establishment of an Indicated Resource estimated and reported in accordance with the JORC Code (2012). Approximately A\$1.4M of the earn-in has already been expended by Ngalia and Ferrowest believes that the current Inferred Resource will only require selected diamond drilling and project related works to upgrade to an Indicated to Measured Resource status.

The other 40% of the Project will remain held by Arafura Resources Limited and the Project will be developed under an incorporated joint venture, subject to the successful completion of a bankable feasibility study, to be managed by Ferrowest as it completes the earn-in of its 60% interest

Terms of the Acquisition

Ferrowest will acquire all of Ngalia's interest in the Yalirimbi Iron Project (up to 60% of the total project) on the following terms:

The Company has issued Ngalia 1,500,000 ordinary shares in Ferrowest on 2 April 2013 for a 60 day exclusive option period during which the Company has undertaken a detailed due-diligence review of all available technical and commercial information.

Satisfied with its due-diligence investigations, Ferrowest will proceed with the Project acquisition and:

1. issue a further 20,000,000 ordinary shares to Ngalia or its nominees on or before 24 May 2013 as per the agreement completion date;
2. within 90 days of signing, pay Ngalia A\$500,000 cash;
3. upon any future 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, 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
4. a further A\$2,000,000 cash is payable to Ngalia prior to the start of construction of the Project where a decision to mine is taken by the Company.

A royalty shall 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 that the sale price for the Haematite product falls below A\$120 per tonne.

** These shares will be subject to a voluntary escrow for a period of 12 months.*

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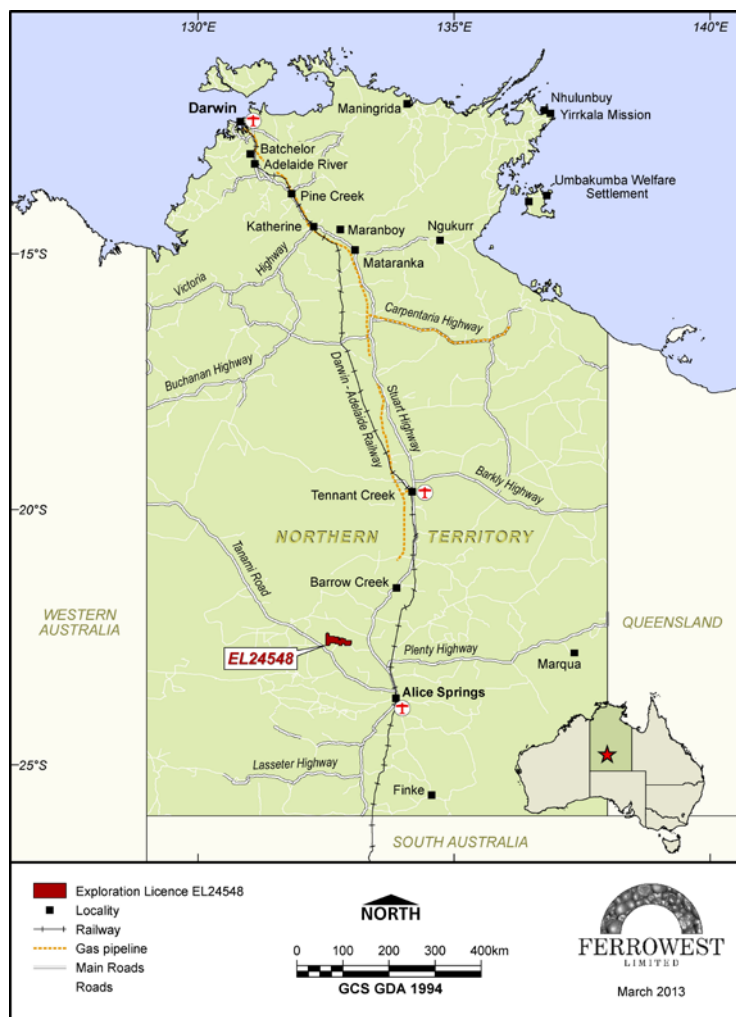
The Yalyirimbi Project

The Project is located on Northern Territory Exploration Licence 24548 covering 787Km² and has an existing Inferred Resource of 14.1 million tonnes of haematite at 27.1%Fe classified and reported in accordance with the JORC Code [2004 Edition] (Full details are provided on page 6 of this report).

Ferrowest currently estimates the Exploration Target[#] at the Project to be 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. Early stage test work carried out by Nagrom in Perth demonstrated that with a crush to 1mm and simple gravity upgrading, a haematite fines concentrate of **63.5%Fe** with 7.1% SiO₂, 0.84% Al₂O₃ and negligible phosphorus can be produced.

Ngalia has completed an in-house scoping study that suggests the project is robust and profitable at an assumed long term average iron ore price for 62%Fe fines of A\$120 per tonne. Subsequent to extensive legal, financial and technical due diligence of both the Project and original joint venture agreements between Ngalia and Arafura Resources, Ferrowest has decided to take up its interest in the Project under its existing agreement with Ngalia Resources.



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 centrepiece 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 Talling 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, 200km north west of Alice Springs, on a 787Km² 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 on typical Yalyirimbi material 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 coarse haematite quartz mixture, 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 156Km² 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.