

27 April 2011

**THIRD QUARTER ACTIVITY REPORT**  
**For the period ending 31 March 2011**

**Highlights**

- **Total Resources Increase to 331 Million Tonnes**
- **Total Measured and Indicated Resources at 230.5 Million Tonnes**
- **Mirrin Mirrin Total Resource at 63.6 Million Tonnes**
- **Corporate Objective For Total Resources Remains 400 Million Tonnes**
- **DFS On Track, Work Packages Awarded and Key Appointments Confirmed**  
(\* see page 9 below - Note: Subsequent Events)
- **Successful \$35 Million Capital Raising**
- **Takeover Offer From Wah Nam International Continues**
- **New Chief Executive Officer**  
(\* see page 9 below - Note: Subsequent Events )

**EXPLORATION ACTIVITY**

**Increase In Conversion Of Inferred Resources To Indicated Resources**

FerrAus Limited (ASX: FRS) announced early in March 2011 that metallurgical test work has led to the reclassification of its 50 per cent Fe to 55 per cent Fe Inferred Resource material.

This resulted in a reclassification of some of the iron ore resources from (JORC) Inferred Resources to Indicated Resources and as a consequence, boosted the overall confidence in the resource base for mine plan studies.

The resource reclassification was provided by Snowden Mining Industry Consultants (Snowden) following the results of metallurgical test work conducted in 2010 as part of the Pre-Feasibility Study.

Previously, Snowden had classified the medium grade material, which was defined as mineralisation between 50 per cent Fe and 55 per cent Fe, as an Inferred Resource - due to the preliminary nature of metallurgical test work demonstrating the ability to beneficiate the medium grade material into a saleable product.

The completion of additional infill RC drilling at Mirrin Mirrin Prospect during this period provided outstanding results that exceeded expectations. The results delivered an 89 per cent conversion of the +55 per cent Fe primary and hardcap mineralisation from Inferred Resources to Indicated Resources.

The metallurgical test work was undertaken on drill core collected between January and August 2010 at both Davidson Creek and Robertson Range. This test work included simulated drill and blast, crushing, dry screening, wet screening, desliming and gravity separation.

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Final analysis shows that material in the 52 per cent Fe to 55 per cent Fe range at Davidson Creek and the 53 per cent Fe to 55 per cent Fe range at Robertson Range can be upgraded and that the beneficiated product has a comparable value to similar iron ore products currently shipped from the Pilbara Region.

As a result, Snowden revised the Mineral Resource classification (2004 JORC Code) of the Medium Grade based on the cut off grades provided by FerrAus (see Table 1 below).

Material between 50 per cent Fe and 52 per cent Fe at Davidson Creek, and between 50 per cent Fe and 53 per cent Fe at Robertson Range has been designated as Low Grade and remains classified as an Inferred Resource.

It should be noted that the figures for the High Grade Resource (+55 per cent Fe) did not change for Robertson Range and Davidson Creek.

### **Mirrin Mirrin Resource Upgrade**

Following the completion of infill RC drilling, along with support PQ3 twin core hole drilling, Mirrin Mirrin Prospect continued to deliver outstanding results.

A total of 84 infill RC drill holes (for 12,515 metres) were undertaken to achieve a drill hole spacing of 100 metres by 50 metres; a drill hole density designed to give confidence for resource estimation purposes.

Drilling highlights from the infill program showed a number of outstanding intercepts that form the basis of a robust resource. A best assay result was received from hole DCRC1051, which includes 72 metres at 60.71 per cent Fe, from 106 metres to 178 metres (refer Figure 2, Cross section 238,100mE).

Mirrin Mirrin Prospect as an exploration target remains open along strike.

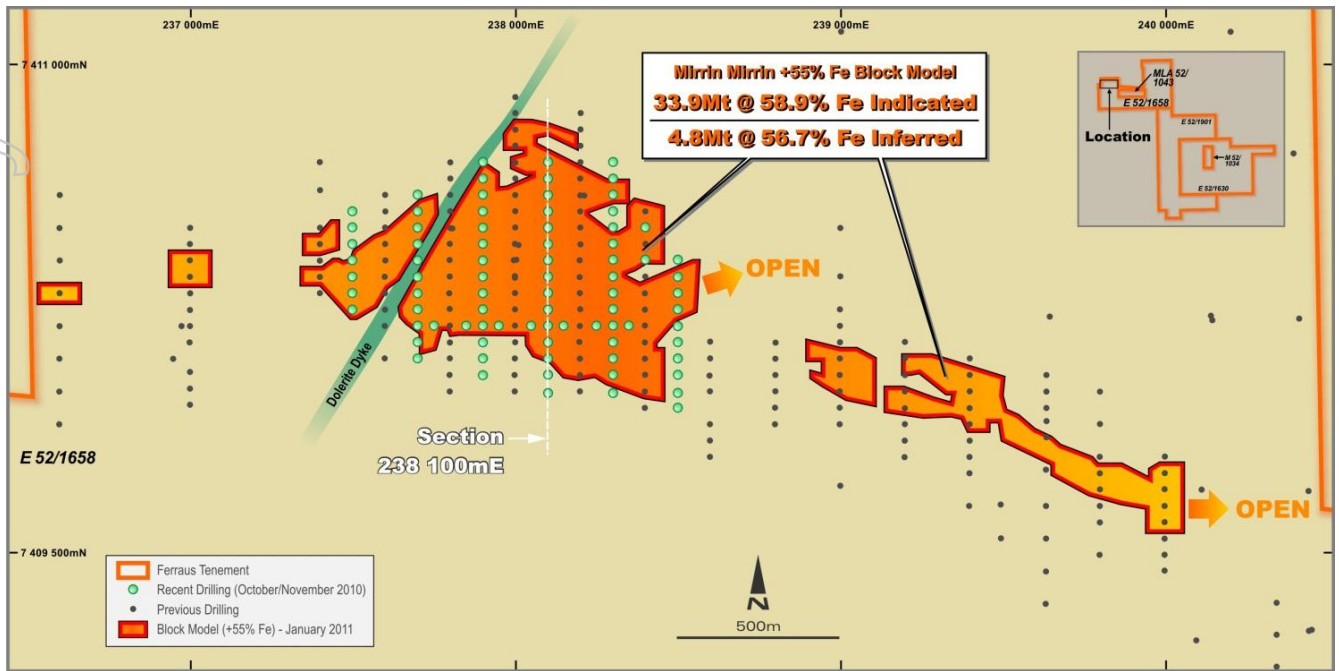
During January 2011, Snowden Mining Industry Consultants completed a resource update on the Mirrin Mirrin iron ore deposit. The Mineral Resource was classified and finalised during February in accordance with the 2004 JORC Code.

Results of the resource update exceeded expectations, with an 89 per cent conversion of the +55% Fe primary and hardcap mineralisation converting to Indicated Resources from Inferred Resources.

Importantly, despite a nominal increase in overall iron resource tonnes from the Mirrin Mirrin resource update, there has been a major increase in the Project's overall Indicated Resources; from 112.3 million tonnes to 197.6 million Indicated Resources – a 75 per cent increase.

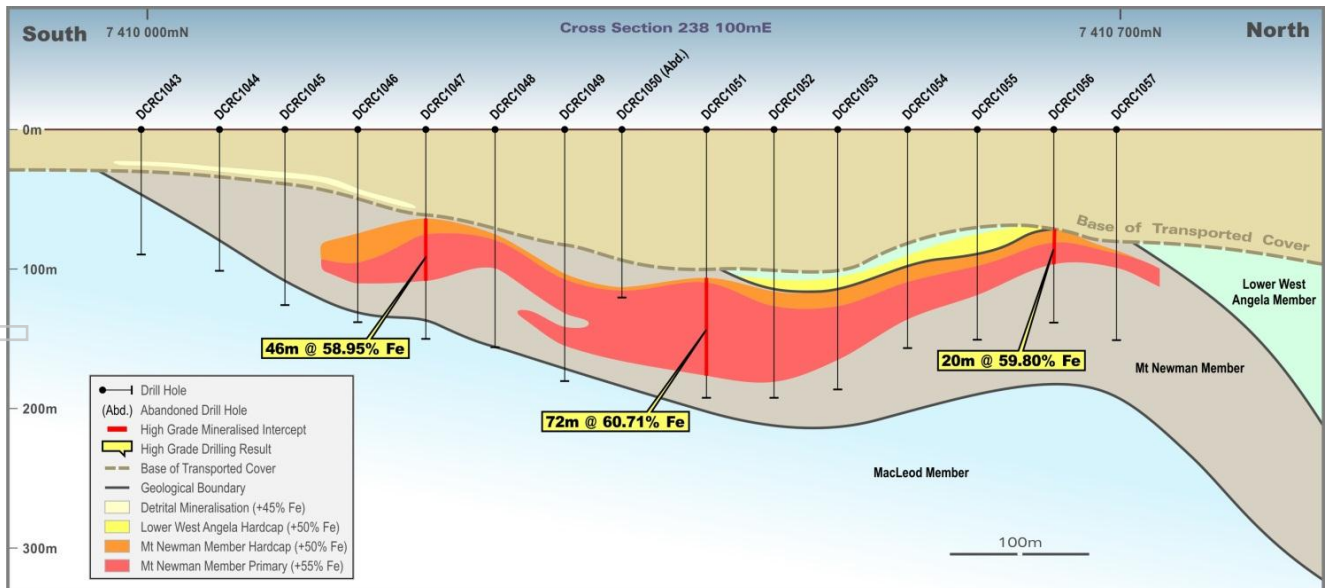
These results will be incorporated into the initial Definitive Feasibility Study work. The information provides strong support for the estimated life of mine production of 227 million tonnes (wet) used in the Pre-Feasibility Study financial viability assessment.

**Figure 1: Mirrin Mirrin Block Model January 2011**



(Note: Snowden estimated grades using ordinary block kriging with unfolding. Calcined Fe grade calculated as follows:  $CaFe = (Fe \times 100) / (100 - LOI)$ . The Mirrin Mirrin Mineral Resource estimate was classified and reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore reserves (the JORC Code). The classified Mineral Resource has been reported either as Indicated or Inferred using three Fe grade ranges – see Table 2)

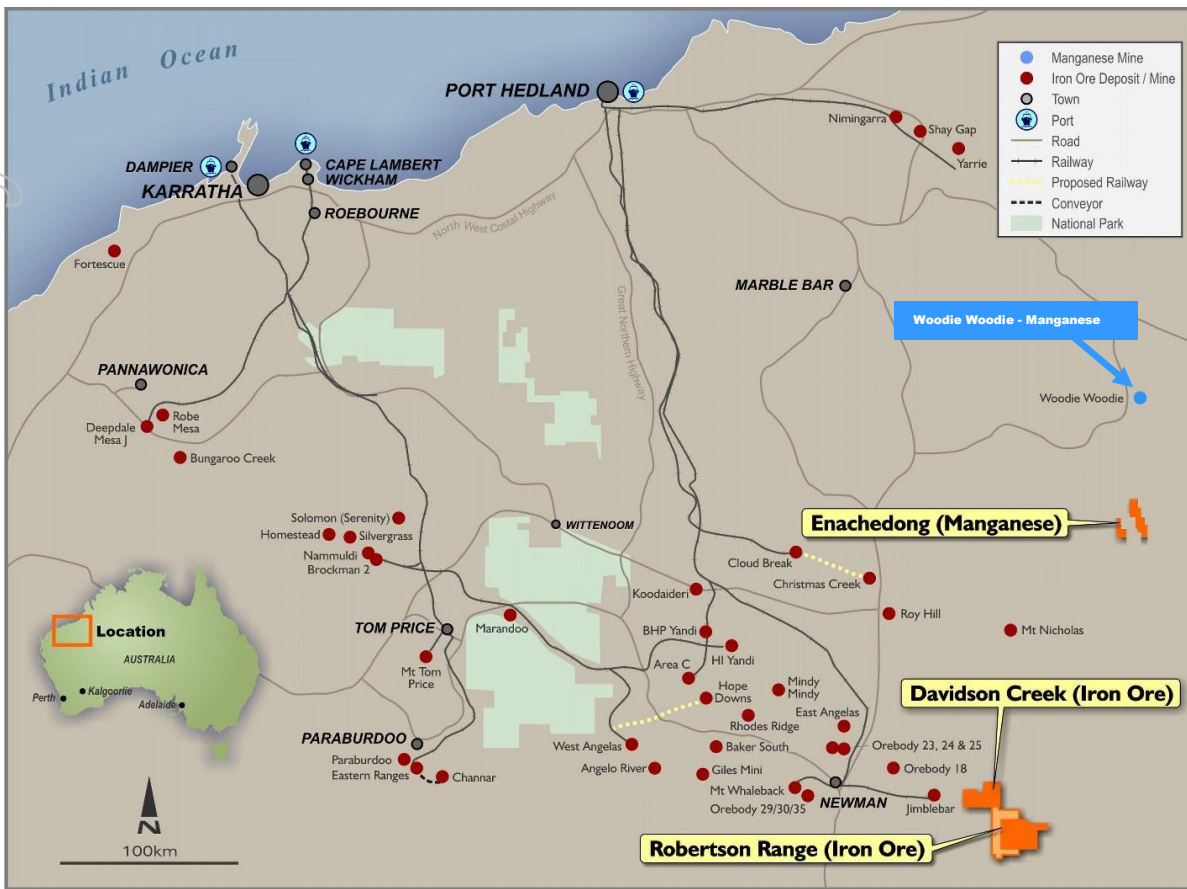
**Figure 2: Mirrin Mirrin Cross Section 238 100mE**



**Table 1: Resource Table – FerrAus Pilbara Project**

Area	JORC (2004) Resource Category	Tonnes Mt	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)	CaFe (%)
<b>High Grade Resources (+55% Fe)</b>								
<b>Robertson Range</b>	Measured	23.40	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.70	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.60	58.11	6.56	3.37	0.097	6.15	61.93
	<b>Total</b>	<b>54.60</b>	<b>58.79</b>	<b>5.26</b>	<b>2.94</b>	<b>0.105</b>	<b>6.93</b>	<b>63.18</b>
<b>Davidson Creek</b>	Measured	9.50	58.10	4.31	2.83	0.078	9.12	63.90
	Indicated	91.60	58.70	4.44	2.43	0.082	8.63	64.20
	Inferred	24.20	57.50	5.24	3.16	0.098	8.39	62.80
	<b>Total</b>	<b>125.30</b>	<b>58.40</b>	<b>4.58</b>	<b>2.60</b>	<b>0.085</b>	<b>8.62</b>	<b>63.90</b>
<b>Mirrin Mirrin</b>	Indicated	33.90	58.94	4.16	2.26	0.101	8.75	64.59
	Inferred	4.80	56.67	6.81	3.42	0.109	8.04	61.64
	<b>Total</b>	<b>38.70</b>	<b>58.66</b>	<b>4.49</b>	<b>2.41</b>	<b>0.102</b>	<b>8.66</b>	<b>64.22</b>
<b>Total (High Grade)</b>		<b>218.60</b>	<b>58.56</b>	<b>4.74</b>	<b>2.65</b>	<b>0.093</b>	<b>8.21</b>	<b>63.78</b>
<b>Medium Grade Resources (between 53% Fe and 55% Fe for RR, between 52% Fe and 55% Fe for DC and MM)</b>								
<b>Robertson Range</b>	Indicated	6.50	54.00	7.61	4.95	0.122	8.86	59.30
	Inferred	2.30	54.10	8.96	5.20	0.096	7.57	58.50
<b>Davidson Creek</b>	Indicated	32.90	53.60	7.99	4.94	0.063	9.29	59.10
	Inferred	23.70	53.60	7.72	4.99	0.093	9.33	59.10
<b>Mirrin Mirrin</b>	Indicated	12.00	53.52	8.43	4.97	0.086	9.23	58.98
	Inferred	8.10	53.62	9.26	4.27	0.123	8.50	58.61
<b>Total (Medium Grade)</b>		<b>85.50</b>	<b>53.63</b>	<b>8.09</b>	<b>4.90</b>	<b>0.086</b>	<b>9.14</b>	<b>59.04</b>
<b>Low Grade Resources (between 50% Fe and 53% Fe for RR, between 50% Fe and 52% Fe for DC and MM)</b>								
<b>Robertson Range</b>	Inferred	7.40	51.80	9.17	5.87	0.132	9.23	57.10
<b>Davidson Creek</b>	Inferred	14.60	51.20	9.53	6.28	0.074	9.86	56.80
<b>Mirrin Mirrin</b>	Inferred	4.80	51.25	10.39	6.01	0.080	8.98	56.32
<b>Total (Low Grade)</b>		<b>26.80</b>	<b>51.37</b>	<b>9.58</b>	<b>6.12</b>	<b>0.09</b>	<b>9.53</b>	<b>56.80</b>
<b>MEASURED RESOURCES (Mt)</b>		<b>32.90</b>						
<b>INDICATED RESOURCES (Mt)</b>		<b>197.60</b>						
<b>INFERRED RESOURCES (Mt)</b>		<b>100.50</b>						
<b>TOTAL (Mt)</b>		<b>331.00</b>						

Small discrepancies may occur in the tabulated resources due to the effects of rounding. Calcined Fe grade calculated as follows:  $CaFe = (Fe \times 100) / (100 - LOI)$ . High Resources are reported above a 55% Fe cut-off grade, Medium Grade Resources (between 53% Fe and 55% Fe for RR, between 52% Fe and 55% Fe for DC and MM) and Low Grade Resources (between 50% Fe and 53% Fe for RR, between 50% Fe and 52% Fe for DC and MM). 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

**Figure 3: Exploration Locations**

## DEFINITIVE FEASIBILITY STUDY

Definitive Feasibility Study (“DFS”) activities continued during the quarter with the advancement of recruitment for key members of the DFS team and release of Request for Proposals for engineering, design and study management services which includes mine, plant and rail infrastructure.

The DFS continues to progress towards completion by the end of December 2011.

## CORPORATE ACTIVITY

### Appointment Of Managing Director and Chief Executive Officer

On 10 January 2011 FerrAus announced that it had agreed to appoint Mr Cliff Lawrenson as Managing Director and Chief Executive Officer, subject to shareholders appointing him as a director of FerrAus and approving certain elements of his proposed remuneration package

During the period leading up to shareholder approval being obtained (see “Note: Subsequent Events” at Page 9 below), Mr Lawrenson’s services were engaged on a short term consulting contract through Solution Management Pty Ltd.

Mr Lawrenson has more than 20 years experience as a senior executive across a range of industry sectors and most recently held the position of Group Chief Executive for GRD Limited. He holds postgraduate qualifications in commerce and finance and has worked extensively in project development and investment banking around the world, including in Australia, USA and Singapore.

In addition, Mr Lawrenson has served on several boards in international locations where he has led the project development and financing of numerous major infrastructure projects. He retains his current role as the Non Executive Chairman of Pacific Energy Limited.

The Chairman of FerrAus Limited, Mr John Nyvlt, said that the short term consulting contract had been agreed to in view of the circumstances relating to the current takeover bid for FerrAus Limited by Wah Nam International Ltd.

A shareholders meeting to consider the appointment of Mr Lawrenson as a director and to approve the aspects of his proposed remuneration package requiring shareholder approval was held on Monday 18 April 2011 (see "Note: Subsequent Events" at page 9 below).

Details of the then proposed agreement under which Mr Lawrenson would, with shareholder approval, become Managing Director and Chief Executive Officer were included in notice of that meeting.

### **\$35 Million Capital Raising Completed**

FerrAus successfully completed the bookbuild for its A\$35 million placement, following approval by shareholders at the Extraordinary General Meeting held in Perth on 24 January 2011.

Significant interest was received from a range of domestic and international investors, with the offer being substantially oversubscribed.

The Chairman, John Nyvlt, commented that the strong shareholder support for the capital raising at the shareholder meeting is an impressive endorsement of the ongoing development of the Pilbara Project.

FerrAus issued 40.7 million ordinary shares at a price of A\$0.86 per share, which represented a discount of 8.5 per cent to the last closing price of \$0.94.

The settlement of the placement was delayed due to the approval by ASIC of an application by Wah Nam International Australia Pty Ltd, a wholly owned subsidiary of Wah Nam International Holdings Limited (Wah Nam), for relief to vary offers under its takeover bid to extend these to newly issued shares, including shares to be issued under the placement.

Before that extension was finalised, Wah Nam was obligated to obtain approval from its shareholders and the ASX required that new placement shares were issued to "temporarily" trade under a separate ASX code "FRSN" (see "Note: Subsequent Events" page 9 below).

### **Takeover Offer - Wah Nam International**

On 10 November 2010 FerrAus received an unsolicited, conditional proposal from a wholly owned subsidiary of Wah Nam International Holdings Limited (Wah Nam) to acquire all of the ordinary shares of FerrAus not currently held by Wah Nam, by way of an off market takeover offer.

The terms of the Offer are six (6) Wah Nam shares for each FerrAus share which, based on the VWAP of Wah Nam shares on the Hong Kong Stock Exchange during the 2 full trading days of 8 November 2010 and 9 November 2010, implied an Offer value of A\$1.29 per FerrAus share.

After careful consideration the Board unanimously recommended that shareholders do not accept Wah Nam's Offer.

The key reasons for the Board's recommendation are as follows:

- Wah Nam's Offer is unsolicited, complicated and highly conditional.
- The Price of Wah Nam shares does not appear to be supported by underlying value.

- The interest of FerrAus Shareholders in the Pilbara Project would be significantly diluted.
- Certain key benefits that Wah Nam claims flow from its Offer only arise if Wah Nam acquires Brockman as well as FerrAus.
- Wah Nam's ability to advance FerrAus' Project is uncertain.
- FerrAus remains committed to grow shareholder value without Wah Nam.

The Board's recommendation is based on the offer as it currently stands. The Board may reconsider its recommendation should circumstances change.

A Target Statement, containing the Board's recommendation and further detail on the reasons for those recommendations, was despatched to shareholders on 20 December 2010.

On 7 January, 7 February and 4 March 2011 respectively, Wah Nam extended the offer period and status of conditions (see also "Note: Subsequent Events" at page 8 below).

## EXPLORATION AND EVALUATION EXPENDITURE SUMMARY

	<b>Expenditure \$'000</b>
FerrAus Pilbara Project	4,924
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	<hr/> <b>4,925</b> <hr/>

### **Robertson Range Area (E52/1630, M52/1034) Pilbara Iron Project, WA**

Exploration this quarter has been severely impacted by heavy seasonal rainfall. As a consequence, some lower priority drilling was conducted where access to areas of high priority was not possible. Bardick Prospect is an area adjacent to the King Brown Deposit. It has surficial iron ore occurrences untested, and is in an area which is required for sterilisation drilling.

King Brown Deposit still has potential for additional tonnes through infill drilling, along strike and down dip extension drilling. Results are awaited.

In all, a total of 65 RC holes were completed for 8,156 metres in the two areas of King Brown and Bardick (1.5km west of King Brown). Prospects as follows:

#### Robertson Range - RC Drilling

- Bardick Prospect = 26 holes for 2,880 metres
- King Brown Prospect = 39 holes for 5,276 metres

#### Robertson Range - Core Drilling

There has been no core drilling this period.

### **Davidson Creek Area (E52/1658, M52/1043) Pilbara Iron Project, WA**

Also severely impacted by heavy seasonal rainfall, the Davidson Creek region is a high priority resource definition area for the DFS effort.



All the core drilling completed for metallurgical studies was in support of the DFS. Also, the RC drilling efforts were targeting areas which would provide immediate additional resource tonnes and upgrades in resource confidence levels.

There was also some along strike exploration drilling in the Mirrin Mirrin resource area

In all, a total of 69 RC holes were completed for 8,578 metres and 12 core holes for 1,065 metres were drilled as follows:

#### Davidson Creek – RC Drilling

- Tiger Prospect = 25 holes for 2,748 metres
- Dugite Prospect = 9 RC holes for 928 metres
- Mirrin Mirrin Prospect = 35 RC holes for 4,902 metres

#### Davidson Creek – Core Drilling

- Tiger Prospect = 3 metallurgical PQ3 core holes for 197.5 metres
- Dugite Prospect = 1 metallurgical PQ3 core hole for 60.0 metres
- Python Gwardar Taipan Prospects = 8 metallurgical PQ3 core holes for 807.5 metres

#### Murramunda (E52/1901) Pilbara Region, WA

No exploration activity was conducted during the quarter.

#### Enachedong Manganese Project (E46/614) Pilbara Region, WA

No exploration activity was conducted during the quarter.

#### **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.*



**NOTE: SUBSEQUENT EVENTS**

- 4 April 2011 - FerrAus announced that it had awarded the major contracts to deliver its Definitive Feasibility Study and confirmed the appointment of key members of its senior management team.
- 7 April 2011 - Wah Nam extended the Offer period to 4pm (WST) on Monday 16 May 2011. Wah Nam is required to give a notice as to the status of defeating Offer conditions on Friday 6 May 2011, unless it further extends the Offer period.
- 18 April 2011 - FerrAus shareholders approved the appointment of Mr Cliff Lawrenson as Managing Director and Chief Executive Officer at an Extraordinary General Meeting. Following this appointment Mr Bryan Oliver (who held the role of Executive Director) moved to take a position as a Non-Executive Director of FerrAus Limited.