

25 February 2011

Dear Shareholder

UPDATE – WAH NAM UNSOLICITED TAKEOVER

On 10 November 2010, Wah Nam International Holdings Limited (Wah Nam) announced its intention to make an unsolicited takeover offer (Offer) for FerrAus Limited (FerrAus), via a wholly owned subsidiary. On the same day, Wah Nam also announced its intention to make a simultaneous, unsolicited offer for Brockman Resources Limited (Brockman).

Wah Nam despatched its Bidder's Statement to FerrAus shareholders on 15 December 2010. In response, your Board sent you a Target's Statement recommending that you DO NOTHING and DO NOT ACCEPT Wah Nam's unsolicited Offer. The reasons given for this recommendation were as follows:

1. Wah Nam's Offer is unsolicited, complicated and highly conditional
2. The price of Wah Nam shares does not appear to be supported by underlying value
3. Your interest in the FerrAus Pilbara Project would be significantly diluted
4. Certain key benefits that Wah Nam claims flow from its Offer only arise if Wah Nam acquires Brockman as well as FerrAus
5. Wah Nam's ability to advance the FerrAus Pilbara Project is uncertain
6. FerrAus remains committed to grow shareholder value without Wah Nam

A detailed description of the Board's recommendation and the reasons above are contained in the Target's Statement, which you should read carefully if you have not done so already.

I now write to you to update you on the following developments in relation to the Offer:

- Having opened for acceptance on 15 December 2010, the Offer has now been open for nearly two and a half months and in this time Wah Nam has only reported acceptances for 0.18% of FerrAus shares.
- The price of Wah Nam shares on the Hong Kong stock exchange has fallen from HK\$1.69 at the time of announcement to HK\$1.45 as at close of trade on 23 February 2011. As a result, the implied value of the Offer has fallen significantly to around A\$1.11 per FerrAus share.
- On 10 January 2011, Wah Nam listed on the ASX (WNI) at a price of A\$0.20 per share. Since this time, the Wah Nam shares have traded as low as A\$0.17 per share, and closed at A\$0.20 on 23 February 2011.

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- The liquidity of Wah Nam, highlighted as a concern of FerrAus in its Target Statement, has not improved. Since announcement of the offer, the average daily value of their stock traded on the Hong Kong exchange has been A\$244,417 and on the ASX it has been A\$25,896. This compares to FRS average daily value traded during the same period of A\$474,660.
- On 11 January 2011, Brockman announced that it had made an application to the Takeover Panel in respect of Wah Nam's offer for Brockman. Specifically, Brockman alleged that a number of Brockman shareholders were associates of Wah Nam. These shareholders, together with Wah Nam, accounted for approximately 40 per cent of the shares in Brockman as at 18 January 2011. As a result, Brockman sought a declaration of unacceptable circumstances.

The Takeover Panel however, despite being "quite concerned", declined to make a declaration of unacceptable circumstances as it was not satisfied on the material available, that it could draw the necessary inferences and find the alleged associations. However, it did note that "...there may be new circumstances if some or all of the shareholders identified in the application accept Wah Nam's bid such that it enables further inferences to be drawn and they support an association."

Your Board will continue to closely monitor both the outcome of any further Panel applications by Brockman as well as the FerrAus share register.

- Finally, on 18 February 2011, FerrAus announced that it had successfully completed a placement to raise A\$35 million from a range of institutional and retail investors to assist in providing funds for the Definitive Feasibility Study and working capital. The placement, which was overwhelmingly approved by shareholders on 24 January 2011, was many times oversubscribed. One effect of the placement has been to dilute Wah Nam's holding in FerrAus to 16.79 per cent.

Having successfully completed the placement, your Board is confident that FerrAus can continue to independently advance the Pilbara Project towards production in a timely manner and in doing so, unlock significant value for shareholders.

For the reasons outlined above and described in the Target's Statement, your Board encourages you to continue supporting FerrAus in its efforts to realise value for shareholders and recommends that you DO NOT ACCEPT Wah Nam's Offer by TAKING NO ACTION. We note that the Wah Nam offer is due to close on 15 March 2011, unless extended. Your Board will continue to keep you updated as matters progress.

Yours faithfully



John Nyvlt
Chairman

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