



2 April, 2014

ASX Announcement

General Update

Yalyirimbi Iron Project

Ferrowest Limited ("Ferrowest" or "the Company") advises that it is fielding interest in the potential product off-take rights for the Yalyirimbi Iron Project and is in discussion with certain parties. The Company hopes to secure feasibility study funding in exchange for the product off-take rights. Discussions remain preliminary at this stage but term sheets have been sent to selected parties.

As foreshadowed earlier in the year, Ferrowest will secure a 51% shareholding in Arafura Iron Pty Ltd ("AIPL") in the next few weeks and will nominate two directors for appointment to its Board. AIPL holds the iron rights to the mineral tenement on which the Yalyirimbi Iron Project is located. Ferrowest will be working toward a 60% share of AIPL by completing the feasibility studies on the project. The remaining 40% will be retained by Arafura Resources Limited (ASX Code: ARU), Ferrowest's joint venture partner in this project.

Yogi Mine Project

Ferrowest advises that, as previously announced, it is working through a process aimed at getting the Yogi Mine Project advanced in a more timely manner. A number of parties are currently reviewing the project with a view to investment and the Company will keep shareholders apprised of progress as the process unfolds.

Iron ore prices continue to trade within the range the Company has anticipated (62%Fe fines CFR North China of US\$125 +/- US\$25 per tonne) which makes both of Ferrowest's proposed iron ore projects financially viable based on the level of data and analysis completed to date. As previously explained, the Company believes that this trading range is a function of Chinese domestic iron ore production costs coupled with normal supply and demand variations.

The Company is aware of three parties investigating development of rail and port infrastructure for the Mid West region and believes that a viable port and rail expansion solution may emerge during 2014. This would add significant positive momentum to iron projects in the region.

A Prospecting Licence, 59/2028, has been granted at Yogi adjacent to the proposed "Bugs" pit site that will potentially also provide room for project infrastructure.

Eradu MPI Project

The progress of commissioning of the first full scale ITMk3[®] plant (the new technology proposed for use in the Eradu MPI Project) by Steel Dynamics Incorporated ("SDI") in Minnesota in the USA has proved to be a complex process. SDI, in cooperation with the Technology owners Kobi Steel of Japan, appear to have done an excellent job of overcoming a number of 'new technology' issues associated with the plant and have generally reached a production rate around 85% of name plate capacity.

The product quality has been excellent from the start but achieving full production remains an important step in making this technology a world beater. Ferrowest is not privy to the detailed technical issues that remain confidential to SDI and Kobi Steel, however the Company has studied all publicly reported information about the commissioning in detail and has drawn its own conclusion that:

- ◆ It is unlikely that the Minnesota plant will achieve more than 85% production capacity because the remaining technical issues appear to be constrained by the overall physical construction of the first plant and cannot realistically be altered; and
- ◆ That the remaining issues could possibly be resolved in a 'new build' of the plant.

It should be stressed that these views are not based on any private information provided by SDI or Kobi Steel and may prove incorrect if additional relevant technical information, not currently known to Ferrowest, becomes publically available. It is noted that Kobi Steel has announced plans to investigate building a new ITMk3[®] plant in India, which tends to support the Company's assessment of the situation and Kobi Steel's continued belief in the technology.

The Company had always intended to be a 'first mover' on the technology as soon as it was proven at full scale. Therefore the Company will continue to watch progress of the technology at Minnesota and elsewhere in the world. Once the Company reaches a point for the Eradu MPI Project where a technology decision needs to be finalised, it will review the current state of the ITMk3[®] technology at that time in comparison to other available technologies and make the appropriate decision for the project.

Corporate

The most significant issue facing Ferrowest at this time is securing an appropriate and sustained flow of funds to allow it to maintain the Company's operations and advance its mineral projects. This has proved extremely difficult in the last two years, as evidenced by the very low take-up from Company shareholders in the two capital raisings undertaken in 2013.

The market place for exploration companies in the feasibility study stage trying to raise funds is probably as difficult as it has been for more than 20 years. While the Company runs its operations as cost effectively as it can (and the directors have made and continue to make personal financial sacrifices to minimise current expenses) a plan to provide consistent levels of funding that will allow the Company to de-risk its projects and move them toward potential construction financing is essential to sustaining project value and for maintaining Company success.

To achieve this, Ferrowest is seeking direct investment at project level and is also considering all possible proposals for debt or equity funding. Given the state of the markets, material levels of funding, if it can be secured, may be quite costly to the Company. However, if mineral projects are not advanced, their value is lost and the Company's operations would not be sustainable under that scenario.

The Company has seen renewed interest in both the Yogi Mine Project and the Yalyirimbi Iron Project this year and is working hard to capitalise on the opportunities that these projects represent.



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 787Km² 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% SiO₂, 0.84% Al₂O₃ 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 156Km² 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..