



**ASX:FRS**

# Investor Presentation

**27 January 2011**

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# Overview of FerrAus Limited

**FerrAus is an emerging ASX listed iron ore developer:**

- **High quality, low risk hematite iron ore project** in the Pilbara region of Western Australia expected to be in production during 2014
- Valuable shipping allocation at Port Hedland
- Prospective exploration portfolio, including the Enachedong Manganese Project

**Institutional Placement to raise \$30 million (“Offer”)**

- Approved by Shareholders on 24 January 2011

**Market Capitalisation: A\$193 million<sup>1</sup>**

**A\$223 million post Offer<sup>1</sup>**

- **FerrAus will have approximately A\$46 million cash<sup>2</sup> to fund its Definitive Feasibility Study (DFS)** expected to be completed by December 2011
- FerrAus will be better funded to continue to progress its Pilbara iron ore development and deliver value to its shareholders as key milestones are met and the project is de-risked

1. Based on 25 January 2011 last close of \$0.94 per share 2. Includes \$16m in cash as at 31 December 2010, unaudited



# Investment Highlights

## High quality, low risk project<sup>1</sup>

- Resources of 328.7Mt (JORC) – Target +400Mt
- Reserves of 126Mt (JORC)
- Peak production of 15Mtpa (wet) with first shipment in Q4 2014
- Operating cash costs of A\$43.5-A\$46.5/tonne (as per PFS)
- Capital expenditure of A\$960m (as per PFS)
- Low technical risk given relatively high grade hematite

## Strong Iron Ore outlook

- Current spot iron ore prices at US\$175/dmt (62% Fe CFR North China), significantly above the long term average and a strong positive outlook driven by Chinese industrialisation

## Strategic Chinese support

- Significant support through key Chinese shareholders Wah Nam (19.9%), China Railway Materials (12.6%), China Western Mining (7.6%)

## Compelling Economics<sup>1</sup>

- NPV<sub>8%</sub> of A\$1.12 billion - \$1.34 billion (based on a long term iron ore price of A\$77.5/dmt)
- IRR 24%-26%
- 4 year payback (discounted)

## Infrastructure solution well advanced

- Founding member of NWIOA which has a current shipping allocation of 50Mtpa
- Currently progressing a rail solution with a number of parties, with an outcome expected by the completion of project DFS

## Increased Investor Appeal

- Offer expected to broaden institutional shareholder base
- Improved liquidity through introduction of new investors

## Well funded and de-risked

- FerrAus will have A\$46m<sup>2</sup> to fund its DFS, expected to be complete in Dec 2011
- Upon successful completion, DFS will de-risk the project and allow FerrAus to progress the project to a bankable stage

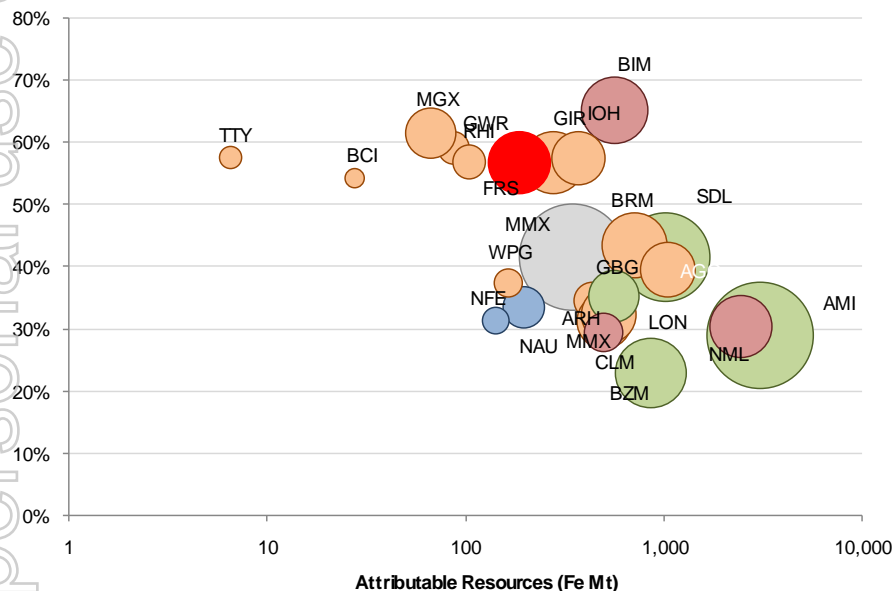
<sup>1</sup> PFS estimate only and is subject to completion of a positive DFS and other risks discussed in the risks section 2. Includes \$16m in cash as at 31 December 2010, unaudited



# FerrAus Limited – Positioning FerrAus

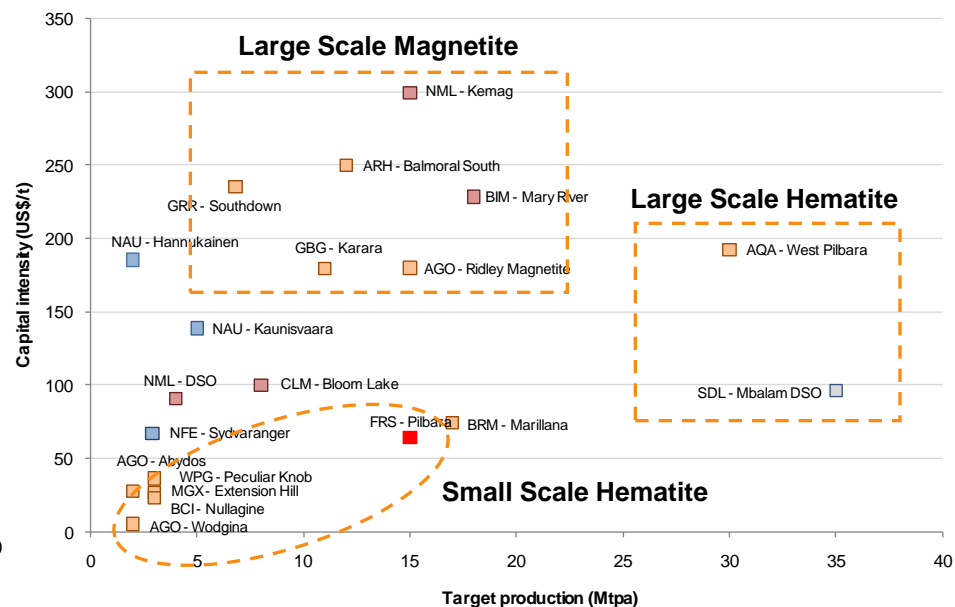
**FerrAus' Pilbara Project is a quality, high grade, low-capex intensity project with high levels of forecast production relative to its developing peers**

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Source: Company Filings, Bloomberg, IRESS, Factset

Note: Bubble size represents forecast annual production, colour shading represents region (red is FRS)



Source: Company Filings, Bloomberg, IRESS, Factset

"We believe FerrAus provides attractive upside potential at the smaller, more speculative end of pure play iron ore stocks."

- Macquarie Research, 3 December 2010



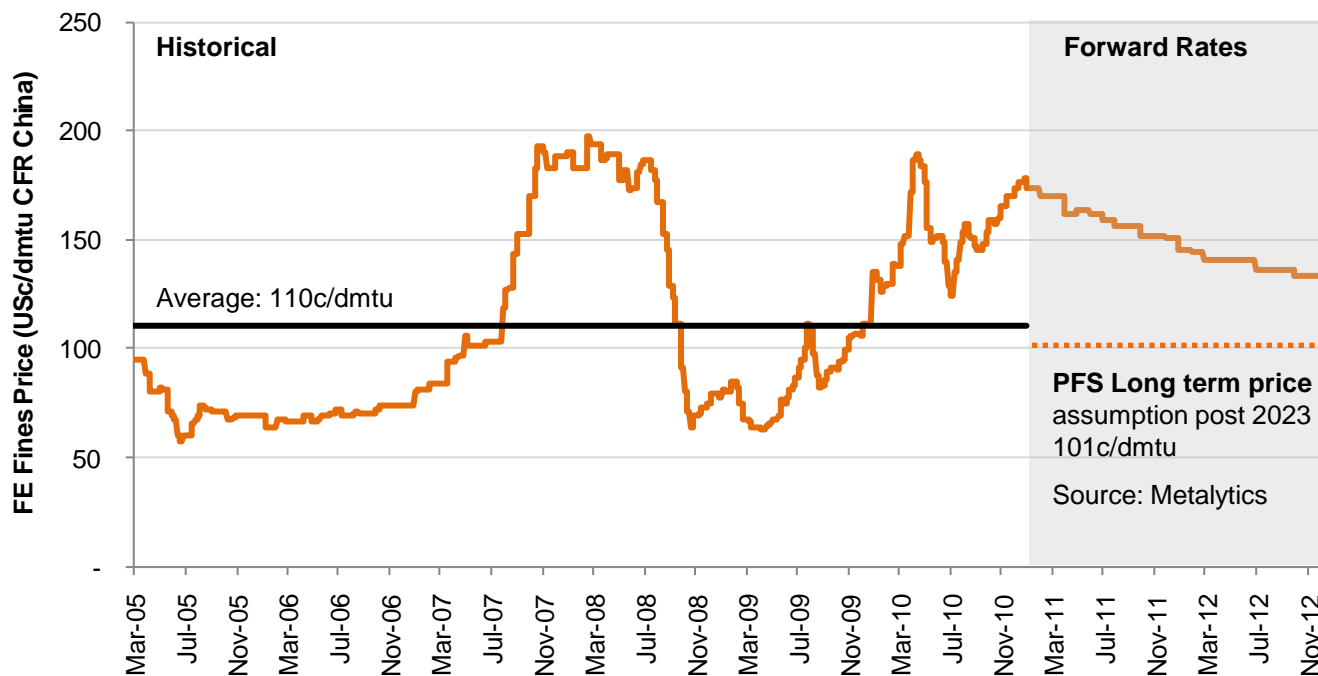
# Iron Ore Market & Outlook

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# FerrAus Limited – Robust Iron Ore Outlook

Iron ore prices have performed strongly since March 2009, with forward pricing materially above historical averages and FerrAus forecast cash production costs



Source: Bloomberg

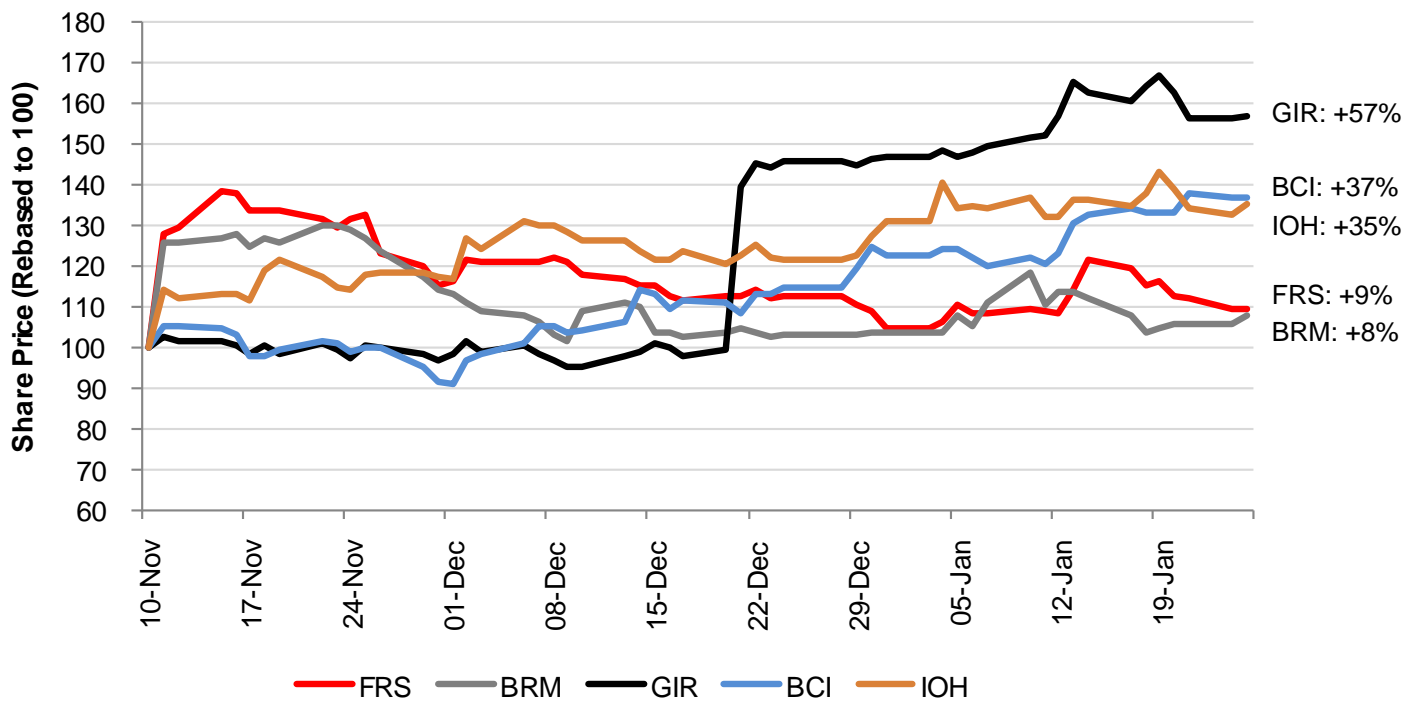
"The continued dependence on Chinese domestic iron ore and the impact of inflation in the sector will likely maintain the steep gradient of the 4<sup>th</sup> quartile of the cost curve which makes iron ore highly attractive and sets a high cost support floor under prices."

- Macquarie Research, 3 December 2010



# FerrAus Limited – Trading Comparables

FerrAus and Brockman have underperformed their key ASX listed peers since the announcement of the Wah Nam takeover offer was launched on 10 November 2010



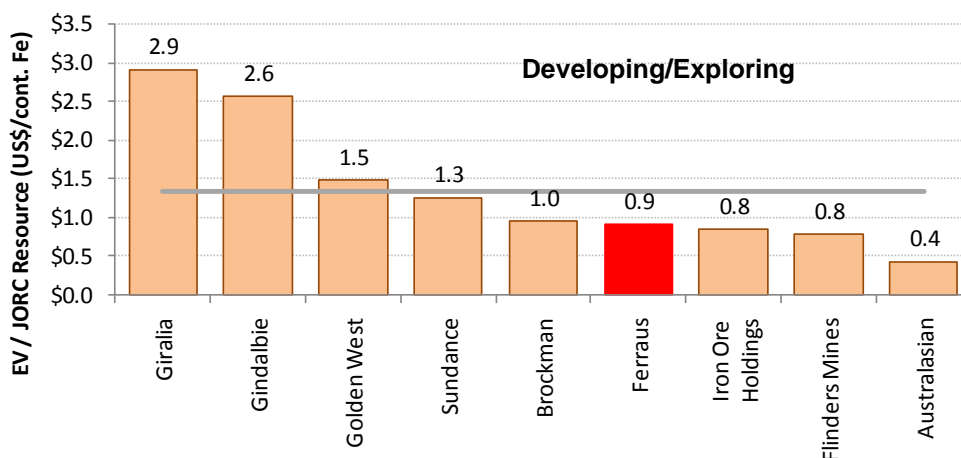
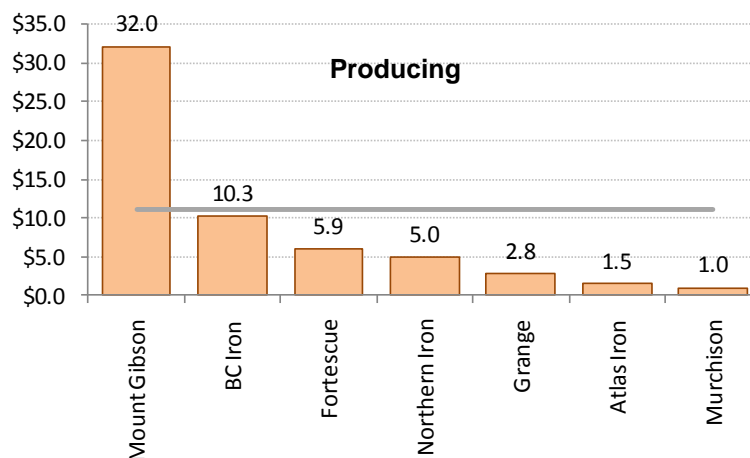
Data correct as at 25 January 2011

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# FerrAus Limited – Trading Comparables

**FerrAus trades on lower EV/Resource multiple than most of its ASX peers allowing potential for significant upside as the Pilbara Project de-risks and moves towards production**



Source: Company Filings, Bloomberg, IRESS, Factset  
Correct at 25 January 2011

**There has been significant recent M&A activity in the emerging iron ore sector, which has underpinned strong price performance over recent months:**

- Cliffs Natural Resources offer to acquire Consolidated Thompson Iron Ore Mines (announced 12 January 2011)
- Atlas Iron's offer to acquire Giralia Resources NL (announced 21 December 2010), reflected in Giralia's EV/Resource multiple in the chart above
- Wah Nam's offer to acquire Brockman Resources and FerrAus (announced 10 November 2010)
- ArcelorMittal and private equity backed Nuvanut have agreed to jointly acquire Baffinland Iron Mines Corporation





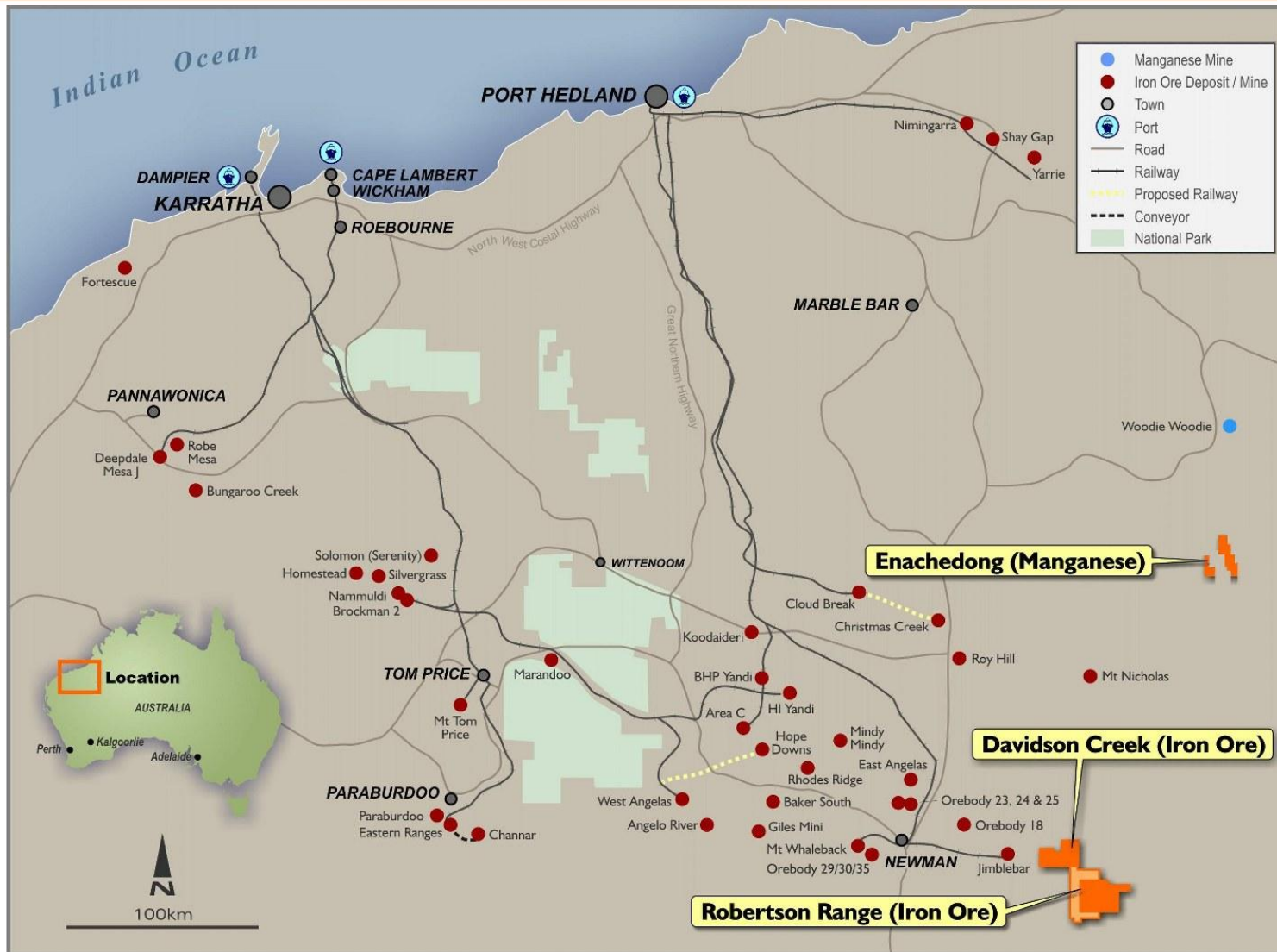
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# Asset Overview



# Project Location – Close proximity to existing rail and other operating mines

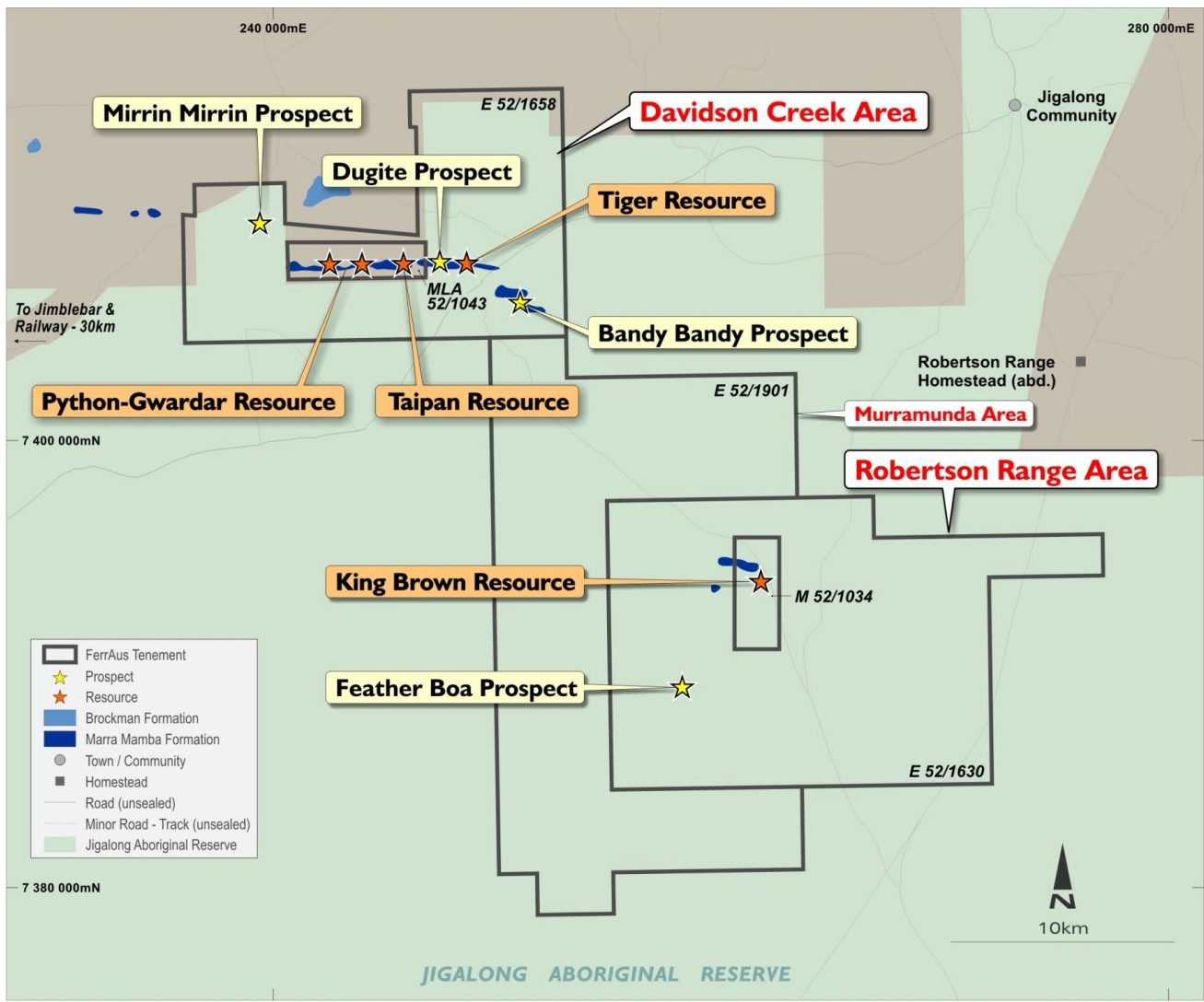
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# FerrAus Pilbara Project

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## Pre Feasibility Study – Compelling Financials & Low Technical Risk

### Key Project Parameters<sup>1</sup>

Ore Reserve	126.0 Mt @ 57.3% Fe
Mineral Resource	328.7 Mt
Target Production	Peak production of 15 Mtpa of fines wet First production expected Q4 2014
Estimated Life of Mine	227Mt projected life of mine production Resulting in mine life of 15+ years
Capital Expenditure	A\$960 million
Expected operating cash cost	A\$43.5 to \$46.5/wmt
NPV (8% real after tax)	A\$1,120 Million to A\$1,340 Million
IRR (real after tax)	24%-26%
Payback period (discounted)	4 years

- **FerrAus is continuing its exploration spend in 2011 and is targeting a resource of 400 Mt+ (which may or may not be achieved subject to exploration and development success)**
- **Further details of FerrAus' Pre Feasibility Study released to the ASX on 15 November 2010**

<sup>1</sup> PFS estimate only and is subject to completion of a positive DFS and other risks discussed in the risks section



## Life of Mine Production Estimates – Key Assumptions

### PFS Mining Inventory (including Inferred)

Davidson Creek (DC) and Robertson Range (RR)	153 Mt (dry) - this includes 126 Mt of Probable Ore Reserves
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### FerrAus Internal Preliminary Mining Inventory – Inferred Category

Mirrin Mirrin (MM) +52% Fe	32 Mt (dry)
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Low Grade (RR, DC and MM) 50-52% Fe DC, MM and 50-53% Fe RR	17 Mt (dry)
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Sub Total	49 Mt (dry)
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Total Dry Tonnes	202 Mt (dry)
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### Corporate Target

Corporate Exploration Target	49 Mt (dry)
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### Total

Nominal Total Dry Tonnes (including Corporate Target)	251 Mt (dry)
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### Product

Life of Mine Average Yield	82.8 %
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Moisture	9 %
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Life of Mine Production	227 Mt (wet)
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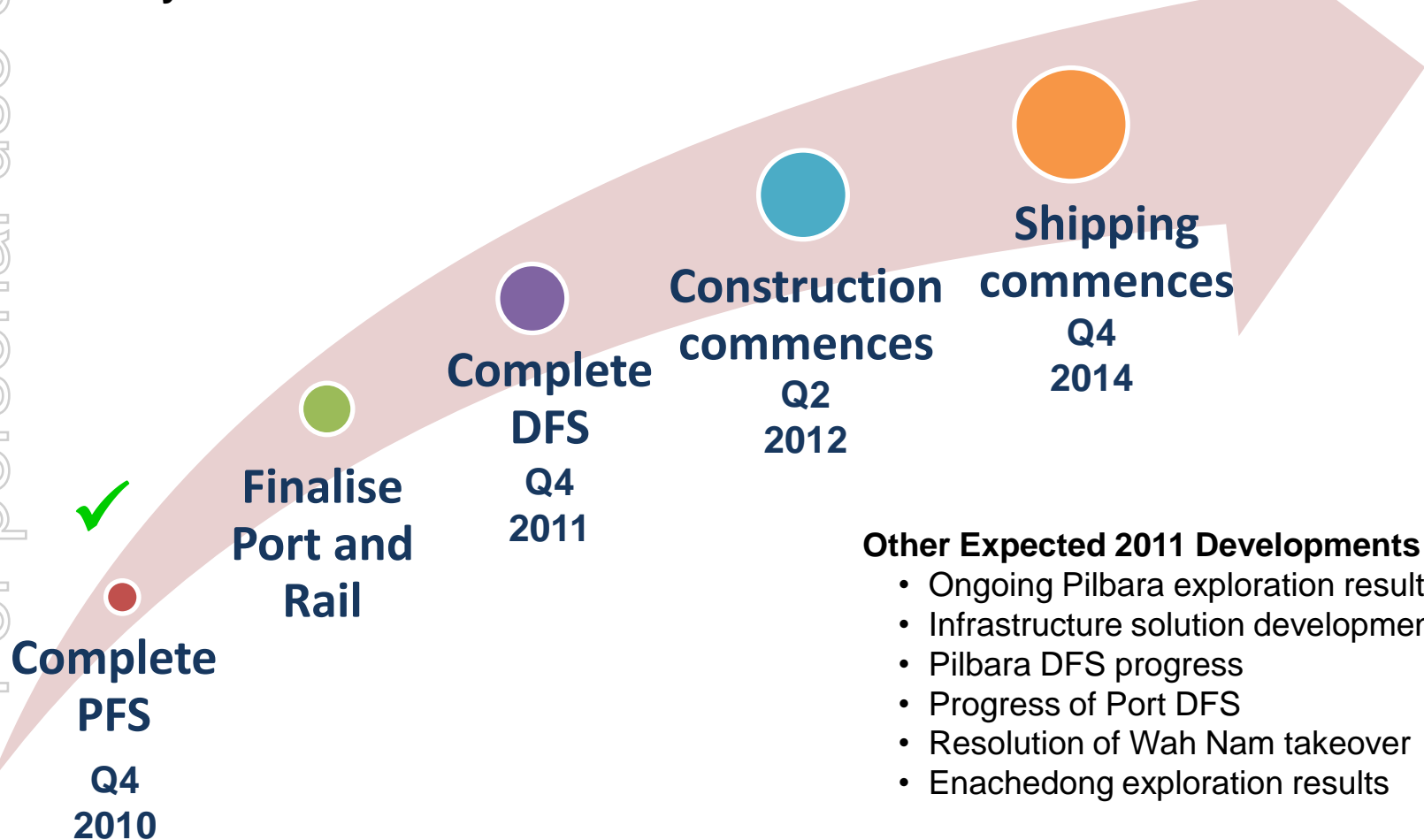
Product Grade	59.1 % Fe
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*The term "Target", and "Exploration Target", where used in this announcement, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context.*



## Development Timetable – Key Milestones

FerrAus expects to move from developer to producer in less than 4 years



### Other Expected 2011 Developments

- Ongoing Pilbara exploration results
- Infrastructure solution developments
- Pilbara DFS progress
- Progress of Port DFS
- Resolution of Wah Nam takeover
- Enachedong exploration results

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# Infrastructure Solutions

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## Port – Member of NWIOA securing Shipping Allocation

- **Port well advanced – NWIOA shipments scheduled to commence by end 2013**
- **FerrAus' shipping allocation at the NWIOA port represents significant potential value**

FerrAus is a founding member of the North West Iron Ore Alliance (NWIOA) (other members include Atlas Iron and Brockman Resources)

- NWIOA has a current shipping allocation of 50 Mtpa
- Estimated capital expenditure: \$2.7 billion (PFS)
- Port DFS scheduled for completion first quarter 2011
- Environmental approvals progressing and on track
- Differentiates FerrAus from many other junior iron ore developers with limited or no Port access

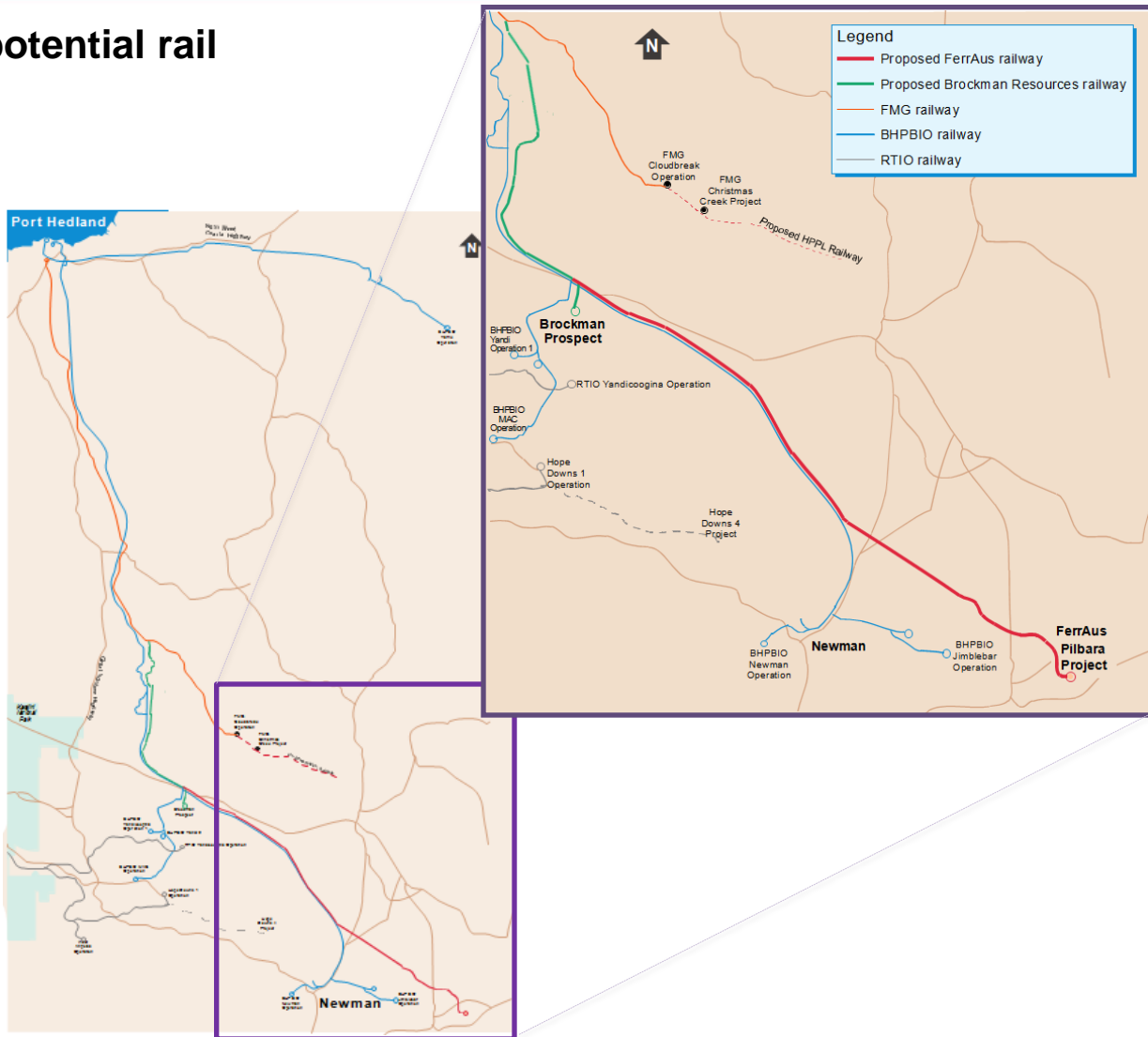
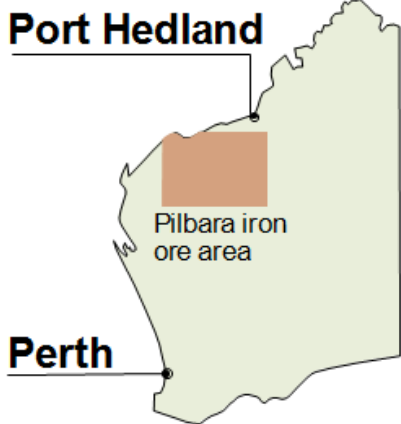






# Pilbara – Rail solution underway

FerrAus has a number of potential rail solutions



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## Pilbara – Rail solution underway

### FMG

- The Pilbara Infrastructure (TPI) access agreement (subsidiary of FMG)
  - Requires TPI under certain circumstances to provide 3<sup>rd</sup> party access to TPI's railway on certain terms
  - Final pricing and terms of access for 3<sup>rd</sup> parties expected Q1 2011
- FerrAus is in ongoing commercial discussions with FMG in regard to a potential rail solution on TPI's railway

### BHP Billiton

- WA State Agreement (1964) and Rail Transport Agreement (1987)
  - Outline the principles upon which the owners of the Mt Newman Railway (Mt Newman participants, including BHP Billiton) agreed with WA Government to carry 3<sup>rd</sup> party iron ore when requested to do so
- FerrAus is progressing its efforts to secure haulage based on the principles of these agreements



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# Capital Raising



## Capital Raising – Offer Overview

### \$30m Conditional Placement

<b>Pricing</b>	Fixed price of A\$0.86 per share
<b>Attractive Discount</b>	11.0% discount to the 5 day VWAP of \$0.97 8.5% discount to the last close of \$0.94
<b>Lead Manager</b>	Macquarie Capital Advisers Limited is Lead Manager of the Offer
<b>Securities</b>	New FerrAus ordinary shares Ranking pari passu
<b>Use of Funds</b>	\$30m Offer proceeds plus cash of \$16m* totalling \$46m: -\$30m Definitive Feasibility Study -\$10m Working Capital, corporate and transaction costs -\$6m Continued exploration
<b>Shareholder Approval</b>	Offer approved by shareholders at a general meeting held on 24 January 2011

\* Unaudited as at 31 December 2010



## Indicative Offer Timetable

<b>Thursday 27 January 2011</b>	ASX trading halt commences
<b>Thursday 27 January 2011</b>	Announcement of the Offer
<b>Thursday 27 – Friday 28 January 2011</b>	Bookbuild conducted
<b>Monday 31 January 2011</b>	Announcement of completion of bookbuild and recommencement of ASX trading
<b>Thursday 3 February 2011</b>	Settlement of Offer
<b>Friday 4 February 2011</b>	Allotment of new shares and commencement of ASX trading

*Note: Offer Timetable subject to change without notice*

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# Wah Nam Takeover Offer

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# Wah Nam Takeover Offer

- **Unsolicited, conditional offer to acquire FerrAus** by Hong Kong listed Wah Nam International Holdings Limited (Wah Nam) announced on 10 November 2010
- **6 Wah Nam shares : 1 FerrAus share.** Implied value of approximately A\$1.29 per FerrAus share on the date of the offer
- Wah Nam has also announced a simultaneous offer for Brockman Resources (with similar conditions), which also owns an iron ore development project in the Eastern Pilbara. **Wah Nam held 19.9% of FerrAus and 22.6% of Brockman prior to the announcement of the offers, which remains unchanged.**
- **Offer extended to 16 February 2011** on 7 January 2011
- The directors of FerrAus have **unanimously recommended** that shareholders **DO NOT ACCEPT** the Wah Nam Offer. Similarly, the Brockman directors have also recommended that Brockman shareholders reject the Wah Nam offer for Brockman. As at the date of this Presentation, Wah Nam has not advised the ASX of any acceptances

## Remaining Offer Conditions

- 90% minimum acceptance
- No regulatory actions
- No material transaction
- No material adverse change
- No Prescribed Occurrence
- No dividend
- S&P 300 must not fall more than 15%
- AUD:HKD exchange rate does not appreciate more than 10%



# Management & Key Risks

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## CEO & Directors



**Cliff Lawrenson**  
Chief Executive Officer

Ex Group Chief Executive – GRD  
Non-Executive Chairman – Pacific Energy Ltd



**Bryan Oliver**  
Executive Director

Ex CEO – Mid West Corporation  
Ex Exec Director – Robe River Mining



**John Nyvlt**  
Non Executive Chairman

Ex Normandy – Marketing  
Penfold Group – Director



**Joe Singer**  
Non Executive Director

Ex Glencore – Marketing  
Penfold Group – Founding Director



**Jim Wall**  
Non Executive Director

Executive Chairman – Kimberley Metals  
Ex MD – Savage Resources Limited



**Guoping Liu**  
Non Executive Director

Vice President – China Railway Materials Commercial Corp (CRM)  
Ex Director – Mt Gibson Iron Limited



**Robert Greenslade**  
Non Executive Director

Ex Normandy – Corporate M&A  
Gryphon Partners – Founding Director

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# Key Risks

## Offer Conditionality

The Offer is conditional upon shareholder approval at a general meeting to be held on or about Monday 24 January 2010. In order to be approved, > 50% of votes cast are required to be voted in favour of the Offer. If the Offer is not approved at the general meeting, FerrAus will not have the required funding to complete its definitive feasibility study and will be required to consider alternative funding options which are uncertain.

## Mining and exploration risks

The business of mining exploration, mineral development and production is subject to risk by its nature. The success of the business depends on successful exploration and/or acquisition of reserves, securing and maintaining title to tenements and consents, successful design, construction, commissioning and operating of mining and processing facilities, successful development and production in accordance with forecasts and successful management of the operations. Exploration and mining are speculative undertakings which may be hampered by force majeure circumstances, land claims and unforeseen mining problems. Increased development costs, lower output or high operating costs may all contribute to make a project less profitable than expected at the time of the development decision. There is no assurance that FerrAus' attempts to develop and exploit its exploration activities will be successful or that production will remain profitable in the long term.

## Ore Reserve and Mineral Resource estimates

Ore Reserve and Mineral Resource estimates are expressions of judgment based on drilling results, past experience with mining properties, knowledge, experience, industry practice and many other factors. Estimates which are valid when made may change substantially when new information becomes available. Ore estimation is an interpretive process based on available data and interpretations and, thus, estimations may prove to be inaccurate.

The actual quality and characteristics of ore deposits cannot be known until mining takes place, and will almost always differ from the assumptions used to develop reserves. Further, ore reserves are valued based on future costs and future prices and, consequently, the actual ore reserves and mineral resources of FerrAus may differ from those estimated, which may result in either a positive or negative effect on the FerrAus' operations.

No assurance can be given that the anticipated tonnages and grades of ore will be achieved during production or that the indicated level of iron ore recovery will be realised. Iron ore price fluctuations, as well as increased production costs or reduced recovery rates, may render ore reserves containing relatively lower grades uneconomic and may ultimately result in a restatement of such Ore Reserves. Moreover, short-term operating factors relating to Ore Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore types or grades, may cause a mining operation to be unprofitable in any particular accounting period.

Inferred Mineral Resources do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there is no assurance that Inferred Mineral Resources will be upgraded to Measured or Indicated Mineral Resources or Proven or Probable Ore Reserves as a result of continued exploration.

## Operational risks

The operations of FerrAus may be affected by various factors not within its control, including operational and technical difficulties encountered in production, sourcing difficulties, commissioning, operating and maintaining plant and equipment, mechanical failure, industrial accidents, processing deficiencies, labour shortages, industrial and environmental disputes, obtaining government approvals, adverse weather conditions, fire, explosions, rock falls, unusual or unexpected rock formations, unanticipated metallurgical problems and unexpected shortages or increases in the costs of consumables, spare parts, plant equipment or labour. These risks and hazards could also result in damage to or destruction of production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. FerrAus may become subject to liability for accidents, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of premium costs or for other reasons, or in amounts which exceed policy limits.



# Key Risks

## Commodity price fluctuations

The revenues of FerrAus may be materially impacted by fluctuations in the global prices of iron ore, which are in turn affected by many factors beyond the control of FerrAus, such as macro-economic factors and consumer sentiment. In particular, the exchange rate between Australian dollars and US dollars, in which the global prices of iron ore are set, affects the revenue received by FerrAus.

## Geological and geotechnical

There is a risk that unforeseen geological and geotechnical difficulties may be encountered when developing and mining Ore Reserves. In this event, a loss of revenue may be caused due to the lower than expected production and/or higher than anticipated operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet production targets.

## Environmental risks

Mining and exploration involves a risk of environmental damage. FerrAus may be required to comply with certain environmental management issues from time to time. The potential for liability is an ever-present risk. FerrAus intends to ensure that it conducts its operations to the highest standard of environmental obligation, including complying with all relevant applicable environmental legislation. Despite this endeavour, certain environmental risks are inherent in FerrAus' operations.

## General legal and taxation matters

Future earnings, asset values and the relative attractiveness of FerrAus shares may be affected by changes in law and government policy in the jurisdictions in which FerrAus will operate, in particular, changes to taxation law.

On 2 July 2010, the Australian Federal Government proposed a new tax on the resources industry, known as the Mineral Resources Rent Tax (MRRT), which may result in some resource companies paying additional or increased amounts of tax. The Australian Federal Government has established a Policy Transition Group which will engage in industry consultation. The introduction of the MRRT, which is set to apply from 1 July 2012, may have an adverse impact on FerrAus subject to the finalised legislation.

In addition, FerrAus understands that the Australian Federal Government is currently considering establishing a new tax on carbon emissions. The introduction of such a tax may have an adverse impact on FerrAus subject to any finalised legislation.

## Government policy

Industry profitability can be affected by changes in government, both within Australia and externally, which are not within the control of FerrAus. Each of FerrAus' activities are subject to extensive laws and regulations controlling not only the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment and upon interests of native and/or indigenous peoples. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. There is no assurance that permits will be obtained when sought or that unfavourable conditions will not be imposed. Future legislation and regulations could cause additional expense, capital expenditures, restrictions and delays in the development of FerrAus' tenements, the extent of which cannot be predicted.

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# Key Risks

## Funding risk

As noted above, FerrAus has recently completed its pre feasibility study in relation to the Pilbara Project and has commenced a definitive feasibility study in relation to the Pilbara Project. Development of the Pilbara Project will ultimately require FerrAus to raise equity or debt funding. The PFS estimated that the Pilbara Project would require A\$960 million in upfront capital expenditure. In addition, FerrAus will need to obtain funding in 2011 to complete the definitive feasibility study in relation to the Pilbara Project and the further exploration required to support the definitive feasibility study, and to potentially support a dredging commitment in respect of the NWIOA port development. Further, FerrAus will require further financing to undertake further feasibility studies, to develop other projects or to meet future objectives.

There is no assurance that FerrAus will be successful in obtaining financing as and when needed. Market conditions may make it difficult or impossible for FerrAus to obtain debt financing or equity financing on favourable terms or at all. Failure to obtain additional financing on a timely basis may cause FerrAus to postpone future development plans, forfeit rights in some or all of its properties or joint ventures or reduce or terminate some or all of its operations.

External financial and credit markets are subject to numerous influences so there can be no assurance that equity or debt funding will be available to FerrAus, whether credit approvals for the Pilbara Project will be forthcoming, or whether any funding will be on acceptable terms. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There is no assurance that development funding will be available on terms acceptable to FerrAus. If FerrAus is unable to obtain development funding as needed, it may be required to reduce or terminate its operations or scale back its development programs.

## Infrastructure risks

As noted above, FerrAus is progressing several alternatives to provide an infrastructure solution for the Pilbara Project in relation to both port and rail infrastructure. There is a risk that FerrAus may not be able to achieve any of the infrastructure alternatives on acceptable terms or at all, and as a result there is a risk that FerrAus may be required to construct its own infrastructure, to the extent it is able to do so, or may be required to delay or reduce its operations or scale back its development programs, which may affect the financial performance of FerrAus. FerrAus has been progressing its efforts with various third parties to enter into haulage agreements and to access key infrastructure. There is a risk that FerrAus will be unable to reach an agreement on acceptable terms or at all. If FerrAus is unable to secure rail haulage on or access to existing or proposed rail infrastructure, FerrAus may be forced to either undertake the construction of its own rail infrastructure or it may be required to delay, reduce or terminate its operations or scale back its development programs.

FerrAus, as a member of the NWIOA, has completed a pre feasibility study for the construction of port facilities to accommodate iron ore exports from Port Hedland.

There is no guarantee that facilities will be constructed. There is a risk that further feasibility studies may not return positive results or that for other reasons the proposed port is unusable. FerrAus may be forced to undertake the construction of alternate port infrastructure alone or with other parties, or negotiate agreements with existing port infrastructure operators or it may be required to reduce or terminate its operations or scale back its development programs.

The development funding risks, environmental risks, government approval and permit risks discussed elsewhere in this Investor Presentation apply equally to the construction of any port or rail infrastructure that FerrAus may undertake.

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# Key Risks

## **Uncertainty of exploration, optimisation and development programs**

FerrAus' future profitability will be significantly affected by the costs and results of its exploration, optimisation and development of the Pilbara Project.

There is a risk that further feasibility studies may not return positive results in respect of the Pilbara Project and even if they do, there is the risk that the development of the project will not be economic, completed on schedule, or that the construction cost may exceed the budget, or that significant problems in commissioning the project may arise.

Accordingly, FerrAus' exploration, optimisation and development programs relating to the Pilbara Project may not result in an economically viable operation.

## **Permitting risk**

There is a risk that the necessary land acquisitions, permits, consents, authorisations and agreements required to implement planned exploration, project development, or mining of the Pilbara Project may not be obtained under conditions or within time frames that make such plans economic, that applicable laws, regulations or the governing authorities will change or that such changes will result in additional material expenditures or time delays.

## **Land and resource tenure**

FerrAus' land and resource tenure may be disputed resulting in disruption and/or impediment in the operation or development of a resource. Any new mine development or expansion of existing operations will require landholder, native title and cultural heritage issues to be addressed, which can have significant timing and cost implications.

## **Risks relating to the Wah Nam offer**

If Wah Nam Australia acquires control of FerrAus, you will be exposed to a number of potential risks associated with Wah Nam shares. FerrAus shareholders should read section 7 of Wah Nam's Bidder's Statement for a description of these risks.

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# Disclaimer

## **Ore Reserve Statement**

The Ore Reserve Statement has been prepared by Snowden Mining Industry Consultants ('Snowden') on behalf of FerrAus Ltd

The author of the report, Mr. Alan G Cooper, Principal Mining Consultant for Snowden Mining Industry Consultants, states that he is a Member of The Australasian Institute of Mining and Metallurgy (The AusIMM) and has more than five years mining experience applicable to the mining of Iron Ore. He consents to the public release of this Ore Reserve estimate, providing it remains in the context presented.

## **Competent Person Statement**

Geological interpretation, exploration results, and mineral resource information contained in this report to which this statement is attached is based on information compiled by Mr Peter Brookes who is member of the Australian Institute of Geoscientists (AIG) and who is a full time employee of FerrAus Limited. Peter Brookes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves". Mr Brookes consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

## **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.

## **Cautionary Note Regarding Reserves and Resources**

FerrAus has estimated its reserves and resources in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves 2004 Edition ("JORC Code"), which governs such disclosures by companies listed on the Australian Securities Exchange. The JORC Code differs in several significant respects from Industry Guide 7 of the U.S. Securities and Exchange Commission that governs disclosures of mineral reserves in registration statements filed with the SEC. In particular, Industry Guide 7 does not recognize classifications other than proven and probable reserves and the SEC does not permit mining companies to disclose mineral resources in SEC filings. Investors should not assume that "resources" will be converted into reserves or that FerrAus will be able to economically extract them.



# Offer Jurisdictions

## NOT FOR RELEASE OR DISTRIBUTION IN THE UNITED STATES

### International Offer Restrictions

This document does not constitute an offer of securities in any jurisdiction in which it would be unlawful. New Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

#### Canada (British Columbia, Ontario and Quebec provinces)

This document constitutes an offering of New Shares only in the Provinces of British Columbia, Ontario and Quebec (the "Provinces") and to those persons to whom they may be lawfully distributed in the Provinces, and only by persons permitted to sell such New Shares. This document is not, and under no circumstances is to be construed as, an advertisement or a public offering of securities in the Provinces. This document may only be distributed in the Provinces to persons that are "accredited investors" within the meaning of NI 45-106 – *Prospectus and Registration Exemptions*, of the Canadian Securities Administrators.

No securities commission or similar authority in the Provinces has reviewed or in any way passed upon this document, the merits of the New Shares or the offering of New Shares and any representation to the contrary is an offence.

No prospectus has been, or will be, filed in the Provinces with respect to the offering of New Shares or the resale of such securities. Any person in the Provinces lawfully participating in the offer will not receive the information, legal rights or protections that would be afforded had a prospectus been filed and receipted by the securities regulator in the applicable Province. Furthermore, any resale of the New Shares in the Provinces must be made in accordance with applicable Canadian securities laws which may require resales to be made in accordance with exemptions from dealer registration and prospectus requirements.

The Company, and the directors and officers of the Company, may be located outside Canada, and as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon the Company or its directors or officers. All or a substantial portion of the assets of the Company and such persons may be located outside Canada, and as a result, it may not be possible to satisfy a judgment against the Company or such persons in Canada or to enforce a judgment obtained in Canadian courts against the Company or such persons outside Canada.

Any financial information contained in this document has been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. Unless stated otherwise, all dollar amounts contained in this document are in Australian dollars.

#### *Statutory rights of action for damages or rescission*

Securities legislation in certain of the Provinces may provide purchasers with, in addition to any other rights they may have at law, rights of rescission or to damages, or both, when an offering memorandum that is delivered to purchasers contains a misrepresentation. These rights and remedies must be exercised within prescribed time limits and are subject to the defenses contained in applicable securities legislation. Prospective purchasers should refer to the applicable provisions of the securities legislation of their respective Province for the particulars of these rights or consult with a legal adviser.

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# Offer Jurisdictions

The following is a summary of the statutory rights of rescission or to damages, or both, available to purchasers in Ontario. In Ontario, every purchaser of the New Shares purchased pursuant to this document (other than (a) a "Canadian financial institution" or a "Schedule III bank" (each as defined in NI 45-106), (b) the Business Development Bank of Canada or (c) a subsidiary of any person referred to in (a) or (b) above, if the person owns all the voting securities of the subsidiary, except the voting securities required by law to be owned by the directors of that subsidiary) shall have a statutory right of action for damages and/or rescission against the Company if this document or any amendment thereto contains a misrepresentation. If a purchaser elects to exercise the right of action for rescission, the purchaser will have no right of action for damages against the Company. This right of action for rescission or damages is in addition to and without derogation from any other right the purchaser may have at law. In particular, Section 130.1 of the Securities Act (Ontario) provides that, if this document contains a misrepresentation, a purchaser who purchases the New Shares during the period of distribution shall be deemed to have relied on the misrepresentation if it was a misrepresentation at the time of purchase and has a right of action for damages or, alternatively, may elect to exercise a right of rescission against the Company, provided that (a) the Company will not be liable if it proves that the purchaser purchased the New Shares with knowledge of the misrepresentation; (b) in an action for damages, the Company is not liable for all or any portion of the damages that the Company proves does not represent the depreciation in value of the New Shares as a result of the misrepresentation relied upon; and (c) in no case shall the amount recoverable exceed the price at which the New Shares were offered.

Section 138 of the *Securities Act* (Ontario) provides that no action shall be commenced to enforce these rights more than (a) in the case of any action for rescission, 180 days after the date of the transaction that gave rise to the cause of action or (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the purchaser first had knowledge of the fact giving rise to the cause of action or (ii) three years after the date of the transaction that gave rise to the cause of action. These rights are in addition to and not in derogation from any other right the purchaser may have.

*Certain Canadian income tax considerations.* Prospective purchasers of the New Shares should consult their own tax adviser with respect to any taxes payable in connection with the acquisition, holding, or disposition of the New Shares as any discussion of taxation related matters in this document is not a comprehensive description and there are a number of substantive Canadian tax compliance requirements for investors in the Provinces.

*Language of documents in Canada.* Upon receipt of this document, each investor in Canada hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the New Shares (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.*

## European Economic Area – Germany

The information in this document has been prepared on the basis that all offers of New Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of New Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:





# Offer Jurisdictions

- (a) to legal entities that are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity that has two or more of (i) an average of at least 250 employees during its last fiscal year; (ii) a total balance sheet of more than €43,000,000 (as shown on its last annual unconsolidated or consolidated financial statements) and (iii) an annual net turnover of more than €50,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- (c) to fewer than 100 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company or any underwriter for any such offer; or
- (d) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

## France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 *et seq.* of the General Regulation of the French *Autorité des marchés financiers* ("AMF"). The New Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. This document and any other offering material relating to the New Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed or caused to be distributed, directly or indirectly, to the public in France.

Such offers, sales and distributions have been and shall only be made in France to (i) qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-1 to D.411-3, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation and/or (ii) a restricted number of non-qualified investors (*cercle restreint d'investisseurs*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2° and D.411-4, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the New Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

## Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong by means of any document, other than:

- (a) to "professional investors" (as defined in the SFO); or
- (b) in other circumstances that do not result in this document being a "prospectus" (as defined in the Companies Ordinance) or that do not constitute an offer to the public within the meaning of that ordinance.



# Offer Jurisdictions

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such shares in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such shares.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## **New Zealand**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand). The securities are not being offered or sold within New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept the placement other than to:

- (a) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- (b) persons who are each required to (i) pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment or (ii) have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company ("initial securities") in a single transaction before the allotment of such initial securities and such allotment was not more than 18 months prior to the date of this document.

## **Singapore**

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined under section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.



# Offer Jurisdictions

## Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering material relating to the New Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority (FINMA). This document is personal to the recipient only and not for general circulation in Switzerland.

## United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of FSMA). This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of s.21 FSMA) received in connection with the issue or sale of the New Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which s.21(1) FSMA does not apply to the Company. In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"); (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO; or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

## United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.



# Appendices

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# Current Resources 328.7 Million Tonnes JORC

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Area	JORC (2004) Resource Category	Tonnes Mt	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)	CaFe (%)
<b>High Grade Resources (+55% Fe)</b>								
<b>Robertson Range</b>	Measured	23.40	58.93	4.54	2.71	0.11	7.69	63.84
	Indicated	20.70	58.98	5.40	2.99	0.10	6.48	63.07
	Inferred	10.60	58.11	6.56	3.37	0.10	6.15	61.93
	<b>Total</b>	<b>54.60</b>	<b>58.79</b>	<b>5.26</b>	<b>2.94</b>	<b>0.11</b>	<b>6.93</b>	<b>63.18</b>
<b>Davidson Creek</b>	Measured	9.50	58.10	4.31	2.83	0.08	9.12	63.90
	Indicated	91.60	58.70	4.44	2.43	0.08	8.63	64.20
	Inferred	62.10	58.00	4.94	2.69	0.10	8.63	63.48
	<b>Total</b>	<b>163.20</b>	<b>58.40</b>	<b>4.60</b>	<b>2.54</b>	<b>0.09</b>	<b>8.66</b>	<b>63.91</b>
<b>Total (+ 55% Fe)</b>		<b>217.80</b>						
<b>Medium Grade Resources (between 50-55% Fe)</b>								
<b>Robertson Range</b>	Inferred	16.20	53.00	8.51	5.40	0.12	8.85	58.20
<b>Davidson Creek</b>	Inferred	94.60	53.20	8.41	5.11	0.09	9.28	58.60
<b>Total (between 50-55% Fe)</b>		<b>110.80</b>						
<b>Total Resources</b>		<b>328.70</b>						

Small discrepancies may occur in the tabulated resources due to the effects of rounding. Calcined Fe grade calculated as follows:  $CaFe = (Fe \times 100) / (100 - LOI)$ . Resources are reported above a 55% Fe cut-off grade, except for medium grade resources which are between 50-55% Fe. The above resources were classified and reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore reserves (the JORC Code). Snowden Mining Industry Consultants classified the mineral resources listed in the above table.



# Current Reserves 126.0 Million Tonnes JORC

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Area	JORC (2004) Reserve Category	Tonnes Mt	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
<b>Robertson Range</b>	Proved	-	-	-	-	-	-
	Probable	31.0	58.1	5.5	3.1	0.1	7.4
	<b>Total</b>	<b>31.0</b>	<b>58.1</b>	<b>5.5</b>	<b>3.1</b>	<b>0.1</b>	<b>7.4</b>
<b>Davidson Creek</b>	Proved	-	-	-	-	-	-
	Probable	95.0	57.0	5.5	3.3	0.1	8.9
	<b>Total</b>	<b>95.0</b>	<b>57.0</b>	<b>5.5</b>	<b>3.3</b>	<b>0.1</b>	<b>8.9</b>
<b>Total Reserves</b>		<b>126.0</b>					

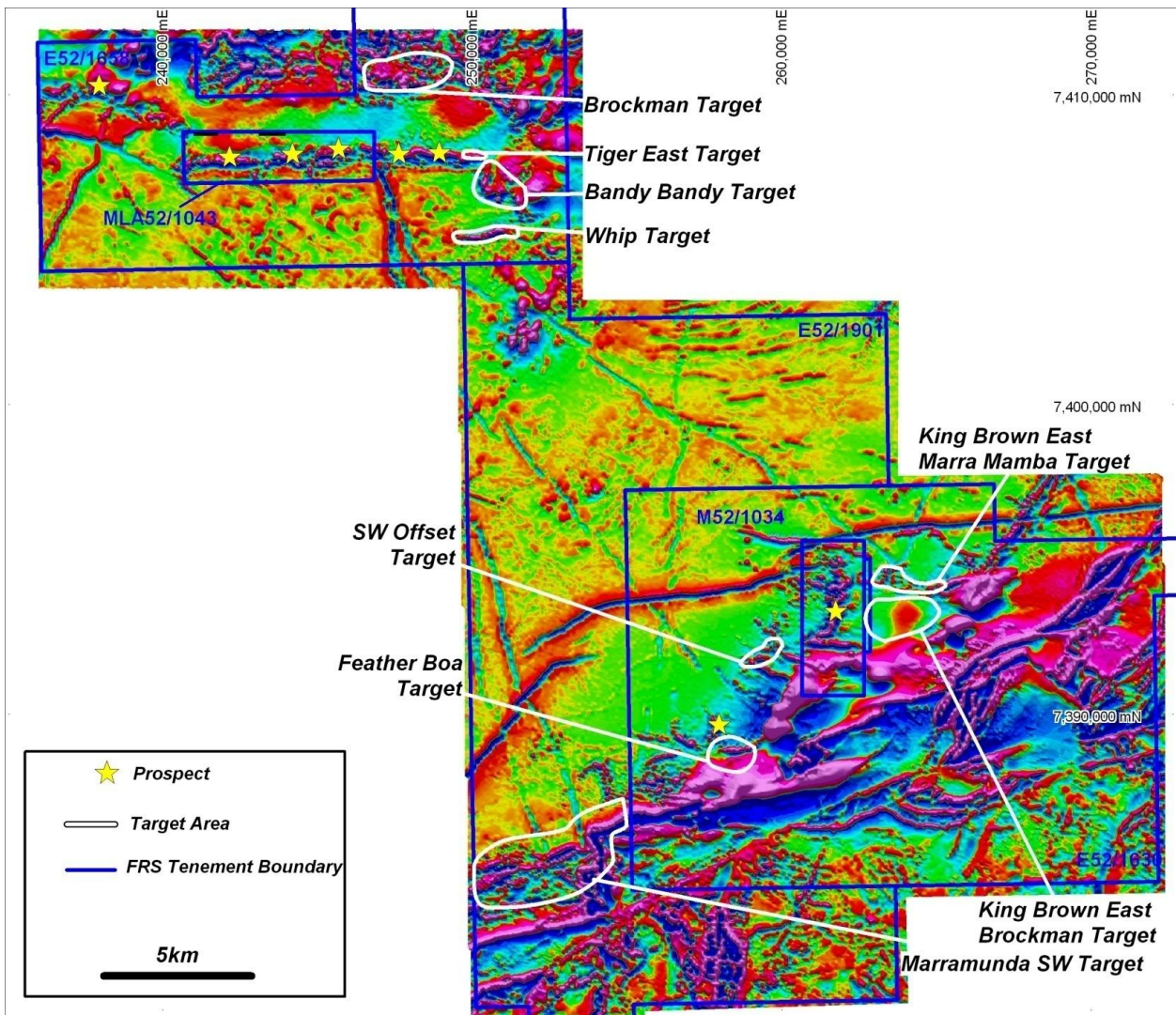
*The Ore Reserve Statement has been prepared by Snowden Mining Industry Consultants ('Snowden') on behalf of FerrAus Limited.*

*The author of the report, Mr. Alan G. Cooper, Principal Mining Consultant for Snowden Mining Industry Consultants, states that he is a Member of The Australasian Institute of Mining and Metallurgy (The AusIMM) and has more than five years mining experience applicable to the mining of Iron Ore. He consents to the public release of this Ore Reserve estimate, providing it remains in the context presented.*



# Resource – Strong Potential to Increase

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# Enachedong Manganese Project

## Recent High Grade Manganese Results (27 October 2010)

- Outstanding in situ rock chip results up to 57.5 per cent Manganese
- Woodie Woodie style high grade manganese targets
- Manganese shale targets with strike extent of more than 5 km
- Aggressive exploration drilling program planned for 2011



*Manganiferous boulders in situ at Black Stripe Prospect*



*Enachedong Manganese Project, East Pilbara, Western Australia – Eastwood Prospect viewed from the East*



*Manganiferous Carawine Dolomite at Omen Prospect- EDRK0029, 57.5% Mn*