

**ASX  
Announcement**

**08 September 2009**

**Current Capital  
Structure:**

151.6m Fully paid ordinary  
shares  
7.5m Class B Securities  
9.2m Unlisted options

Market Capitalisation:  
(fully diluted)  
\$92.6m @ 55c per share

**Enquiries to:**

John Nyvlt  
Non-Executive Chairman  
Tel: (08) 8232 8000  
Mob: 0411 043 898

Mike Amundsen  
Managing Director & CEO  
Tel: (08) 9474 3770  
Mob: 0419 514 048

FerrAus Limited  
ABN 86 097 422 529

Suite 5  
60 Hindmarsh Square  
Adelaide SA 5000

Tele: (08) 8232 8000  
Fax: (08) 8232 0077

Email: [info@ferraus.com](mailto:info@ferraus.com)  
Web: [www.ferraus.com](http://www.ferraus.com)

**ASX code: FRS**

## Strategic Cooperation with China Railway Materials Commercial Corporation

### Key Points

- Agreement reached on strategic iron ore focused cooperation between FerrAus Limited and China Railway Materials Commercial Corporation (China Railway Materials (CRM)). China Railway Materials (CRM) is a large-scale Chinese state-owned enterprise whose major businesses are providing all materials for the operation of railway systems and trading steel.
- China Railway Materials (CRM) (through its wholly owned subsidiary Union Park Company Limited) to take a placement in FerrAus equal to 12% of the fully diluted enlarged capital structure at the time of transaction completion. Based on the current capital structure of FerrAus, the investment would be approximately \$12.6 million.
- FerrAus and China Railway Materials have agreed to cooperate in respect of other potential iron ore resource opportunities in the eastern Pilbara region of Western Australia that, together with FerrAus' existing resources, can be used to support the financing and construction of rail and port infrastructure necessary for the development of the iron ore resources assembled.
- On a non binding basis, China Railway Materials (CRM) intends to assist FerrAus with sourcing finance for the construction of Pilbara rail infrastructure for iron ore exports.
- The parties are to discuss terms on which, in return for securing substantial funding for the construction of suitable rail infrastructure, China Railway Materials (CRM) will receive a substantial entitlement, at market terms to be negotiated, for iron ore offtake.
- The cooperation with China Railway Materials (CRM) follows the placement of a 9.9% shareholding in the Company to China Western Mining in mid 2008, making it the second major Chinese investment in FerrAus.

## STRATEGIC COOPERATION AND SHARE PLACEMENT TO CHINA RAILWAY MATERIALS

Pilbara iron ore developer, FerrAus Limited (ASX:FRS "FerrAus" or "Company") and China Railway Materials (CRM) (and its wholly owned subsidiary Union Park Company Limited (UPC)) have executed two watershed binding agreements; a Share Subscription Agreement (UPC) and a Cooperation and Support Agreement (China Railway Materials (CRM)). A non-binding Strategic Alliance Agreement has also been executed by FerrAus and China Railway Materials (CRM).

The strategic cooperation that has been established is expected to provide long term benefits to FerrAus and China Railway Materials (CRM).

China Railway Materials (CRM) is a large-scale Chinese state-owned enterprise established in 1979. In 2008 China Railway Materials (CRM) had a turnover of 100.2 billion Yuan and employed 9,161 personnel. It ranks as number 60 in China's top 500 companies. China Railway Materials' major business is to provide rail, diesel, and other materials for the construction and operation of China's railway systems. It has a substantial business in international trade and logistics. Steel trade is another main business for China Railway Materials, with over 10 million tonnes of steel materials sold in 2008, ranking China Railway Materials (CRM) as one of China's top three steel traders. Further information on China Railway Materials (CRM) may be found at [www.crmsc.com.cn/English/index.asp](http://www.crmsc.com.cn/English/index.asp).

### **Share Placement to China Railway Materials (CRM) subsidiary**

The Share Subscription Agreement provides for a placement to UPC, equal to 12% of the fully diluted enlarged capital of FerrAus, including unlisted options and Class B Performance shares, at the time of transaction completion. Based on the current capital structure of FerrAus, the subscription would be for approximately 22.9 million ordinary FerrAus shares. The subscription price is \$0.55 per share which equates to an investment by UPC in FerrAus of approximately \$12.6 million based on the assumption used. Should China Western Mining exercise a top up right in respect of the shares to be placed with UPC, 12% of the shares that would be issued to China Western Mining will also be placed with UPC.

The FerrAus shares to be placed to UPC will be subject to a 12 month escrow period.

FerrAus has agreed, subject to regulatory approval, that UPC will have an anti-dilutionary entitlement to subscribe for a number of shares equal to 12% of the shares comprised in each future issue of shares by FerrAus (other than pro-rata rights issues, shares issued under a share purchase plan, and shares issued on conversion of Class B Performance Shares and the exercise of options on issue at transaction completion and shares issued on the exercise of further options issued under FerrAus employee share option plan). This right will cease if UPC's FerrAus shareholding falls below 11% of its issued shares or it does not take up all of the FerrAus shares offered to it at any particular time under this entitlement.

A key component of the Share Subscription Agreement is that FerrAus will invite a senior China Railway Materials' (CRM's) representative to join the FerrAus Board. This is a significant indication of the strategic cooperation between FerrAus and China Railway Materials (CRM).

The Share Subscription Agreement is subject to conditions precedent, including Australian and Chinese regulatory approvals and FerrAus shareholder approval. The last date for satisfaction of the conditions is 30<sup>th</sup> November 2009. A notice of the meeting of FerrAus shareholders at which approval will be sought for the proposed share placement to UPC will be distributed to shareholders in due course.

## STRATEGIC COOPERATION AND SHARE PLACEMENT TO CHINA RAILWAY MATERIALS

### **Eastern Pilbara Focused Investment Co-operation**

FerrAus and China Railway Materials (CRM) will mutually seek to develop other resources in the eastern Pilbara region with the intention of assembling a sufficient quantity of quality iron ore resources to support the financing and construction of rail and port infrastructure that is a prerequisite for development of the iron ore resources in the region.

Investment cooperation is to be effected by FerrAus or China Railway Materials (CRM), on a reciprocal basis, offering the other, on terms to be agreed, on a case by case basis, a meaningful right-of co-participation in investment opportunities in East Pilbara iron ore assets or targets.

### **Pilbara Focused Infrastructure Funding**

On a non-binding basis, China Railway Materials (CRM) intends to assist FerrAus in sourcing financing for construction of supporting rail infrastructure. FerrAus' East Pilbara Iron Ore projects are located 25-65km from the railhead of the Mount Newman line at Jimblebar and approximately 180km from FMG's Cloud Break mine, currently The Transport Pilbara Infrastructure Pty Ltd (TPI) rail head.

### **Iron Ore Offtake**

The parties are to discuss terms on which, in return for securing substantial funding for the construction of suitable rail infrastructure, China Railway Materials (CRM) will receive a substantial entitlement to iron ore offtake from FerrAus at market terms to be negotiated.

### **Commentary**

#### **FerrAus Non Executive Chairman Mr. John Nyvlt said:**

"The Company is pleased to welcome China Railway Materials (CRM) as a second major Chinese investor following the placement of 9.9% of our shares to China Western Mining in mid-2008.

Investment in FerrAus by a major Chinese mining and smelting group and now agreement on investment by a major Chinese infrastructure and trading group emphasises the value of the Company and its Pilbara iron ore assets. The strategic co-operation with China Railway Materials (CRM) is a landmark step towards the objective of establishing local infrastructure to transport FerrAus iron ore to market. This infrastructure would unlock the immense value contained in the substantial direct-shipping hematite resources owned by FerrAus from multiple sites and potentially, those of other east Pilbara iron ore juniors".

#### **China Railway Materials (CRM) President Mr. Song Yufang said:**

"FerrAus has one of the most promising iron ore resources in the region and is well positioned for consolidation of the region. China Railway Materials (CRM) hopes to participate in development of East Pilbara iron ore resource development through its cooperation with FerrAus and will support FerrAus under appropriate conditions as the core resource in regional resource consolidation."

#### **FerrAus Managing Director & CEO Mr. Mike Amundsen said:**

"FerrAus recognises the stature of China Railway Materials (CRM) and the importance of having such a significant China rail industry participant as a strategic partner. The strategic cooperation with China Railway Materials (CRM) will go a long way to resolving FerrAus' business imperative of establishing a pathway to commercialising its iron ore assets. The partnership announced today also clearly demonstrates the increasing support by Chinese companies to diversify iron ore supplies and form win:win relationships."

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