

24 January 2013

# ASX Announcement

## QUARTERLY ACTIVITY REPORT

### December 2013

During the December 2013 Quarter, Ferrowest Limited (“Ferrowest” or “the Company”) undertook the following activities:

#### **YALYIRIMBI IRON PROJECT**

The exploration activities of the Company were focused on the Yalyirimbi Iron Project (“the Project”) during the Quarter.

At the beginning of October 2013, the Company commenced its first diamond drilling programme at the Project site. There had previously been extensive RC drilling of two main deposits (Deposits ‘A’ and ‘M’), but this programme was the first diamond core drilling on the Project.

Core from the main ore zone proved to be consistent with the Company’s expectations. The drill core has demonstrated that the haematite iron, hosted in the quartz-iron vein system that is apparent in outcrops at the surface, is also reflected down through the deposit.

Most importantly, the iron and quartzite are largely present as discrete minerals, which is why early testwork has shown that the ore can be upgraded to 63.5%Fe with crushing to 6mm and gravity separation processes.

While the planning to date has been to process all of the ore to produce an ‘all fines’ product, with the increased understanding of the mineralisation that will come from the test work on these diamond core samples, the Company will be investigating the potential for a second, high grade lump product stream, at a coarser crush. This would reduce the amount of ore that needs crushing to a fines product and also provide a higher value lump product that would further improve overall project economics.

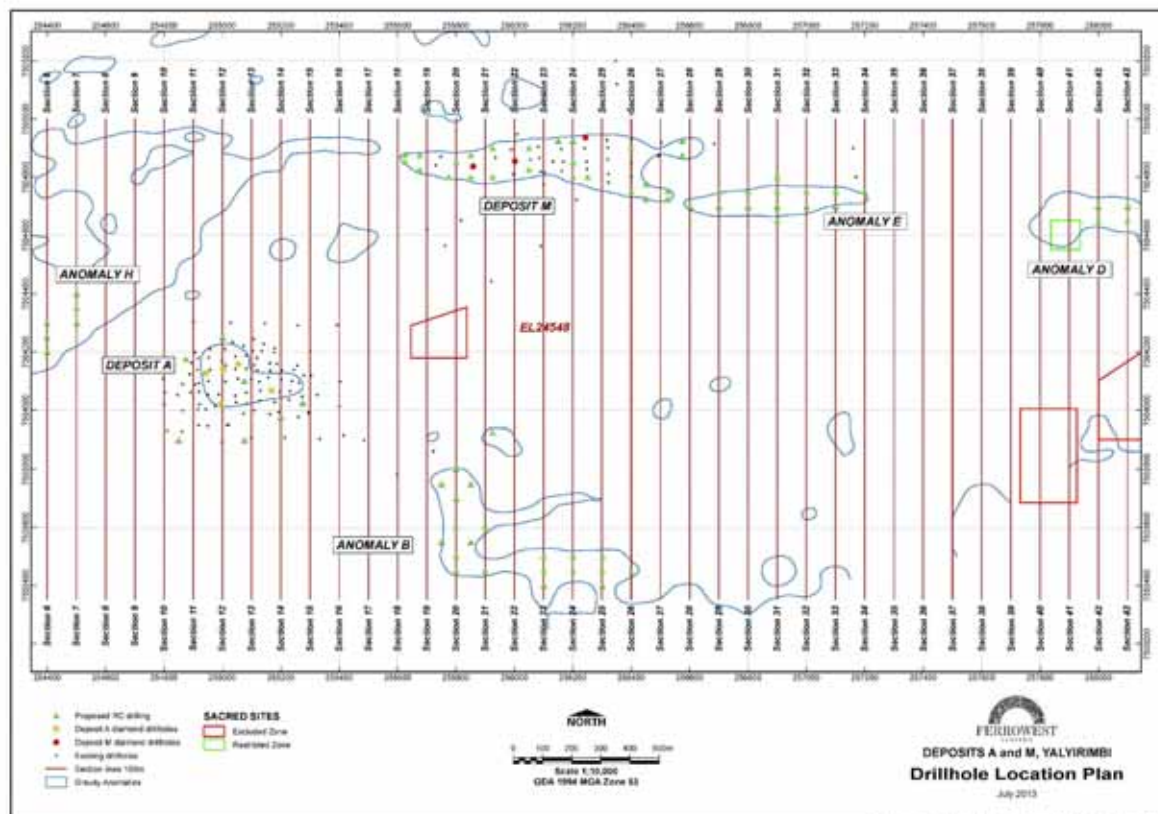
As the Yalyirimbi iron ore is not sedimentary, unlike most haematite ores in Western Australia, it has very low alumina content and low phosphorus. When this is combined with a relatively high iron grade of around 63.5%Fe for the finished product, it is expected that the Yalyirimbi product will be a very attractive blending stock for steel mills to compensate for the falling grades and higher contaminant levels from more traditional haematite mines.



It is currently planned to follow up the diamond drilling programme with a further RC drilling programme as soon as funding is secured.

The specific aims of the RC programme will be to:

- Further ‘fine tune’ the resource model on Deposits A and M;
- Potentially expand the resource to the east of the M Deposit at Anomaly E; and
- Conduct reconnaissance drilling into the undrilled gravity Anomalies D, B and H.



The diamond drill programme undertaken during October 2013 consisted of a total of 8 diamond holes being drilled for a total of 356.8m. These holes, which were twinned next to existing RC drill holes have validated data from the more than 150 RC holes previously drilled at Yalirimbi by confirming the geological interpretation and the nature of the mineralisation.

On 25 November 2013 the Company advised that it had received the assay results from diamond drilling programme and full details are available in that announcement.

The assay results confirmed that the deposit varies from nearly pure haematite, with iron grades in the high 60's, to quartzite rich material with minimal iron intrusion. This random distribution of the haematite within the quartz-iron vein system explains why the overall average grade at Yalirimbi is 27.1%Fe.

This is clearly visible in the photos of short sections of the core below showing their corresponding iron grades.

Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
64.5	6.7	0.56	0.007	0.009



Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
24.22	63.7	0.84	0.027	0.003



Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
5.08	90.9	1.14	0.007	0.02



However, once the material is crushed and the haematite iron is separated from the quartz using gravity based upgrading processes, the resulting high grade product is similar to the specifications of the haematite core shown on the left. This is an ultra low alumina, low phosphorus product.

The gravity separation process for upgrading is possible with the Yalyirimbi haematite because the iron and quartzite are largely present as discrete, coarse minerals and each has distinctly different specific gravities (weights). The Company is now assessing the possibility of maintaining some portion of the proposed production as 'lump sized' Direct Shipping Ore (DSO) product (greater than 6.5mm), with the balance still to be crushed to fines. This will reduce the total amount of crushing required (reducing costs) and as lump DSO commands a premium, it would raise the revenue generated per tonne from the Project.

Test work will need to be carried out to determine if this approach is feasible, including determining the likely lump to fines ratio from the run-of-mine feed following blasting and matters such as the decrepitation index (how readily the lump ore breaks down during handling and transport).

The overall average drill hole assays for the eight diamond holes announced to the ASX on 25 November 2013 are as follows:

Hole Number	Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%	LOI
A2001	28.31	43.47	8.46	0.02	0.04	5.94
A2002	44.64	31.05	2.62	0.02	0.02	2.06
A2003	35.99	40.34	4.16	0.01	0.03	3.30
A2004	30.59	46.67	5.64	0.02	0.03	3.10
A2005	36.86	37.53	5.79	0.03	0.03	3.21
M2001	23.77	57.74	5.16	0.01	0.04	2.27
M2002	27.02	55.41	3.39	0.03	0.03	1.84
M2003	40.44	32.70	4.26	0.21	0.01	3.98

*Averages taken through the main mineralised zones, including internal waste*

Individual assays ranged up to a maximum of **66.3%Fe**. Further details of the key results from each hole were included in the announcement on 25 November 2013.



The diamond drilling also revealed that the western end of deposit A (see map above) is a detrital deposit rather than primary ore. Detritals are pieces of iron eroded from a primary deposit to collect in nearby low lying areas where they are cemented together by clays over time. The piece of core shown here clearly shows the lumps of relatively pure haematite cemented into the clay matrix.

Fe%	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P%	S%
47.45	24.4	4.16	0.017	0.018

A gravity process would also be used to separate the detrital iron from the interstitial waste with the resulting iron having the same chemical composition as the primary ore from which it was derived.

The significance of this discovery is that of the four undrilled gravity anomaly targets in the vicinity of current deposits A and M, two or possibly three are believed to be detrital iron deposits (“DID”). Detrital iron can often be easier to mine than primary deposits due to poor consolidation of the hard iron particles in softer, more easily mined sediments, resulting in lower mining costs.

The Company believes that there is significant upside potential represented by the likely DID in the area.

As a result of the diamond drilling programme a revised Resource Statement was prepared in November 2013 and released to the ASX on 27 November 2013. Full details of this revised Resource Statement are available in that announcement. The new Mineral Resource estimate was reported by CSA Global in accordance with the JORC Code 2004 edition.

The new Resource Estimate is as follows:

***Yalirimbi Inferred and Indicated Mineral Resource Estimate (JORC 2004 – G Louw) as announced to the ASX on 27 November 2013.***

Ferrowest Limited								
Yalirimbi Haematite deposits - Mineral Resource estimate as at 27 November 2013								
Deposit	Category	Tonnes	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %	S %	LOI %
A	Indicated	3.2	33.4	42.4	5.6	0.02	0.03	3.4
	Inferred	1.3	29.4	45.8	7.2	0.02	0.02	3.7
M	Indicated	4.1	25.1	58.8	3	0.02	0.14	1.6
	Inferred	4.8	24.1	59.4	3.8	0.02	0.07	1.8
Combined	Indicated	7.2	28.7	51.6	4.2	0.02	0.09	2.4
	Inferred	6.1	25.2	56.5	4.5	0.02	0.06	2.2
	<b>Indicated + Inferred</b>	<b>13.3</b>	<b>27.1</b>	<b>53.9</b>	<b>4.3</b>	<b>0.02</b>	<b>0.08</b>	<b>2.3</b>

Note: The CSA Mineral Resource was estimated within constraining wireframe solids based on a nominal lower cut-off grade of 15%Fe. The Mineral Resource is quoted from blocks above a 15%Fe cut-off grade. Differences may occur due to rounding.

*Ferrowest confirms that it is not aware of any new information or data that materially affects the information included in this quarterly report. In regards to estimates of mineral resources, all material assumptions and technical parameters underpinning the estimates in the previous ASX announcements referred to in this report continue to apply and have not materially changed.*

Based on the information and studies completed to date by both the previous operator of the Project and Ferrowest's own investigations, combined with the successful upgrade of much of the Resource to an Indicated Resource category, the Company believes that the Yalyirimbi Iron Project has reasonable prospects for eventual economic extraction of the iron ore and justifies the ongoing exploration and feasibility studies leading to a Bankable Feasibility, subject only to continued successful results.

The establishment of an Indicated Mineral Resource reported according to the JORC Code<sup>(2004)</sup> at the Yalyirimbi Iron Project also represented the achievement and satisfaction of an earn-in benchmark by Ferrowest on the Project.

Under the terms of the Farm-in Agreement between Ferrowest and Arafura Resources Limited (the owner of the tenement on which the Yalyirimbi Iron Project is located), upon satisfaction of the earn-in benchmark Ferrowest will secure a 51% interest in the shares of Arafura Iron Pty Ltd (a subsidiary of Arafura Resources Limited). Arafura Iron Pty Ltd holds the iron rights to the mineral tenement on which the Project is based.

Upon completion of a share transfer and/or an allotment of the relevant shares, Ferrowest will hold 51% of the Yalyirimbi Iron Project and Arafura Resources Limited will hold 49%.

Ferrowest then has the right to earn a further 9% (i.e. Ferrowest 60% and Arafura Resources Limited 40%) by completing a Bankable Feasibility Study on the Project at its own expense.

The operation of the subsidiary Arafura Iron Pty Ltd is governed by existing agreements and Ferrowest will appoint 2 directors to the Board of Arafura Iron Pty Ltd. Arafura Resources Limited will continue to have two directors on the Arafura Iron Pty Ltd Board.

The actual finalisation of this process is expected to be completed in early 2014.

## **CORPORATE**

On 18 October 2013, the Managing Director wrote to shareholders providing an insight into management's view of the current external environment in which Ferrowest operates and the Company's current positioning in the context of the broader business environment.

On 29 October 2013 the Company announced an offer to eligible Shareholders for the right to subscribe for Convertible Notes in a non-renounceable rights issue by way of a Short Form Prospectus. The Company proposed the issue of approximately 3,330 Convertible Notes with a face value of \$500 each to raise approximately \$1,665,000 before costs (the Offer).

The basis of the entitlement for Eligible Shareholders was one (1) Convertible Note for every seventy five thousand (75,000) Shares, rounded UP to the nearest whole number of Convertible Notes. The Convertible Notes will have a coupon rate of 10% per annum, with interest paid quarterly in arrears.

The Redemption Date for the Convertible Notes not previously converted is 2 years from the Date of Issue and they are unlisted, unsecured and rank equally with other unsecured creditors. The Convertible Noteholders are entitled to convert some or all of their Convertible Notes to Shares at any time during the Conversion Period. The Conversion Period commences 100 days after the Date of Issue and end at 5PM WST on the 6th Business Day before the Redemption Date.

The number of Shares issued on conversion of each Convertible Note is to be calculated as the face value of \$500 divided by the Conversion Price. The Conversion Price will be 80% of the VWAP for Ferrowest Shares over the ten (10) Trading Days prior to receipt of a valid and properly rendered Conversion Notice by the Company, with a minimum Conversion Price of 2.5 cents and a maximum of 25 cents.

The Short Form Prospectus for the Convertible Note Offer was lodged with the ASIC on 29 October 2013.

On 27 November 2013 the Company held its Annual General Meeting and all resolutions put to members were approved on a show of hands.

On 28 November the Company announced that it had placed 678 Convertible Notes to raise \$339,000. There remains 2,652 Convertible Notes available for placement as shortfall on the Offer.

During the Quarter a class of unlisted options expired. As at 31 December 2013, the Company has the following options on issue:

- ◆ 10,966,351 Listed options (ASX Code: FWLO) [25 cents, 1 September 2014]
- ◆ 3,500,000 unlisted options [25 cents, 19 April 2015]

#### **EVENTS SUBSEQUENT**

Subsequent to the end of the June Quarter the following activities were undertaken:

On 8 January the Company issued 9,000,000 ordinary shares at the then current market price of 2 cents per share to raise \$180,000 for working capital purposes.

It will be necessary for the Company to raise further capital during the current Quarter.

The Company is currently negotiating the placement of further Convertible Notes from the available shortfall of the rights issue that closed on 29 November 2013. Ferrowest will look for further opportunities to undertake further placements as carried out on 8 January 2014 or other capital raisings on appropriate terms.

The Company is also in preliminary discussions with a number of parties in respect of direct investment into its mineral projects. This approach to funding project development does take time to advance but provides a higher likelihood in the current market of securing significant funding to accelerate the Company's projects.

**COMPANY MINERAL TENEMENT PORTFOLIO**

The mineral tenement holding of the Ferrowest Limited Group at 31 December 2013 is:

**FERROWEST MINERAL TENEMENT SCHEDULE - 31 December 2013**

Name	Tenement	Tenure Type	Status	Ferrowest Limited Group Interest
<b>YOGI MINE PROJECT - 14Km East of Yalgoo in the Mid West of Western Australia</b>				
YOGI	M59/525	Mining Lease	Granted	100%
YOGI	E59/1348	Exploration Licence	Granted	100%
YOGI	E59/1097	Exploration Licence	Granted	100%
YOGI	L59/119	Miscellaneous Licence	Granted	100%
YOGI	M59/740	Mining Lease	Granted	100%
YOGI	E59/1400	Exploration Licence	Granted	100%
YOGI	M59/634	Mining Lease	Granted	100%
YOGI	M59/635	Mining Lease	Granted	100%
YOGI	M59/636	Mining Lease	Granted	100%
YOGI	M59/637	Mining Lease	Granted	100%
YOGI	P59/2028	Prospecting Licence	Pending	0%
<b>OTHER FERROWEST PROJECTS - See details below for locations</b>				
Jack Hills <sup>1</sup>	E09/1853	Exploration Licence	Granted	100%
Barry's Ridge <sup>2</sup>	E20/744	Exploration Licence	Granted	100%
Lake Halbert East <sup>3</sup>	E63/1585	Exploration Licence	Pending	0%
<b>YALYIRIMBI IRON PROJECT - 150Km North West of Alice Springs in the Northern Territory</b>				
Yalyirambi	EL 24548	Exploration Licence	Granted	0% #
<b>MARVEL LOCH PROJECT [URBAN MINERALS] - South of Southern Cross in Western Australia</b>				
EDWARD	E77/1998	Exploration Licence	Granted	80%
JACCOLETTI	P77/4108	Prospecting Licence	Granted	100%
JACCOLETTI	P77/4109	Prospecting Licence	Granted	100%
JACCOLETTI	P77/4110	Prospecting Licence	Granted	100%
EDWARD'S NORTH	P77/4111	Prospecting Licence	Granted	100%
EDWARD'S NORTH	E77/2015	Exploration Licence	Granted	100%
JACCOLETTI	E77/2016	Exploration Licence	Granted	100%
EDWARD	E77/2108	Exploration Licence	Granted	100%

Name	Tenement	Tenure Type	Status	Ferrowest Limited Group Interest
<b>MARVEL LOCH PROJECT - Continued</b>				
TOOMEY HILLS	E77/1999	Exploration Licence	Granted	100%
EAST BOUNTY	E77/2000	Exploration Licence	Granted	100%
CHERITON'S NORTH	E77/1475	Exploration Licence	Granted	100%
KING GEORGE EAST	E74/521	Exploration Licence	Granted	100%
<b>OTHER URBAN MINERALS PROJECTS - See details below for locations</b>				
CAMEL BACK <sup>4</sup>	E39/1727	Exploration Licence	Granted	80%

# - Ferrowest holds the rights to earn a 60% right in the iron rights on the tenement.

As at 31 December 2013 Ferrowest had earned 51% of that right but transfer still to be affected.

Ownership of the tenement will remain with Arafura Resources Limited as joint venture partner on the Yalyirimbi Iron Project.

- |                      |   |
|----------------------|---|
| 1. Jack Hills        | 175Km West North West of Meekatharra                    |
| 2. Barry's Ridge     | 25Km South East of Cue                                  |
| 3. Lake Halbert East | 75Km North North East of Esperance in Western Australia |
| 4. Camel Back        | 75Km South West of Leonora in Western Australia         |

The Company did not acquire or dispose of any mining tenements during the Quarter.

The Company's beneficial interests in any farm-in or farm-out agreements in respect of any mining tenement interests did not change during the Quarter except as specifically stated elsewhere in this report.





## 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** – proposed magnetite concentrate product at 67%Fe\* ;
- **Eradu MPI Project** – proposed merchant pig iron (MPI) product at 96%Fe\* ; and
- **Yalyirimbi Iron Project** – proposed haematite concentrate product 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 to the big Asian markets of Korea, China and Japan compared to Ferrowest’s proposed exports.

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 the life of the mine. These two projects, linked by key existing infrastructure will combine to make a very long term strategic business.

The Yalyirimbi Iron Project is expected to also play a key role in the development of the Company’s iron plans by providing a relatively 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 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. The proposed product will be magnetite concentrate at 67%Fe. Some concentrate would be exported through the new proposed Port of Oakajee with the remainder 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 Mineral Resource estimate at Yogi, classified and reported in accordance with the JORC Code (2004), is 572.5 million tonnes at 27.5%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. 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<sup>2</sup> exploration licence and has a combined Indicated and Inferred Mineral Resource of 13.3 million tonnes of haematite at 27.1%Fe, classified and reported in accordance with the JORC Code (2004).

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 6mm and gravity upgrading, a haematite fines concentrate of 63.5%Fe with 7.1% SiO<sub>2</sub>, 0.84% Al<sub>2</sub>O<sub>3</sub> and negligible P can be produced.

The Project envisages open cut mining of the haematite, before crushing and gravity based upgrading to produce a haematite fines concentrate. 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. The project has a combined area of 156Km<sup>2</sup> and is located close to the historic Marvel Loch mining area, 31Km south of Southern Cross in Western Australia. The Southern Cross greenstone belt has been the source of extensive gold and nickel exploration and production, hosting approximately 150 known significant gold occurrences.

## Forward Looking Statements

*Except in respect of matters of fact, the statements included in this announcement, including statements concerning the future plans and intentions of Ferrowest are forward-looking statements. Forward-looking statements use words such as ‘expects’, ‘plans’, ‘may’, ‘could’, ‘believes’, ‘estimates’ or ‘intends’ and other words concerning uncertain matter. These statements are based on present knowledge and circumstances and often include or are based on certain assumptions about future events that are reasonable at the date of this announcement. Such forward-looking statements are not guarantees of future performance and involve future circumstances, many of which are beyond the control of the company, its directors and officers. Actual results may differ materially from the results expressed or anticipated in the forward looking statements. The company cannot and does not warrant any particular results, events or performance, whether expressed or implied by the forward-looking statements contained in this announcement. Investors should not rely in isolation on any particular forward-looking statements. Except where required by law or the ASX Listing Rules, Ferrowest does not undertake to update or revise forward-looking statements.*

## 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 (JORC 2004) 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 (JORC 2004) at Yalyirambi 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 RPO and 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

Ferrowest confirms that it is not aware of any new information or data that materially affects the information included in this report. In regards to estimates of mineral resources, all material assumptions and technical parameters underpinning the estimates in the previous ASX announcements referred to in this report continue to apply and have not materially changed..

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

<b>Ferrowest Limited</b>
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ABN

14 074 009 091
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Quarter ended ("current quarter")

31 December 2013
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(334)	(566)
(b) development	-	-
(c) production	-	-
(d) administration	(195)	(473)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid	(7)	(12)
1.6 Income taxes paid	-	-
1.7 Other (GST recoverable/payable)	(7)	-
<b>Net Operating Cash Flows</b>	<b>(537)</b>	<b>(1,045)</b>
<b>Cash flows related to investing activities</b>		
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 – Net bond refunds	49	49
<b>Net investing cash flows</b>	<b>49</b>	<b>49</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(488)</b>	<b>(996)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(488)	(996)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	519	759
1.17	Repayment of borrowings	(240)	(240)
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	<b>Net financing cash flows</b>	279	519
	<b>Net increase (decrease) in cash held</b>	(209)	(477)
1.20	Cash at beginning of quarter/year to date	415	683
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	206	206

**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'000
1.23	Aggregate amount of payments to the parties included in item 1.2	152
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

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	180
4.2 Development	-
4.3 Production	-
4.4 Administration	160
<b>Total</b>	<b>340</b>

### 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'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	206	415
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>206</b>	<b>415</b>

### 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	Nil			
6.2	Nil			

+ 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.*

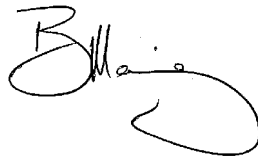
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	214,391,236	214,391,236		
7.4 Changes during quarter (a) Increases through issues				
7.5 <b>+Convertible debt securities</b> 2 year 10% convertible at 80% VWAP	678		\$500	\$500
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	678		\$500	\$500
7.7 <b>Options</b> <i>(description and conversion factor)</i>	3,500,000 10,966,351	- 10,966,351	<i>Exercise price</i> \$0.25 \$0.25	<i>Expiry date</i> 19 April 2015 1 September 2014
7.8 Issued during quarter				
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	1,500,000	-	\$0.1967	21 December 2013
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ 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 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 24 January 2014

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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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