24 April 2013

ASX Announcement

QUARTERLY ACTIVITY REPORT

March 2013

During the March 2013 Quarter Ferrowest Limited ("Ferrowest" or "the Company") undertook the following activities:

SOIL SAMPLING AT MARVEL LOCH

On 16 January 2013 the Company advised the market that a soil sampling programme at the newly acquired Marvel Loch Project was nearing completion. This programme focused on the Edwards North (E77/2015 and P77/4111) and Jaccoletti (E77/2016, P77/4108, P77/4109, P77/4110) tenement groups.

The aim of the sampling was to localise potential gold and nickel targets known from existing data, in order to establish priority drilling targets for later in the year.

Hand held XRF results from E77/2015 at Edwards North indicated a potential for nickel near the southern boundary of the tenement and apparently continuing to the south. The Company pegged a new exploration licence (77/2108) to cover this potential anomaly and the tenement was granted later in the Quarter.

On 12 April 2013 Ferrowest announced that the gold assays from the soil sampling programme had been received and three gold anomalies suitable for further exploration identified.

Two of the anomalies were located at Edwards North on P77/4111 and E77/2015 where the previously announced nickel anomaly is also located. The third gold anomaly identified was located at the close by Jaccoletti Project area on P77/4109.

GENERAL MEETING AND SHARE ISSUE TO URBAN MINERALS

On 18 January 2013 the Company held a General Meeting and all resolutions put to members were passed on a show of hands.

Following shareholder approval at the General Meeting held on 18 January 2013, the Company issued the share component of the consideration to acquire 100% of Urban Minerals Pty Ltd on 21 January 2013. This completed the transaction as detailed in the Company's announcement on 8 November 2012.

EXTENSION ON OPTION TO PURCHASE SITE AT ERADU

On 25 January 2013, the Company announced that it had extended the option to purchase the 200Ha site at Eradu, 60Km east of Geraldton for a further 12 months. The site is where the proposed Merchant Pig Iron (MPI) plant will be constructed under the Eradu MPI Project.

The extension of the option to purchase the Eradu block has been achieved through the payment of $16,667 cash and $33,333 worth of Ferrowest Limited shares at market price in accordance with the Option Deed.

GRANTING OF A KEY TENEMENT

On 8 March 2013, the Company advised that a key exploration licence (E77/2108) at the Edward Prospect of the Marvel Loch Project had been granted to the Company's 100% subsidiary Urban Minerals Pty Ltd.

The new tenement covers a strong magnetic anomaly, which trends in a southerly direction to the south of E77/2015 and a 200m x 40m soil sampling programme over the anomaly identified nickel values up to 1,015ppm (0.01%Ni) with 44 samples over 250ppm.

These robust nickel values were coincident with elevated copper values over the same strike length of up to 109ppm Cu along with anomalous cobalt values over twice the background level.

YALYIRIMBI HAEMATITE PROJECT SECURED

On 25 March 2013 Ferrowest announced that it had executed a 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. The Project is located on Northern Territory Exploration Licence 24548 covering 787Km^2 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]. Ferrowest estimates the Exploration Target[#] at the Project to be 50 to 70 million tonnes at between 25% and 29%Fe.

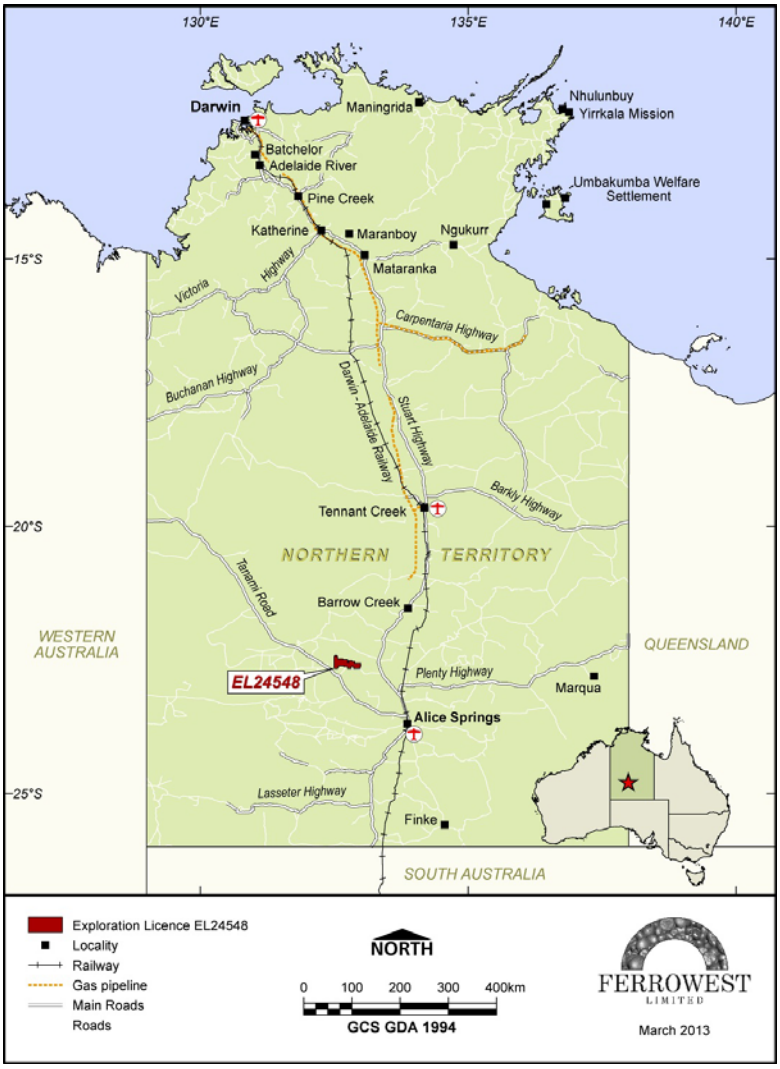
The current Resource is located in two zones totalling 1.5Km in length, out of a 30 to 40Km long formation that is yet to be explored. Early stage test work carried out at Yalyirimbi demonstrated that with a crush to 1mm and gravity upgrading, a haematite fines concentrate of **63.5%Fe** with 7.1% SiO_2, 0.84% Al_2O_3 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.

The project has the potential to transition the Company from explorer to producer coincident with the start of construction on the larger projects, providing cash flow at a critical time and building customer relationships ahead of the potential MPI sales to follow.

[#] *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.*

Project Location

The Yalyirimbi Project is located approximately 200km north west of Alice Springs.



The Transaction

The 60% interest in the Yalyirimbi Project is to be secured through shares and cash, staged at milestones as detailed below:

The Company issued Ngalia 1,500,000 ordinary shares in Ferrowest for a 60 day exclusive option period to allow the Company to undertake a detailed due-diligence review of all available technical and commercial information.

Following satisfaction with this due-diligence and to proceed with the Project acquisition, the Company will:

1. issue a further 20,000,000 ordinary shares to Ngalia or its nominees*;
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, 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
4. A further A$2,000,000 cash is payable to Ngalia immediately 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.*

The Earn In

The 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 (2004). 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 attain an Indicated 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.

CORPORATE MATTERS

On 16 January 2013 the Company announced the revision of its Trading Policy in accordance with the requirements of Listing Rule 12.10.

On 18 January 2013 the Company held a General Meeting in relation to the acquisition of Urban Minerals.

On 21 January 2013 the Company issued the share component of the consideration to acquire 100% of Urban Minerals Pty Ltd, completing the acquisition transaction.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 15 April 2013 Ferrowest also announced a renounceable pro rata rights issue for eligible shareholders to raise up to approximately $6,138,209 before costs if fully subscribed.

Rule 5.3

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

Ferrowest Limited

ABN	Quarter ended ("current quarter")
14 074 009 091	31 March 2013

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (9 months) $A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(214)	(564)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(230)	(806)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	14
1.5	Interest and other costs of finance paid	(6)	(21)
1.6	Income taxes paid	-	-
1.7	Other (GST recoverable/payable)	(15)	35
	Net Operating Cash Flows	(461)	(1,342)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(17)	(17)
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	25	25
1.12	Other – Payment for subsidiary – net of cash acquired	-	(30)
	Net investing cash flows	8	(22)
1.13	Total operating and investing cash flows (carried forward)	(453)	(1,364)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(453)	(1,364)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	1,050
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	200	200
1.17	Repayment of borrowings	-	(14)
1.18	Dividends paid	-	-
1.19	Other (Capital raising costs)	-	-
	Net financing cash flows	200	1,236
	Net increase (decrease) in cash held	(253)	(128)
1.20	Cash at beginning of quarter/year to date	636	511
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	383	383

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	136
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

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	50
4.2	Development	-
4.3	Production	-
4.4	Administration	150
	Total	**200**

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	383	636
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	383	636

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	Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2	Interests in mining tenements acquired or increased	E77/2108	Direct – Urban Minerals P/L	-	80%

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	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	151,955,229	1515,955,229		
7.4	Changes during quarter (a) Increases through issues	2,079,832 1,057,560	2,079,832 1,057,560	2.88 3.15	2.88 3.15
7.5	**+Convertible debt securities** *(description)*	-			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	**Options** *(description and conversion factor)*	38,250 1,500,000 3,500,000 2,779,150	- - - 2,779,150	*Exercise price* $0.21 $0.1967 $0.25 $0.25	*Expiry date* 6 August 2013 21 December 2013 19 April 2015 1 September 2014
7.8	Issued during quarter	-	-	-	
7.9	Exercised during quarter	-	-		
7.10	Expired during quarter	-	-		
7.11	**Debentures** *(totals only)*	-	-		
7.12	**Unsecured notes** *(totals only)*	-	-		

+ 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 April 2013

Print name: Daniel Bredenkamp
Company Secretary

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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