

29 July 2011

FOURTH QUARTER ACTIVITY REPORT

For the period ending 30 June 2011

Highlights

- **Consolidation of SE Pilbara and Recommended Takeover Offer for FerrAus by Atlas Iron**
- **Wah Nam Takeover Lapses**
- **Iron Ore Reserves Increase to 163 Million Tonnes**
- **DFS Contracts Awarded and Key Management Appointments**

DEFINITIVE FEASIBILITY STUDY

Iron Ore Reserves Increase to 163 Million Tonnes

FerrAus Limited ("FerrAus") (ASX: FRS) announced in mid May 2011 that the iron ore reserve estimate had increased to 163 million tonnes, at 57.4 per cent Fe, for the FerrAus Pilbara Project in Western Australia. (See Table 1)

The recent Ore Reserve Statement provided by Snowden Mining Industry Consultants (Snowden), has determined that the FerrAus Pilbara Project contains Probable Ore Reserves of 163 million tonnes, contained within the optimised pit designs for the King Brown (Robertson Range), Python-Gwardar, Taipan and Mirrin Mirrin (Davidson Creek) Resources.

This Iron Ore Reserve figure represents an increase of 37 million tonnes or 29 per cent on the previous Reserve figure of 126 million tonnes (FRS ASX announcement 15 November 2010). The increase in the Reserve figure is directly attributable to the completion of mining studies for the Mirrin Mirrin Resource.

The Mirrin Mirrin maiden reserve figure of 37 million tonnes has an analysis of 57.5 per cent Fe, 4.3 per cent SiO₂, 2.3 per cent Al₂O₃, 0.09 per cent P and 8.7 per cent LOI.

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Table 1: FerrAus Pilbara Project - Iron Ore Reserves (May 2011)

Area	JORC (2004) Reserve Category	Tonnes Mt	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)
Robertson Range	Proved	-	-	-	-	-	-
	Probable	31.0	58.3	5.4	3.0	0.09	7.4
	Total	31.0	58.3	5.4	3.0	0.09	7.4
Davidson Creek	Proved	-	-	-	-	-	-
	Probable	95.0	57.0	5.5	3.3	0.09	8.9
	Total	95.0	57.0	5.5	3.3	0.09	8.9
Mirrin Mirrin	Proved	-	-	-	-	-	-
	Probable	37.0	57.5	4.3	2.3	0.09	8.7
	Total	37.0	57.5	4.3	2.3	0.09	8.7
Total Reserves		163.0	57.4	5.2	3.0	0.09	8.6

Ore Reserve Statement

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.

Key Definitive Feasibility Study Contracts Awarded

FerrAus announced in early April that it had awarded the major contracts to complete its Definitive Feasibility Study (DFS) and confirmed the appointment of key members of its senior management team.

Both the engineering, design and study management services for the railway alignment and process plant and infrastructure components of the DFS, have been awarded to Sinclair Knight Merz (SKM).

The process plant and infrastructure design contract includes the mine site footprint, including metallurgical input, implementation planning, CAPEX, OPEX, risk and operations management.

Railway, roads, support infrastructure design, implementation planning, CAPEX, OPEX, risk and operations management are included in the railway alignment services contract for the DFS.

Key Management Appointments Confirmed

FerrAus also confirmed in early April the appointment of the following people to key management roles in the Owner's Team:

Brett Hazelden - Project Director

Brett, who was a key member of the Prefeasibility Study Owner's Team, brings 15 years of experience in project management, engineering design and operations serving the Australasian resources industry. His previous activities include project management, feasibility study evaluation, engineering and design, estimating and financial evaluation, with Newcrest, Fluor and Rio Tinto.

Jason Hyde - Study Manager

Jason has 20 years' experience with major capital projects in rail, mining, civil works, buildings and telecommunications. His most recent role was as Deputy Project Manager at BHP Billiton's RGP5 Rail Project, which followed his role as a Project Manager at Rio Tinto Iron Ore Expansion Projects.

Diane Dowdell - Environment and Land Access Manager

Diane joins FerrAus following more than 10 years working in a range of senior environmental roles covering team management, strategic planning, consultation, stakeholder engagement, compliance, approvals and budget control. Her recent role as Group Manager – Environment at FMG place her in an ideal position to work with our close knit team during the DFS and on through to the production phase.

Rudolph Van Niekerk - Area Manager Plant and Infrastructure

Rudolph joins FerrAus from Ausenco where he was Project Manager of the Tonkolili Stage 1B Iron Ore Project in Sierra Leone, North West Africa. He has also worked as Senior Project Engineer, Commissioning Engineer and in a variety of project engineer roles for different resource projects.

Omer Mol - Senior Mining Engineer

Omer, who was also a key member of the Prefeasibility Study Owner's Team brings over 30 years of experience in mine planning and mine design with experience mine planning, economic evaluations, contract management, studies, pit optimisations, as well as mine planning and scheduling. His background includes both overseas and Australian roles, where he held senior operational management positions, one of which was at Yandi for BHP Iron Ore.

Richard (Dick) Wright - Project Advisor (Mentor)

Dick has an outstanding track record in project management and has delivered major land mark projects in the mining, infrastructure and oil and gas sectors. Working for major Australian, American and French corporations he has acquired a broad range of experience in the implementation and development of many major iron ore mines as well as the associated infrastructure.

CORPORATE ACTIVITY

Consolidation of the South East Pilbara & Recommended Takeover Offer for FerrAus by Atlas Iron

Atlas Iron Limited (“Atlas”) [ASX: AGO] and FerrAus announced on 27 June 2011 that they have executed landmark agreements to further consolidate the Pilbara region, initially through a combination of the South East Pilbara iron ore assets of Atlas and FerrAus. This will create a substantial and attractive South East Pilbara focussed iron ore development and exploration company with a substantial land holding and resource inventory.

Immediately after the Subscription and Iron Ore Assets Acquisition are approved by FerrAus shareholders and completed, Atlas has agreed to make an off-market takeover offer for all FerrAus shares on issue on the basis of 1 Atlas share for every 4 FerrAus shares.

Subscription and Iron Ore Assets Acquisition

Atlas and FerrAus have executed a Subscription Agreement for Atlas to subscribe approximately \$24.3 million for 37,439,785 FerrAus shares, and a binding Asset Purchase Agreement pursuant to which Atlas has agreed to sell, and FerrAus has agreed to buy, South East Pilbara iron ore assets owned by Atlas that have strong synergies with FerrAus’ existing 347 million tonnes DSO iron ore resources, in consideration for 121,846,154 FerrAus shares. The Subscription and Iron Ore Assets Acquisition will result in Atlas becoming FerrAus’ largest shareholder with a 38.3 per cent holding upon completion on a fully diluted basis, and will be subject to FerrAus shareholder approval. The shares issued to Atlas in consideration for the Iron Ore Assets Acquisition will be escrowed for 12 months. The transactions are subject to the approval of FerrAus shareholders and the Iron Assets Acquisition is also subject to obtaining third party consents.

FerrAus’ Directors unanimously recommend that FerrAus shareholders vote in favour of the Subscription and the Iron Ore Assets Acquisition.

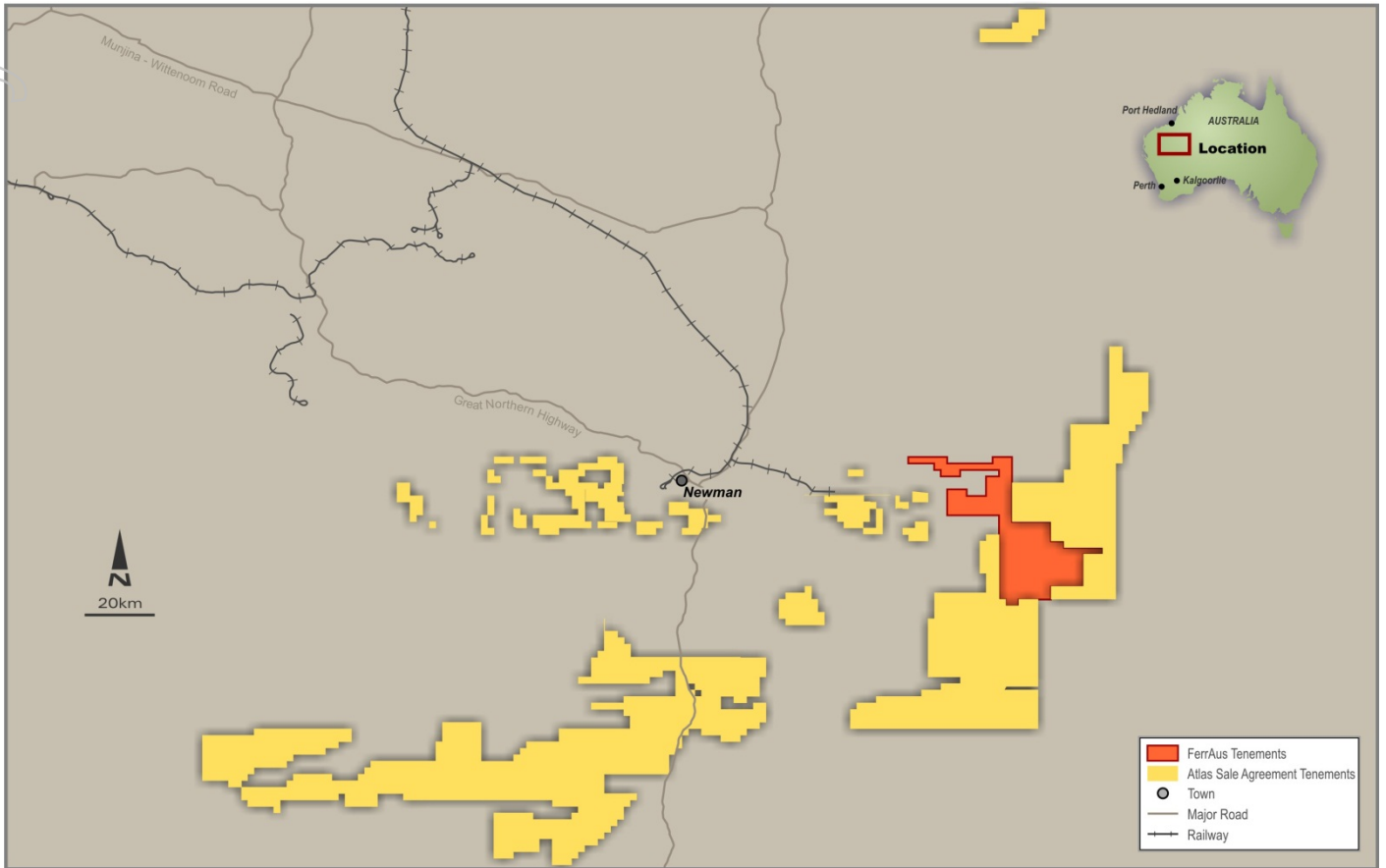
In addition the Independent Expert has concluded that together the Subscription and Iron Ore Assets Acquisition are **FAIR AND REASONABLE**. The Independent Expert notes that if the Subscription and Iron Ore Assets Acquisition were to be considered on an individual basis, the Subscription would not be fair but would be reasonable, while the Iron Ore Assets Acquisition would be fair and reasonable

Rationale for Subscription and Iron Ore Assets Acquisition

Both Atlas and FerrAus recognise the very significant benefits to be realised by their respective shareholders in consolidating their iron ore assets in the South East Pilbara, including:

- All FerrAus shareholders (including Atlas and indirectly its shareholders) will benefit from a combined 505 million tonnes of DSO resources in the South East Pilbara, and additional exploration targets in a highly prospective significant landholding position in the region;
- The respective assets have significant geographical synergies, with several of the Atlas tenements being contiguous, including along strike, to FerrAus’ advanced projects;
- The increased project scale and resource base will bring valuable economies of scale and will provide FerrAus with much greater leverage to pursue the development of an independent infrastructure solution in the South East Pilbara;
- Consolidating the two companies’ South East Pilbara asset portfolios creates the potential to substantially reduce overall capital and operating costs. In addition, the combined entity will have increased access to funding, enabling it to more readily fund the business in a cost effective manner;
- Ensuring FerrAus is well funded to pursue the next stage of development including the completion of the definitive feasibility study at Davidson Creek and Robertson Range, funding for the development of the North West Infrastructure Port as well as an exploration programme over the entire portfolio; and

- Introducing the support of Atlas, an iron ore producer with significant project development and production experience, financial strength, a demonstrated capacity to find infrastructure solutions, and very strong and rapidly growing cashflows from iron ore production in the Pilbara.



Map of the Combined South East Pilbara Assets

Atlas Takeover Offer Details

Atlas and FerrAus have executed a Bid Implementation Agreement (“**BIA**”), pursuant to which Atlas has agreed to offer FerrAus shareholders 1 Atlas share for every 4 FerrAus shares. The Atlas Offer is subject to customary terms and conditions.

Subsequently, on 25 July 2011, FerrAus announced that, following discussion with Atlas, the Takeover Offer will no longer be subject to defeating conditions in relation to FerrAus shareholder approval for, and completion of, the Subscription of the Iron Ore Assets Acquisition. This increases the certainty of the Takeover Offer for FerrAus shareholders and will allow FerrAus shareholders to consider the Subscription and Iron Ore Asset Acquisition independently of the Takeover Offer.

In the absence of a Superior Proposal, each FerrAus Director recommends that FerrAus Shareholders accept the Atlas Offer, unless the Independent Expert opines at any time that it is not fair and is not reasonable, and each FerrAus Director will accept, or procure the acceptance of, the Atlas Offer in respect of all the FerrAus Shares that they hold or in which they otherwise have a relevant interest.

Atlas Takeover Offer Rationale and Benefits for FerrAus Shareholders

The transaction is a logical fit between two companies with highly complementary assets. FerrAus considers the Atlas Takeover Offer to be superior to the current Wah Nam takeover offer as a result of the following benefits:

- Premium – The Atlas Takeover Offer provides FerrAus shareholders with strong premium to the current trading value of a FerrAus share based on Atlas' current trading value, which is supported by its attractive asset base and trading liquidity.
- Immediate Cash Flow – The Atlas Takeover Offer will provide FerrAus shareholders with exposure to Atlas' strong cashflow from its existing iron ore production and rapidly growing production profile from a number of development projects.
- Financial Capacity – Atlas' robust balance sheet and strong cashflows from operations provides the financial capacity to pursue the development of FerrAus' Pilbara Iron Ore Project.
- Improved Liquidity - FerrAus shareholders will receive shares in Atlas, an S&P/ASX 100 company, and will enjoy the benefits of holding an investment in a company with far greater liquidity.
- Improved Access to Infrastructure – Atlas and FerrAus will have a combined current and future allocation of 46.5Mtpa at the port facilities (constructed or planned to be constructed) in Port Hedland's inner harbour, and an indicative allocation of up to 10Mtpa at Anketell Port. This port allocation is of significant strategic importance to maximise value from FerrAus' DSO resources.
- Increased Market Presence – the increase in the combined resource tonnage will lead to greater market penetration and presence.
- Proven Expertise - Atlas has a proven track record of exploration, developing iron ore mines and exporting iron ore.

Conditions of the Atlas Offer

The Atlas Offer is conditional upon the following customary terms and conditions, including:

- Minimum acceptance condition of 50.1 per cent;
- No Material Adverse Change in relation to FerrAus; and
- No Prescribed Occurrences in relation to FerrAus.

In addition, Atlas will declare its offer for FerrAus to be free of all defeating conditions upon achieving acceptances of 50.1 per cent

Full particulars of the Atlas Takeover Offer will be provided in the Bidder's Statement that Atlas expects will be mailed to FerrAus shareholders following shareholder approval and completion of the Subscription and Iron Ore Assets Acquisition.

Indicative Timetable

The indicative timetable in relation to the Atlas Offer, Subscription and Iron Ore Assets Acquisition is set out below.

28 July 2011	Notice of Meeting and Independent Expert's Report despatched to FerrAus shareholders
29 August 2011	General Meeting of FerrAus shareholders to approve Subscription and Iron Ore Assets Acquisition
30 August 2011	Allotment of Subscription shares and Iron Ore Asset Acquisition consideration shares to Atlas
5 September 2011*	Atlas lodges Bidder's Statement with ASIC and ASX and serves it on FerrAus, and FerrAus lodges its Target's Statement with ASIC and ASX and serves it on Atlas
5 September 2011*	Atlas despatches Bidder's Statement to FerrAus shareholders, and FerrAus despatches its Target's Statement to FerrAus shareholders
5 September 2011*	Atlas Offer opens
4 October 2011	Atlas Offer closes (unless extended)

*These dates are subject to ASIC providing Atlas with relief under section 631 of the Corporations Act to extend the time within which Atlas must open the Takeover Offer. If ASIC does not grant the relief, the Offer Period will commence on or before 27 August 2011.

Wah Nam International Holdings Limited (Wah Nam)

Wah Nam announced on 28 June 2011 that it intends to rely on specific conditions set out in its replacement bidder's statement dated 6 December 2010 in respect of the announcement released by FerrAus on 27 June 2011 in relation to the Consolidation of the South East Pilbara and Recommended Takeover Offer for FerrAus by Atlas to defeat its takeover offer for FerrAus. Accordingly the takeover offer has lapsed as at 4:00pm (WST), 15 July 2011 and all acceptances or the contracts from acceptances of the offer have become void.

EXPLORATION AND EVALUATION EXPENDITURE SUMMARY

April 2011 to June 2011

	Expenditure \$'000
FerrAus Pilbara Project	12,444
Enacheddong	24
	<u>12,468</u>

Robertson Range (E52/1630, E52/1901, M52/1034) Pilbara Region, WA

Work recommenced in the King Brown area with RC drilling targeting extensions to the King Brown mineralisation to the north east and east, along with infill drilling to improve confidence ahead of further resource estimation work.

Reconnaissance target Bardick Prospect was RC drilled, along with additional drilling of the Marra Mamba target area Mulga Prospect, located approximately 5km east north east of King Brown Prospect.

A total of 145 exploration RC holes for 12,844 metres were drilled at Robertson Range for the period.

The summary of RC drilling is as follows:

- King Brown = 79 holes for 6,030m
- Mulga = 52 holes for 5,242m
- Bardick = 14 holes for 1,572m

Davidson Creek (E52/1658, M52/1043) Pilbara Region, WA

Mirrin Mirrin Prospect continues to be an important area for exploration. Additional drilling targeting mineralisation extensions was the key focus, with ongoing infill RC drilling continuing to increase the resource confidence ahead of new resource estimation work.

A small number of infill holes were completed at Dugite and Tiger Prospects residual from previous resource drilling programs.

With the second RC rig completing its resource definition commitments, some of the high priority regional targets were drilled. Additional holes were drilled at Viper (targeting Brockman Iron Formation mineralisation), and first holes were drilled into Monk (targeting Boolgeeda Iron Formation mineralisation).

A total of 123 exploration RC holes for 15,654 metres were drilled at Davidson Creek for the period.

The summary of RC drilling is as follows:

- Mirrin Mirrin = 68 holes for 9,352m
- Dugite = 8 holes for 528m
- Tiger = 5 holes for 360m
- Bandy Bandy = 8 holes for 822m
- Monk = 11 holes for 1,242m
- Viper = 23 holes for 3,350m

Enacheddong Manganese Project (E46/614) Pilbara Region, WA

Scheduled RC drilling for Enacheddong Project commenced on the 16th June 2011. A 100 hole, 5,000m program was planned to test mineralised surface manganese occurrences located through field mapping and rock chip sampling. The RC drilling program was designed to give maximum coverage across seven Prospect areas including Central, West, North and South Omen, Black Stripe, Icebergs, and Eastwood.

Drilled to the 30th June were 48 drill holes for 2,755 metres.

The summary of RC drilling is as follows:

- West Omen = 8 holes for 438m
- Black Stripe = 13 holes for 708m
- South Omen = 22 holes for 1,291m
- Icebergs = 5 holes for 318m

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.