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**PRE FEASIBILITY STUDY CONFIRMS FERRAUS PILBARA PROJECT IS ROBUST - WITH POTENTIAL TO DELIVER SUBSTANTIAL SHAREHOLDER VALUE**

- **PFS confirms Project is financially robust and technically viable**
- **Key estimates from the PFS are:**
  - **NPV<sub>8</sub> Range from A\$1,120 to A\$1,340 million**
  - **IRR Range from 24 to 26 per cent**
- **Significant opportunities to further enhance value**
- **Board approves commencement of Definitive Feasibility Study**

FerrAus Limited (ASX: FRS) today released the results of the Pre Feasibility Study (PFS) of the FerrAus Pilbara Project in Western Australia and approved the commencement of a Definitive Feasibility Study (DFS).

The PFS estimates that, based on the key parameters described below, the Net Present Value (NPV<sub>8</sub>) of the FerrAus Pilbara Project, using an 8 per cent discount rate (real, after tax), ranges from A\$1,120 million to A\$1,340 million, with an after tax Internal Rate of Return (IRR) return of between 24 and 26 per cent and a discounted payback of 4 years. Note that this is a PFS estimate only and is subject to completion of a positive DFS and if that occurs, to financing, development, operational and other risks associated with the Project.

**Pre Feasibility Study**

The NPV<sub>8</sub> range of A\$1,120 million to A\$1,340 million, is driven by two separate rail outcomes via either the Mt Newman JV railroad or The Pilbara Infrastructure Pty Ltd (TPI) Railroad, a 100% owned subsidiary of Fortescue Metals Group Limited.

The initial capital cost estimate of approximately A\$960 million, includes mine and plant infrastructure, rolling stock and a capital contribution for port development.

A tariff for a rail spur to link with existing rail infrastructure, as well as a tariff for port facilities, is included in the Operating Costs.

Key consultants engaged to complete the PFS included, SKM, Snowden, Aquaterra, Calibre Rail, LFJ Consulting, Metalytics, Ecologia, Phoenix, G&G and Eureka.

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MEDIA ENQUIRIES - Martin DeBelle Citadel T: (02) 9290 3033 M: 0409 911 189

Suite 10 100 Mill Point Road South Perth WA 6151 PO BOX 995 South Perth WA 6951  
T: +61 (0) 8 9474 3770 F: + 61 (0) 8 9474 3700 E: info@ferraus.com W: www.ferraus.com  
ABN 86 097 422 529

The PFS is based upon the following key parameters:

- life of mine production was assessed to be 227Mt (wet);
- the final product grade is approximately 59% Fe, 2.3% Al<sub>2</sub>O<sub>3</sub>, 4% SiO<sub>2</sub>, 0.09% P, 8.3% LOI;
- product specification is comparable to Fortescue Metals Group Rocket Fines and Rio Tinto Iron Ore Pilbara Blend fines;
- average life of mine waste strip ratio of 4.32;
- pre strip costs included in operating cost;
- 75% of all ore and waste material is free dig;
- production ramping up to 15Mtpa of fines (wet);
- price and exchange rate forecast have been provided by industry experts Metalytics, with a long term fines price of US101 cents per dmtu from 2023 onwards and a long term exchange rate of US\$0.77 to A\$1.00;
- total operating costs are in the range A\$43.5 to A\$46.5 per wmt of ore sold, including the rail and port tariffs and excluding royalties, administration and marketing costs; and
- rail and port tariffs include operating costs, capital recovery and a return on capital to the funding party.

“The Pre Feasibility Study confirms the Project is robust and economically attractive with the potential to deliver substantial shareholder value,” Executive Director, Bryan Oliver, said.

“FerrAus has the capacity to deliver a high quality product, which requires minimal beneficiation and there is considerable potential for further exploration success.

“The Study also examined a range of life of mine production scenarios with the rail transport component via either the Mt Newman JV railroad or the TPI railroad.

“As FerrAus is a founding member of the North West Iron Ore Alliance we expect to ship our ore through that new port development in Port Hedland,” he said.

“We will now proceed with a Definitive Feasibility Study in order to be ready to commence construction of the mine in 2012 and achieve first shipments in 2014.

“During this next study stage the focus will be on optimising the mine plan, enhancing the resource base, as well as reducing capital and operating costs, before finalising a Definitive Feasibility Study.

“A number of opportunities have been identified to achieve these outcomes and we are confident we can deliver further value to the Project.

“The Board also considers it is important to maintain our exploration programs, so these will continue across all of the FerrAus Pilbara Project tenements to target additional resources.

“FerrAus is progressing a solution for rail transport between the mine and the North West Iron Ore Alliance port in Port Hedland on a number of fronts and expects to have an outcome prior to the completion of the Definitive Feasibility Study,” Mr Oliver said.

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For further information contact:

Martin Debelle   Citadel   T - (02) 9290 3033   M - 0409 911 189

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### **Forward Looking and Exploration Target Statements**

*This release may include forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of FerrAus Limited, that could cause actual results to differ materially from such statements. Forward looking statements include, but are not limited to, statements concerning the Company's exploration program, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "target", "scheduled", "substantial", "planned", "estimate", "possible", "future", "prospective", and similar expressions. The term "Direct Shipping Ore (DSO)", "Target", and "Exploration Target", where used in this announcement, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. Also, FerrAus Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.*

#### **List of Abbreviations:**

M: Million

Mt: Million tonnes

Mtpa: Million tonnes per annum

dmtu: dry metric tonne unit

wmt: wet metric tonne

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