FERROWEST
LIMITED

ABN 14 074 009 091

19 January, 2012

ASX Announcement
DRILLING PROGRAMME

Ferrowest Limited ("Ferrowest" or "the Company") is pleased to announce that drilling at Yogi will commence this weekend (subject to weather) as the Company begins to ramp up operations on the Yogi Mine Project. This follows the recent share placements from TFA International Pty Ltd ("Taifeng") of $2,000,000 in total at 20 cents per share. A further $0.8M will be placed at 20 cents per share in February 2012 to complete the first tranche under the Investment Agreement signed between Ferrowest and Taifeng last year.

Once Chinese Government approval of the Investment Agreement (as previously announced) is achieved in the coming few months, drilling activities at Yogi will be scaled up as the first of Taifeng's $20M in project funding becomes available. In addition to the drilling, the Company is preparing to expand facilities at Yogi to cope with the much higher rate of exploration activity that will follow in the first half of 2012.

There will be three strategic objectives that will be undertaken concurrently through exploration drilling at Yogi. Each of these is important and each will be given appropriate resources.

1. Exploration drilling for potential direct shipping grade iron ore ("DSO") at Yogi, initially to the west of the 'Sam' deposit;
2. In-fill drilling on the 460Mt 'Sam' portion of the Inferred Resource to raise the classification toward 'Indicated' and 'Measured', which, subject to satisfactory drilling and feasibility study work, will lead to 'Proven' and 'Probable" Reserves later in 2012.
3. Resource drilling at the 'Tweety' target with the aim of establishing a maiden Resource at Tweety that will increase the Yogi magnetite Resource inventory towards the anticipated 0.8Bt to 1.2Bt target potential[#].

The Company sees the identification of possible DSO that could lead to early mining (and therefore early cash flow) and the finalisation of the bankable feasibility studies for the Yogi Mine Project and the Eradu MPI Project as equally important objectives. It is also essential that both the Yogi Mine Project and the Eradu MPI Project are advanced on the same timeline.

> *"Ferrowest and Taifeng are working closely together as both companies 'gear up' to advance the Yogi Magnetite Project as quickly as possible. With a pipeline of funding that should cover our requirements for the next 18 months, we are eager to make big advances on our projects this year."* said Managing Director of Ferrowest, Mr Brett Manning.

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The Yogi Mine Project - Outline

The Yogi Mine Project proposes the development of a magnetite mining and concentration operation coupled with exploration of potential direct shipping ore ("DSO") grade haematite at the Yogi iron deposit near Yalgoo in the mid west region of Western Australia. Proposed production of magnetite concentrate will target 4,500,000 tonnes per annum ("tpa") at 67%Fe. 3,000,000tpa would be exported through the new proposed Port of Oakajee with the other 1,500,000tpa planned to supply the Eradu MPI Project (detailed below).

Exploration of potential haematite DSO targets will be a high priority for the Yogi Mine Project with the current concept, subject to satisfactory exploration, study results and government approvals, envisaging conceptual mine production of around 1.5Mtpa. The DSO would be transported by road train to Geraldton for export to China. The relatively simple open cut mine scenario and existing road train approved transport corridor over a relatively short trucking distance direct to the existing port provide an excellent basis for rapid development where exploration is successful.

The current magnetite Inferred Resource estimate at Yogi classified and reported in accordance with the JORC Code is 572 million tonnes at 27.5%Fe with target magnetite potential# at Yogi estimated at between 0.8 and 1.2 billion tonnes.

Mineral Resource Estimate	Million Tonnes (Mt)	Fe%	SiO_2%	Al_2O_3%	P%	LOI%
Inferred (Fresh)	500.0	27.68	48.19	5.40	0.06	0.08
Inferred (Transitional)*	72.5	26.28	45.38	5.59	0.05	1.39
Inferred Total	**572.5**	**27.51**	**47.84**	**5.42**	**0.06**	**0.25**

Notes: Tonnages rounded to nearest 10,000 tonnes. Cut-off Grade 23.0% total Fe. Surficial oxide material is not reported as part of the mineral resource estimate.

*Transitional material is partially oxidised but magnetite-bearing.

The target potential 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 target potential is based upon calculations prepared by Ferrowest Limited with reference to current experience at Yogi and available data.

The Eradu MPI Project - Outline

Ferrowest Limited is developing the Eradu MPI Project aimed at producing seaborne traded merchant pig iron ("MPI") at 96%Fe using magnetite concentrate from the Yogi magnetite deposit near Yalgoo in the mid west region of Western Australia. Proposed initial production is 1,000,000 tonnes per annum. The plan to process the magnetite concentrate to pig iron at Eradu, 60Km east of Geraldton is premised on the ITmk3® technology and excellent existing infrastructure servicing the project area. The resulting value added merchant pig iron product will be a relatively high margin, high quality, low volume product for export to quality electric arc furnace steel making plants worldwide.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Graeme Johnston, a Fellow of the Geological Society of London and Malcolm Titley, a Member of the Australasian Institute of Mining & Metallurgy.

Graeme Johnston is a Director of the Company and a geological consultant to it through Corad Pty Ltd. Graeme Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. 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 is responsible for the estimation of the Mineral Resource for the Yogi deposit. Malcolm Titley has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Malcolm Titley consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.