

13 October, 2009

ASX Announcement

RECONNAISSANCE DRILLING HAS COMMENCED AT THE WESTERN HAEMATITE PROJECT

The Company is pleased to advise that the reconnaissance programme for the Western Haematite Project is proceeding on schedule with the RC drilling programme commencing today.

The area targeted for drilling is located on the Company's Yogi tenement package 14km east of Yalgoo in the mid west of Western Australia.

This short programme is designed to increase the Company's understanding of the first target area and to validate information derived from the recent ground gravity and ground magnetics surveys that covered the first four targets and a 600 hectare area.

Drill holes will be spread along the length of the first target where haematite outcrops over a 2000m strike length. While a mineral resource estimate classified and reported in accordance with the JORC Code will not be derived from this drilling programme, it will provide grade and intercept data at the locations drilled.

Once the results of the reconnaissance drilling and survey data have been analysed, the Company will, subject to suitable results, conduct a more extensive resource drilling programme later in the year. The Company has approval for an extensive 46 hole drilling programme and hopes to fund the planned future drilling on the Western Haematite Project through funds derived from the joint venture negotiations currently underway.



A prepared drill pad at Yogi – The Western Haematite Project

The Company confirms that two parties remain in contention to joint venture on the Western Haematite Project. The Company does not currently have a timetable for a decision and agreement. It does, however, expect to have one or both final proposals to put before the Board for consideration in the near future.

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The Yalgoo Iron Project - Outline

Ferrowest Limited is developing the Yalgoo Iron Project aimed at producing seaborne traded merchant pig iron (96%Fe) from the Yogi magnetite deposit near Yalgoo in the mid west region of Western Australia. Proposed initial production is 1,000,000 tonnes per annum. The plan to process the iron ore to pig iron is premised on the ITmk3[®] technology and excellent existing infrastructure servicing the Project area. The resulting value added merchant pig iron product will be a relatively high margin, high quality, low volume product for export to quality electric arc furnace steel making plants worldwide.

The Western Haematite Prospect – Outline

Ferrowest Limited has identified a potential zone 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 prospect is to the west of the main magnetite ore body that forms the basis of the Yalgoo Iron Project. Surface rock chip sampling along the Western Haematite Project produced an average grade of 57-58% Fe. The first target has a surface expression of 2km in length and with varying widths up to 50m wide, indicating significant potential as a DSO grade iron project.