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19 November, 2009

ASX Announcement

OPTION TO JOINT VENTURE SIGNED FOR THE WESTERN HAEMATITE PROJECT

- **An Option Agreement providing a A\$15M total investment to earn a 50% interest in the Company's WHP has been executed;**
- **The agreement comprises \$1M investment in FWL shares and \$14M cash into the WHP**

An Agreement ("the Option") with Global Minmetal Corporation ("GMC") that provides GMC with the Option to earn a 50% joint venture ("JV") interest in the Western Haematite Project by providing the Company a free carried interest of A\$15,000,000 in total.

GMC is an Australian registered company that is majority owned by private Chinese interests from the iron, steel and commodities trading sectors.

The Option with GMC has three stages as follows:

Stage 1 – GMC is to invest, subject to Foreign Investment Review Board approval (if required), A\$1,000,000 in Ferrowest by subscribing for 5,000,000 ordinary shares at A\$0.20 per share upon execution of the Option Agreement. The A\$1,000,000 will be held on trust until the shares can be issued following FIRB approval.

Ferrowest will prepare a detailed report for GMC on the final results of the WHP Reconnaissance Programme once the data has been fully analysed. GMC will then have 14 days from receipt of the final report to decide whether to exercise Stage 2 of the Option.

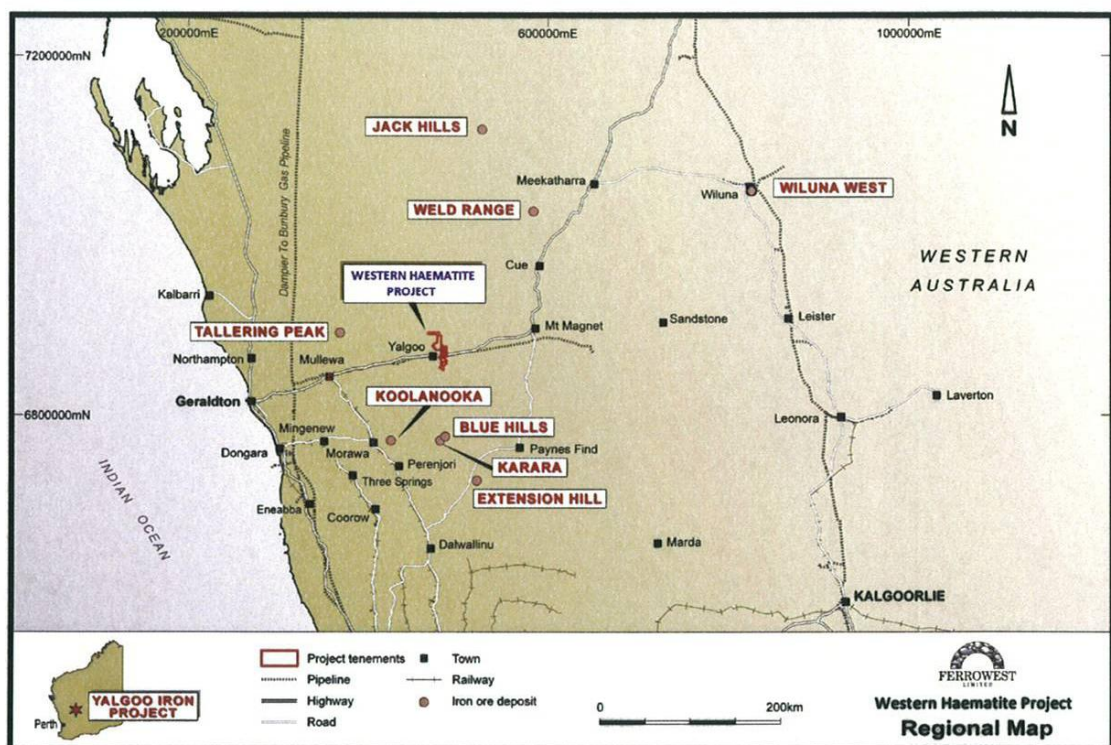
Stage 2 – If GMC elects to proceed with Stage 2 it must provide Ferrowest with A\$5,000,000 cash at the time it exercises Stage 2 of the Option. These funds will be used for exploration drilling and other feasibility studies on the WHP. Upon payment of the A\$5,000,000, GMC will also secure a 30% interest in the WHP. Once the A\$5,000,000 has been expended, Ferrowest will prepare another report for GMC and they will have a further 28 days to determine if they wish to exercise Stage 3 of the Option.

Stage 3 – If GMC elects to proceed with Stage 3 it must provide Ferrowest with a further A\$9,000,000 cash at the time it exercises this final stage. These funds will be used to complete the studies into the WHP and commence development of a mine. The Stage 3 payment will also secure GMC their final 20% interest in the WHP (for a total of 50%).

At a point during the exploration and studies into the WHP where both parties agree on the likely feasibility of the project, Ferrowest and GMC will enter the formal joint venture agreement (“JVA”), the detailed terms of which have already been agreed. It is a condition precedent for the execution of the JVA that GMC has paid the full \$15,000,000 (\$1M + \$5M +\$9M) of free-carried interest to Ferrowest.

Other key terms of the Option and proposed JVA are:

- The deal is subject to FIRB approval (if required);
- Ferrowest will be the operator of the WHP both during the Option and JV phases;
- The JV will be managed by a JV Committee with equal representation from both parties.
- GMC will have first right of refusal to purchase Ferrowest’s share of any production from the WHP at WA bench mark prices, adjusted for grade and contaminants;
- The Option and JV relate only to the WHP and direct shipping grade haematite iron ore. Ferrowest’s magnetite iron ore and the Yalgoo Iron Project do not form part of this Option or JV; and
- The 5,000,000 shares issued pursuant to Stage 1 of the Option, once issued, which will represent a 6.3% interest in Ferrowest and will be voluntarily escrowed for 12 months.



Once the A\$14M (A\$5M + A\$9M) in cash payments have been fully expended on the WHP exploration, studies and development, the parties to the JV will contribute any further funding required equally in accordance with their respective 50% interests.

“Ferrowest is very pleased with the final form of this Option Agreement. It delivers all of the funding needed to explore and complete a bankable feasibility study on the WHP and is also expected to meet the majority of the development funding if the WHP proves feasible, explains Brett Manning, Managing Director of Ferrowest.

Mr Chris Petropoulos of GMC remarked on the signing of the Option, “We are very happy to be partnering with Ferrowest on the Western Haematite Project. GMC is keen to secure any iron ore that the project can supply.”

For further information please contact: Brett Manning – Managing Director +61 8 9277 2600

About Global Minmetal Corporation

Global Minmetal Corporation Pty Ltd is an Australian private company that is majority owned by private Chinese interests headquartered in Teda Tianjin, China with extensive business interests in iron ore, steel making, coal and other commodities.

About The Western Haematite Project

Ferrowest Limited has identified potential zones of direct shipping ore (“DSO”) grade haematite at its Yogi iron ore deposit 14 km east of Yalgoo in the mid west of Western Australia. The first prospect is to the west of the main magnetite ore body that forms the basis of the Company’s other major project, the Yalgoo Iron Project. Exploration of a 600Ha area is ongoing with a number of potential haematite targets identified at Yogi.

Flora, fauna and heritage surveys have all been completed at the WHP without any material issues being identified that will hamper exploration.

The current concept for the WHP, subject to satisfactory exploration, study results and government approvals, envisages mine production of around 1.5Mtpa, with the direct shipping grade ore being transported by road train to Geraldton for export to China. The relatively simple open cut mine scenario and existing road train approved transport corridor over a relatively short shipping distance direct to the existing port, provide an excellent basis for the WHP.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Graeme Johnston, a Fellow of the Geological Society of London.

Graeme Johnston is a Director of the Company and a geological consultant to it through Corad Pty Ltd. Graeme Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a ‘Competent Person’ as defined in the 2004 Edition of the ‘Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Graeme Johnston consents to the inclusion in this report of the matters based on his information in the form and context in which it appears