

FERROWEST
LIMITED

ABN 14 074 009 091

Annual Report

for the year ended

30 June 2009

CONTENTS	Page
Corporate Directory	3
Review of Operations	4
Directors' Report	6
Corporate Governance Statement	17
Auditor's Independence Declaration	21
Income Statement	22
Balance Sheet	23
Cash Flow Statement	24
Statement of Changes in Equity	25
Notes to the Financial Statements	26
Directors' Declaration	53
Independent Auditor's Report	54
Supplementary Information	56

CORPORATE DIRECTORY

FERROWEST LIMITED

ABN 14 074 009 091

Directors

Robert H Duffin	Non-executive Chairman
Brett L Manning	Managing Director
Barry E Wyatt	Non-executive Director
Philip J Evers	Non-executive Director
Graeme G Johnston	Executive Director

Company Secretary

Daniel J Bredenkamp

Registered Office & Principal Place of Business

Ferrowest Limited
Unit 18, 28 Belmont Avenue
BELMONT WA 6104

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Web: www.ferrowest.com.au

Postal Address

Ferrowest Limited
PO Box 383
BELMONT WA 6984

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Ph: (08) 9315 2333
Fax: (08) 9315 2233

Auditors

HLB Mann Judd
52 Ord Street
WEST PERTH WA 6005

Solicitor

Jeremy Shervington
Level 1, 2 Richardson Street
WEST PERTH WA 6005

Bankers

National Australia Bank Limited
Shop 76/77, Centro S/C, Cnr Burslem & Attfield
MADDINGTON WA 6109

Stock Exchange Listing

Australian Securities Exchange
(Home Branch – Perth)
ASX Code: FWL

REVIEW OF OPERATIONS

The activities of Ferrowest Limited ("Ferrowest" or "the Company") during the reporting period follow:

The 2008/2009 financial year was by far the most difficult the Company has faced since listing on the Australian Securities Exchange in 2006. The Global Financial Crisis ("GFC") had a direct impact on the Company at a number of levels. Equity markets in Australia 'dried up' at a time when the Company needed additional funds to progress its business plan. Agreements for investment and off-take in relation to the Company's Yalgoo Iron Project, which had been negotiated over nine months with foreign steel mills, and which were ready for signature in December 2008, have been deferred until the worldwide economic conditions improve. The Company's attempts to secure a suitable partner to fund the exploration and development of the newly discovered Western Haematite Project ("the WHP") also suffered delays, with a number of 'bargain hunters' turned away by the Company and more serious potential partners being hesitant to commit in a world that was financially unstable.

The Company responded to these challenges by cutting back heavily on corporate expenditure and delaying new exploration and project development activities. The GFC also led to a significant reduction in the Company's market capitalisation and the Board decided to minimise the issue of new equity as much as possible so as not to dilute the value held by existing shareholders. The Board was very cognisant of the fact that the GFC would pass and the Company's assets would remain intact and ready for the eventual recovery. The story for Ferrowest during the reporting period has been very much about ensuring the Company could 'weather' the GFC and position itself for the next upturn in the resource sector.

Not all news during the reporting period was bad. In July 2008 the Company announced the discovery of a potential direct shipping grade haematite iron ore prospect at Yogi, 14km east of Yalgoo, within the same tenement package which hosts the Yalgoo Iron Project (which is based around magnetite iron ore). This new project is called the Western Haematite Project.

Conceptually the WHP consists of a primary haematite iron ore target that outcrops along a 2,000m strike length with surface expression up to 50m wide. Rock chip samples from this first target grade at around 57-58%Fe and could conceptually host a target of around 12 million tonnes of haematite iron ore but this will require drilling and assaying to determine if the mineralisation has appropriate grade and contaminant levels for the preparation of a Resource evaluated and reported in accordance with the JORC Code.

During the reporting period, the Company conducted flora and fauna surveys over the WHP area and found no environmental impediments to exploration and mining. The State Government has previously advised, during a review of the banded iron formations in the Mid West Region that it was predisposed to mining at Yalgoo. The Company has applied for and been granted permission to commence a 46 hole drilling programme over the first target of the WHP. Three other potential targets have been identified adjacent to the first target. The other targets in the immediate area have more cover and less outcropping but appear to be similar in nature to the primary target. There are other haematite iron ore potential elsewhere on the Company's tenement package that have been mapped but are yet to be sampled.

Conceptual analysis of the WHP shows that if 12 million tonnes of haematite iron ore of suitable grade and with appropriate contaminant levels can be identified, the WHP could become quite a valuable project with an indicative production rate of 1.5mtpa.

The Company was very pleased to see that despite the GFC, Steel Dynamics in the United States pressed on with building the first full scale ITMk3® merchant pig iron plant in Minnesota. This technology is central to the proposed Yalgoo Iron Project and the successful commissioning of this plant in the USA will provide the Company with a proven and bankable technology ahead of the completion of the Bankable Feasibility Study and the need for project financing in early 2011. The latest reports have this plant on schedule and on budget with commissioning underway and production scheduled for November 2009.

The dramatic reduction in global steel production (some 22%) brought about by the GFC caused the MPI market to suffer and the price of MPI dropped below worldwide production costs. As steel production began to recover the price has also recovered to economically sustainable levels. The Company remains very confident about the market for MPI over the next decade and believes there are many factors that are leading to organic growth for ocean traded MPI.

REVIEW OF OPERATIONS

The Company undertook a number of small scale share placements and issued some convertible notes during the reporting period in order to raise the funds necessary to meet working capital requirements. A Share Purchase plan was also implemented for shareholders during the reporting period. The total funds raised during the year via these activities was \$863,500.

The directors are confident that despite the affects of the GFC, the current 2009/2010 financial year will be an exciting one for the Company with the opportunity to make significant advances on both the Yalgoo Iron Project and the Western Haematite Project.

Activities Subsequent to the Reporting Period

Subsequent to the end of the reporting period the following activities occurred:

- The Company raised \$387,000 through the private placement of 4,300,000 ordinary shares to sophisticated investors at 9 cents per share. The funds will be used for working capital and to conduct a Reconnaissance Exploration Programme on the Western Haematite Project.

DIRECTORS' REPORT

Your directors' submit the annual financial report of Ferrowest Limited for the financial year ended 30 June 2009. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during the financial year and up to the date of this report are as follows:

<u>Name</u>	<u>Appointed</u>
Mr Robert Harry Duffin	1 January 2006
Mr Brett Lee Manning	10 April 2005
Mr Barry Edward Wyatt	16 May 1996
Mr Philip James Evers	20 January 2005
Mr Graeme Godsman Johnston	20 February 2006

Directors were in office for this entire period unless otherwise stated.

Information on Directors

Mr. Robert Harry Duffin

Chairman (Non-executive)

Appointed 1 January 2006

Bob Duffin is Chairman of the board and Chairman of the Company's Audit Committee.

Bob is a company director and consultant to the mining industry, specialising in mining investment analysis, valuations and the provision of mining sector investment advice.

Bob has a BSc (Hons), an MSc (Hons), a Graduate Diploma in Management and is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy, and holds an Australian Financial Services License issued by ASIC.

He has over 30 years experience in resource exploration and project assessment, including over 15 years in mining investment analysis, project valuation and assessments of fair value of securities. Bob is the principal consultant with Resource Equity Consultants Pty Ltd and has written or contributed to over 100 independent experts reports and has acted as an 'Expert Witness' in resource litigation issues.

In the 3 years immediately before the end of the financial year, Bob has also served as a director of the following listed companies:

- Chairman of Western Plains Resources Ltd*; and
- Director of Centennial Coal Company Limited.

* denotes current directorships

DIRECTORS' REPORT

Mr. Brett Manning

Managing Director

Appointed 10 April 2005

Brett is the Managing Director and a member of the company's Remuneration Committee. He is responsible to the board for the operations of Ferrowest and the successful implementation of the Company's business plan.

He has more than 15 years experience in corporate management in a resource projects environment with diverse experience in a variety of management disciplines including strategic planning, human resources, government liaison, company secretarial practice, policy development, tenement management, accounting and treasury.

Prior to working in corporate management, Brett commenced his career in the Royal Australian Air Force in advanced avionics, and subsequently moved into quality management facilitation.

Brett is also a published novelist.

In the 3 years immediately before the end of the financial year Brett held no other listed company directorships.

Mr. Barry Edward Wyatt

Project Director (Non-executive)

Appointed 16 May 1996

Barry Wyatt is the Company's Project Director and is a member of the Audit Committee. He has overall responsibility for the studies and development of the Yalgoo Iron Project.

He has a bachelor of civil engineering degree, previously a member of both the Institute of Engineers Australia and the Australasian Institute of Mining and Metallurgy and was a foundation member and Fellow of the Institute of Arbitrators and Mediators Australia.

He has over 40 years experience in engineering design and project management.

In the 3 years immediately before the end of the financial year Barry held no other listed company directorships.

Mr. Graeme Johnston

Chief Geologist & Director (Executive)

Appointed 20 February 2006

Graeme Johnston is the Company's Chief Geologist and is Chairman of the Remuneration Committee. He has overall responsibility for the exploration for iron ore, the maintenance of the Company's mineral tenement assets and for the development of JORC compliant Resources and Reserves required to underpin the Company's Projects.

Graeme has a B.Sc (Hons) in Geology, M.Sc. in Structural Geology and Rock Mechanics, a Diploma of Imperial College of Science and Technology and is a Fellow of the Geological Society of London.

Graeme has 23 years experience in geology and mineral exploration in Australia including 15 years directly involved in iron ore projects.

In the 3 years immediately before the end of the financial year Graeme held no other listed company directorships.

DIRECTORS' REPORT

Mr. Philip Evers

Principal Metallurgist & Director (Non-executive)

Appointed 20 January 2005

Phil Evers is the Company's Principal Metallurgist and a member of both the Audit and Remuneration Committees. He has responsibility for the metallurgical test work and process development encompassing both the beneficiation plant and merchant pig iron plant integration into the Yalgoo Iron Project.

Phil has a BSc (Tech) in Mineral Processing Technology from the University of NSW.

He has over 27 years experience in mineral processing including plant management, project development, process design and in recent years as a consultant metallurgist specialising in iron ore processing.

In the 3 years immediately before the end of the financial year Phil held no other listed company directorships.

Company Secretary

Daniel Johannes Bredenkamp

Daniel was appointed Company Secretary on 28 November 2006.

Daniel has 14 years of experience in business and his previous appointments include Pitcher Partners in Perth, KPMG Audit Tax and Advisory in South Africa and the Serious Fraud Office in London. Daniel has extensive experience in managing different entities and has been involved in the resources sector in both South Africa and Australia.

Daniel is also the Chief Financial Officer of the Company and is a member of CPA Australia, a Fellow of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia.

Directors' Interests in Shares and Options of the Company

The interest of each Director in the shares and options of the Company at the date of this report is as follows:

	Number of options over ordinary shares	Number of fully paid ordinary shares
Mr Robert H Duffin	3,325,000 ¹ 750,000 ² 350,000 ³ 625,000 ⁴ 350,000 ⁵	1,300,000
Mr Brett L Manning	750,000 ² 325,000 ³ 316,500 ⁴ 325,000 ⁵	2,254,450
Mr Barry E Wyatt	750,000 ² 325,000 ³ 325,000 ⁵	4,365,000
Mr Philip J Evers	750,000 ² 325,000 ³ 2,222,500 ⁴ 325,000 ⁵	4,423,750
Mr Graeme G Johnston	750,000 ² 387,500 ³ 2,317,500 ⁴ 387,500 ⁵	4,717,500

DIRECTORS' REPORT

1. Unlisted options expiring 1 January 2011, exercisable at 20 cents each
2. Unlisted options expiring 31 January 2011, three 250,000 lots exercisable at 47, 57 and 67 cents each respectively
3. Unlisted options expiring 30 June 2010, exercisable at 60 cents each
4. Listed options expiring 1 June 2010, exercisable at 25 cents each
5. Convertible Notes face value 40 cents each

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of shares
1 June 2010	25 cents	26,900,561
1 January 2011	20 cents	3,325,000
21 August 2009	18 cents	112,000
21 August 2010	18 cents	84,000
21 August 2011	18 cents	84,000
8 November 2009	18.5 cents	48,000
8 November 2010	18.5 cents	36,000
1 August 2009	20 cents	30,000
1 August 2010	20 cents	22,500
19 November 2010	56.5 cents	26,000
23 October 2009	20.5 cents	16,000
23 October 2010	20.5 cents	12,000
23 October 2011	20.5 cents	12,000
6 August 2011	21 cents	51,000
6 August 2012	21 cents	38,250
6 August 2013	21 cents	38,250
31 January 2011	47 cents	1,250,000
31 January 2011	57 cents	1,250,000
31 January 2011	67 cents	1,250,000
30 June 2010	60 cents	1,875,000

Corporate Structure

Ferrowest Limited is a limited liability company that is incorporated and domiciled in Australia. Ferrowest Limited has no parent entity or subsidiary companies.

Nature of Operations and Principal Activities

The principal activities of the Company during the year was conducting exploration and feasibility studies on the following resource projects that are 100% owned by the Company:

The Yalgoo Iron Project

The proposed Yalgoo Iron Project contemplates the development of a merchant pig iron (MPI) production operation in the mid west region of Western Australia centred around a proposed mine and beneficiation plant at the Company's Yogi iron ore deposit 14km east of Yalgoo, feeding a proposed MPI production facility at Eradu, 60km east of Geraldton. Proposed production from the project would be 1 million tonnes per annum of iron nuggets grading 96%Fe. This product sells for around 5 times the value of the best iron ores.

The Western Haematite Project

The Western Haematite Project is an early stage direct shipping haematite iron ore prospect also located on the Company's Yogi tenement package. The first exploration drilling is expected to occur this year. Subject to successful exploration results, the project contemplates the mining of a nominal 1.5 million tonnes per annum of haematite iron ore grading around 57-58%Fe for export through the Port of Geraldton.

DIRECTORS' REPORT

Review of Operations

A review of the Company's operations is contained in the section headed Review of Operations.

Operating Results

The loss of the Company for the financial year after tax was \$1,617,074 (2008: \$2,013,342).

Dividends

No dividends have been paid or declared by the Company since the start of the financial year and up to the date of this report. The Directors do not recommend the payment of a dividend.

Significant Events After Balance Date

Subsequent to the end of the reporting period the following activities occurred:

- The Company raised \$387,000 through the private placement of 4,300,000 ordinary shares to sophisticated investors at 9 cents per share. The funds will be used for working capital and to conduct a Reconnaissance Exploration Programme on the Western Haematite Project.

There are no other matters or circumstances that have arisen since 30 June 2009 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

Likely Developments and Expected Results of Operations

The Yalgoo Iron Project

The Company intends to continue conducting exploration and feasibility studies for the Yalgoo Iron Project with the aim of completing the Definitive Engineering Study in the next 12 months. It is expected that the world economic conditions will have improved sufficiently to allow the Company to renew its negotiations for off-take and investment partners for this project by the end of 2009.

The Western Haematite Project

The Company intends to advance exploration and studies into the Western Haematite Prospect with the target, subject to successful exploration results, of determining a maiden JORC haematite Resource during the next 12 months. The Company is currently seeking a potential Joint Venture partner to fund the exploration and development of the project.

Environmental Obligations

The Company is subject to the normal environmental requirements (both State and Federal) applicable to exploration and project development activities in the State of Western Australia.

The Directors believe that meeting or exceeding the Company's environmental obligations are a core business function and have instituted corporate policies and practices to ensure the Company strives for environmental best practice.

No environmental breaches have occurred or have been notified by any Government agencies during the year ended 30 June 2009, or subsequent to year end.

Corporate Governance

The Corporate Governance policies of the Company are set out in the Corporate Governance Report.

DIRECTORS' REPORT

Insurance of Officers

Since May 2006 the Company has commenced an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or Officer of the company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurer has not been disclosed. This is permitted under Section 300(9) of the *Corporations Act 2001*.

Remuneration report (Audited)

This report outlines the remuneration arrangements in place for directors and executives of Ferrowest.

The following persons acted as directors during or since the end of the financial year:

Mr Robert Harry Duffin (Non-executive Chairman)

Mr Brett Lee Manning (Managing Director)

Mr Barry Edward Wyatt (Non-executive Director)

Mr Philip James Evers (Non-executive Director)

Mr Graeme Godsman Johnston (Executive Director)

The term 'senior management' is used in this remuneration report to refer to the following persons. Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year:

Mr Daniel Johannes Bredenkamp (Chief Financial Officer and Company Secretary)

Remuneration philosophy

The performance of the Company depends upon the quality of the directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre directors and employees;
- link executive rewards to shareholder value creation; and
- establish appropriate performance hurdles for variable executive remuneration.

Remuneration committee

The Remuneration Committee of the Board of Directors of the Company is responsible for reviewing compensation arrangements for the directors, the Managing Director and the Chief Financial Officer and making recommendations to the Board.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions, with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Remuneration structure

In accordance with best practice Corporate Governance, the remuneration structure of non-executive directors, senior managers and executive remuneration is separate and distinct.

DIRECTORS' REPORT

Non-executive director remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a General Meeting. The latest determination was at the Annual General Meeting held on 3 November 2005 when shareholders approved an aggregate remuneration of \$250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external sources as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. Currently directors fees are set at \$38,150 per annum for non-executive directors and \$54,500 per annum for the non-executive Chairman. These amounts are inclusive of superannuation where applicable.

Directors do not receive additional fees in respect of Committee responsibilities.

The remuneration of non-executive directors for the period ended 30 June 2009 is detailed in Note 15 of this report.

Senior Manager and Executive Director Remuneration

The Company has a system of remuneration for its senior management that consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

Fixed remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Variable Remuneration

The Company has implemented a variable remuneration component of its remuneration policy. The objective of the short term incentive program is to link the achievement of the Company's operational targets with the remuneration received by the executives charged with meeting those targets. The total potential short term incentive available has been set at a level so as to provide sufficient incentive to the senior manager to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

The Company has introduced a long term incentive plan to reward directors, employees and certain consultants in a manner that aligns this element of remuneration with the creation of shareholder wealth.

Employment Contracts

At 30 June 2009 the following senior executives employment contracts were in place:

Brett Manning – Managing Director

Pursuant to a contract of employment dated 5 November 2005, varied upon appointment as Managing Director on 1 February 2006 and revised on 19 November 2007, Brett Manning is engaged as a permanent full time employee of the Company on the following key terms and conditions:

- Fixed Remuneration - \$180,000 per annum plus statutory 9% superannuation

DIRECTORS' REPORT

- Variable Remuneration – Long Term Incentives of up to 2,250,000 options and Short Term Incentives of up to \$72,000 subject to meeting agreed upon Key Performance Indicators (Yet to be determined for the 2009/2010 financial year). The Short Term incentive scheme was suspended for the 2008/2009 financial year due to the impact of the Global Financial Crisis.
- Special Benefits - Nil
- Period of Notice for Resignation – Six Weeks
- Period of Notice for Termination – Twelve Weeks
- Entitlement on Termination upon Change of Control – 6 Calendar months pay and applicable Superannuation and any unpaid cash bonuses forming part of the employment contract
- Remuneration on Resignation or Termination – 1 Weeks pay for each year of service to a maximum of 6 Weeks
- Long Service Leave – 12 Weeks after 10 years continuous service

Daniel Bredenkamp – Chief Financial Officer and Company Secretary

Pursuant to a contract of employment dated 6 August 2006 and varied on 19 November 2007, 21 January 2009 and 13 February 2009, Daniel Bredenkamp is engaged as a permanent employee of the Company on the following key terms and conditions:

- Fixed Remuneration Rate - \$150,000 per annum plus statutory 9% superannuation
- Variable Remuneration – Currently Nil but may participate in future Company schemes
- Equity Options – 280,000 options with entitlement staggered over three years from the commencement of employment with the Company. 40% of total options issued vest after 1 year from commencement of employment, 30% after 2 years and 30% after 3 years. The options are issued free of charge with an exercise price of \$0.18 and expiry date in respect of each tranche of options are 2 years after the relevant vesting date.
- Special Benefits - Nil
- Period of Notice for Resignation/Termination – Four Weeks
- Entitlement on Termination upon Change of Control – 3 Calendar months pay and applicable Superannuation
- Remuneration on Resignation or Termination – 1 Weeks pay for each year of service to a maximum of 6 Weeks
- Long Service Leave – 12 Weeks after 10 years continuous service

DIRECTORS' REPORT

Remuneration of directors and named executives

Table 1: Directors' remuneration for the year ended 30 June 2009

		Primary benefits			Post employment		Equity	Other	Total	Performance Related
		Salary & Fees	Bonuses	Non Monetary Benefits	Super-annuation	Prescribed benefits	Options			
		\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Bob Duffin	2008	54,500	-	-	-	-	-	-	54,500	-
	2009	54,500	-	-	-	-	39,750	-	94,250	-
Mr Brett Manning	2008	165,923	-	-	14,933	-	-	-	180,856	-
	2009	180,000	-	-	16,200	-	39,750	-	235,950	-
Mr Barry Wyatt	2008	186,417	-	-	2,363	-	-	-	188,780	-
	2009	114,650	-	-	3,150	-	39,750	-	157,550	-
Mr Graeme Johnston	2008	186,640	-	-	-	-	-	-	186,640	-
	2009	79,073	-	-	-	-	39,750	-	118,823	-
Mr Phil Evers	2008	105,000	-	-	2,363	-	-	-	107,363	-
	2009	62,750	-	-	3,150	-	39,750	-	105,650	-

DIRECTORS' REPORT

Table 2: Named Executives' remuneration for the year ended 30 June 2009

		Primary benefits			Post employment		Equity	Other	Total	
		Salary & Fees	Bonuses	Non Monetary Benefits	Super-annuation	Prescribed benefits	Options			Performance Related
		\$	\$	\$	\$	\$	\$	\$	\$	%
Mr Daniel Bredenkamp	2008	135,615	-	-	12,205	-	29,624	-	177,444	-
	2009	96,346	-	-	8,671	-	-	-	105,017	-

Table 3: Options granted during the year as part of remuneration

	Value of options granted at grant date	Value of options exercised at exercise date	Value of options lapsed at time of lapse	Total value of options granted, exercised and lapsed	Value of options lapsed during year	Value of options included in remuneration for the year	Remuneration consisting of options for the year
	\$	\$	\$	\$	\$	\$	%
Mr Bob Duffin	39,750	-	-	39,750	-	39,750	42.2
Mr Brett Manning	39,750	-	-	39,750	-	39,750	16.8
Mr Barry Wyatt	39,750	-	-	39,750	-	39,750	25.2
Mr Graeme Johnston	39,750	-	-	39,750	-	39,750	33.5
Mr Philip Evers	39,750	-	-	39,750	-	39,750	37.6

DIRECTORS' REPORT

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board Meetings		Committee Meetings	
	Number Attended	Maximum Possible	Audit	Remuneration
Number of meetings held:		9	1	1
Mr Robert H Duffin	9	9	1	*
Mr Brett L Manning	9	9	*	1
Mr Barry E Wyatt	9	9	1	*
Mr Graeme G Johnston	9	9	*	1
Mr Philip J Evers	9	9	1	1

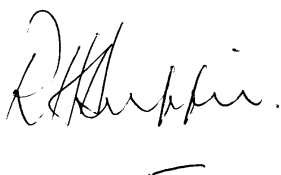
* - Not a member of this committee

Auditor Independence and Non-Audit Services

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the Annual Report. This Independence Declaration is set out on page 21 and forms part of this directors' report for the year ended 30 June 2009.

There were no non-audit services provided by our auditors, HLB Mann Judd.

Signed in accordance with a resolution of the directors.



Bob Duffin
Chairman
PERTH, Western Australia
30 September 2009



Brett Manning
Managing Director
PERTH, Western Australia
30 September 2009

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Ferrowest Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company's Corporate Governance Statement is structured with reference to the ASX Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Remunerate fairly and responsibly

During the Reporting Period the Company has complied with the Corporate Governance Principles and corresponding Best Practice Recommendations as published by the ASX Corporate Governance Council, other than in relation to the matters specified below:

Principle	Recom' #	Departure	Explanation
2	2.1	The majority of the Board are not independent Directors.	While your Board concurs with the principle of having a majority of non-executive and independent directors on the Board, it is considered that utilising the technical consulting expertise of the current Board can add more value to the management of the Company at this stage in its development. The Board will seek to maximise non-executive and independent representation on the Board in the future, within the constraints of prudent management practice.
	2.4	The Company does not operate a Nomination Committee.	Due to the small size of the Board the nomination committee function is performed by the full Board.
4	4.2	The Audit Committee is not made up of a majority of independent Directors. The Chairman of the Audit Committee is the Chairman of the Board.	The current Board composition does not allow for a majority of independent Directors on the Audit Committee. With the current make-up of the Board, the Chairman of the Board is the only member not providing operational services to the Company. Therefore the Board deems him to be the most independent member for the purposes of chairing the Audit Committee under the current structure.
8	8.1	The majority of the Remuneration Committee are not independent Directors.	The current Board composition does not allow for a majority of independent Directors on the Remuneration Committee.

CORPORATE GOVERNANCE STATEMENT

Details of the Company's Corporate Governance Policies are available on the Ferrowest website at www.ferrowest.com.au

The Role of Corporate Governance in the Company

The Board of Ferrowest are committed to high standards of Corporate Governance in the performance of their duties. The following summary identifies the main Corporate Governance Policies of the Company:

The Directors are accountable to the shareholders of the Company as a whole for the performance of Ferrowest.

The Board has determined that its primary function is in:

- Establishing, monitoring and reviewing the strategic direction of the Company;
- Delegating management authorities;
- Approving master budgets and allocating financial resources;
- Reviewing financial performance to budget and amending where required;
- Approving material transactions, significant management initiatives, investment strategies and major capital purchases or divestments;
- The appointment or termination of key personnel; and
- Evaluating corporate risk.

Day to day operation of the Company is delegated to the Managing Director, who is accountable to the Board. The Board also retains certain powers that it does not delegate to management. The delegation of authority and responsibility is clearly defined.

The Board has been structured to offer expertise across a range of technical disciplines that are key to implementation of the Company's business plans at this stage of its development.

The Board will seek to nominate persons to the Board who have the suitable qualifications, experience and skills to augment the capabilities of the Board.

While your Board concurs with the principle of having a majority of non-executive and independent directors on the Board, it is considered that a Board with a majority of executive directors can add more value to the management of the Company at this stage in its development.

The Board will seek to maximise non-executive and independent representation on the Board in the future, within the constraints of prudent management practice.

Given the relatively small size of the Company and Board, the Board will not establish a Nomination Committee at this stage, retaining these responsibilities as a full Board function.

Ethical and Responsible Decision Making

The Company has a Code of Conduct that binds directors, officers and employees.

The Company also has a published set of Values to provide further guidance to directors, officers and employees.

The Company Secretary is responsible for the investigation of any possible breaches of the Company's Code of Conduct with findings presented to the Managing Director in respect of employees and the Chairman in respect of a Board member.

The Company makes directors, officers and employees aware of their responsibilities under the Corporations Act 2001 when trading in the shares of the Company.

Continuous Disclosure and Shareholder Communications

The Managing Director, with advice from the Company Secretary where appropriate, is responsible for bringing continuous disclosure matters to the attention of the Board of Directors. To ensure the timely disclosure of pertinent matters, the Managing Director has the delegated authority to disclose routine matters of fact to the ASX without reference to the Board. The Managing Director is also delegated to take all reasonable actions to comply with urgent disclosure matters in the event that the Board is unable to meet or communicate in a timely manner, including calling a trading halt if required.

CORPORATE GOVERNANCE STATEMENT

Good communication with shareholders is important to the Board and it intends to keep shareholders informed of the Company's activities. This is achieved through ASX Announcements, the Company's website, periodic public presentations and an email mail-out system for shareholders and other interested parties.

Recognising and Managing Risk

At this stage of the Company's development its primary activities involve exploration and the preparation of feasibility studies into the Company's mineral based projects.

Risk is systematically managed through a series of applicable Company systems and policies that address the main areas of risk facing the Company, including financial and accounting controls, insurance of assets, occupational health and safety, environmental management, land access and tenure etc. The Company will also implement a systematic risk assessment program in parallel with the studies into its mineral projects to ensure that as the Company's activities evolve, the appropriate risk management systems are enhanced or added to as required.

The Board receives specific written assurances from the Managing Director (as the Chief Executive Officer) and the Chief Financial Officer upon preparation of both the Company's annual and half yearly financial accounts with respect to the integrity of the financial management of the Company and that the accounts are a true and fair representation of the Company's position, in accordance with section 295A of the Corporations Act 2001.

Skills, Experience and Expertise of each Director

A profile of each Director is contained in the Director's Report and further information is available on the Company's website at www.ferrowest.com.au.

Directors Fees to Non-executive Directors

The shareholders of the Company approved total fees payable to non-executive directors of \$250,000 per annum at a General Meeting of the Company held on 3 November 2005.

The Board has resolved that the current director's fees are:

- Non-executive directors - \$38,150pa
- Non-executive chair - \$54,500pa

These amounts include an allowance for statutory superannuation.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred as a result of attendance at Board meetings and the discharge of other director related duties.

Board members are not provided any additional remuneration in respect of any standing Board Committee memberships.

The term in office held by each director in office at the date of this report is as follows:

Name	Term in Office	Name	Term in Office
Mr Robert Duffin	3.5 years	Mr Brett Manning	4.0 years
Mr Barry Wyatt	13.0 years	Mr Philip Evers	4.5 years
Mr Graeme Johnston	3.5 years		

Identification of Independent Directors

The independent director of Ferrowest is the Chairman, Robert Duffin.

Evaluating Performance of Board Members and Senior Executives

The Board of Directors conduct an annual formal written Peer Review for each member of the Board to evaluate the performance and contribution of each member both in respect of their participation on the Board and any relevant Board Committees.

The performance of the Senior Executives is evaluated annually through a formal written Performance Appraisal process.

Statement on Independent Professional Advice

If requested by a Director, the Company will pay for independent professional advice for a Director in the discharge of their duties provided that the prior approval of the Chairman is obtained.

CORPORATE GOVERNANCE STATEMENT

Retirement Benefits for Non-executive Directors

There are no termination or retirement benefits for non-executive directors.

Board Committee Memberships

Audit Committee

The Board has established an Audit Committee and has delegated it with responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Audit Committee has a Charter to govern its activities that has been approved by the Board of Directors.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit Committee are non-executive directors.

The members of the Audit Committee during the year were:

Mr Bob Duffin (Chairman)

Mr Phil Evers

Mr Barry Wyatt

Remuneration Committee

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The Board has established a Remuneration Committee, comprising of three directors. Members of the Remuneration Committee throughout the year were:

Mr Graeme Johnston (Chairman)

Mr Phil Evers

Mr Brett Manning

The Remuneration Committee reviews the remuneration of the Board itself, the Managing Director and the Chief Financial Officer. The Remuneration Committee also considers external advice and employment data to ensure the overall remuneration practices of the Company are appropriate.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company: and
- performance incentives that allow executives to share the success of Ferrowest Limited.

To assist in achieving the Company's remuneration objectives, the Remuneration Committee links the nature and amount of executive directors' emoluments to the company's financial and operational performance.

For a full discussion of the company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained within the Directors' Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Managing Director and the Chief Financial Officer on advice from the Remuneration Committee. The Managing Director is responsible for the general remuneration policies and practices that apply to the balance of employees within the Company.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Ferrowest Limited for the year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Ferrowest Limited.



Perth, Western Australia
30 September 2009

N G NEILL
Partner, HLB Mann Judd

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
Revenue	2	4,801	67,832
Salaries and employee benefits expense		(404,746)	(496,621)
Depreciation expense		(93,403)	(68,035)
Exploration and tenement expenditure		(296,826)	(689,037)
Interest and finance costs		(77,356)	(205,927)
Share based payment		(313,226)	(54,503)
Corporate and administration costs		(436,318)	(567,051)
Loss before income tax expense	2	(1,617,074)	(2,013,342)
Income tax expense	3	-	-
Loss after tax from continuing operations		(1,617,074)	(2,013,342)
Loss after tax from continuing operation		-	-
Net loss for the year		(1,617,074)	(2,013,342)
Basic loss per share (cents per share)	4	(2.5)	(3.5)

The accompanying notes form part of these financial statements

**BALANCE SHEET
AS AT 30 JUNE 2009**

	Notes	2009 \$	2008 \$
Assets			
Current Assets			
Cash and cash equivalents	5	142,476	77,858
Other assets	6	104,750	125,168
Total Current Assets		247,226	203,026
Non-Current Assets			
Property, plant and equipment	7	280,913	374,996
Deferred exploration expenditure	8	6,374,549	6,214,398
Total Non-Current Assets		6,655,462	6,589,394
Total Assets		6,902,688	6,792,420
Liabilities			
Current Liabilities			
Trade and other payables	10	684,550	377,632
Total Current Liabilities		684,550	377,632
Non-Current Liabilities			
Borrowings	11	737,584	443,259
Total Non-Current Liabilities		737,584	443,259
Total Liabilities		1,422,134	820,891
Net Assets		5,480,554	5,971,529
Equity			
Issued capital	12	9,015,624	8,148,426
Reserves	12	1,396,324	1,137,423
Accumulated Losses		(4,931,394)	(3,314,320)
Total Equity		5,480,554	5,971,529

The accompanying notes form part of these financial statements

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 \$	2008 \$
		Inflows/(Outflows)	
Cash flows from operating activities			
Payments to suppliers and employees		(497,744)	(851,275)
Interest received		4,801	67,832
Interest paid and finance costs		(32,452)	(55,928)
Net cash (used in) operating activities	5	(525,395)	(839,371)
Cash flows from investing activities			
Purchase of non-current assets		-	(176,846)
Payments for exploration expenditure		(513,487)	(2,883,747)
Performance and rental bonds		-	(46,000)
Net cash (used in) investing activities		(513,487)	(3,106,593)
Cash flows from financing activities			
Proceeds from issue of securities		863,500	2,116,859
Share issue costs		-	(145,599)
Proceeds from borrowings		240,000	510,000
Net cash provided by financing activities		1,103,500	2,481,260
Net increase/(decrease) in cash and cash equivalents		64,618	(1,464,704)
Cash and cash equivalents at 1 July	5	77,858	1,542,562
Cash and cash equivalents at 30 June 2009	5	142,476	77,858

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2009**

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total \$
Balance at 30 June 2007	5,927,166	(1,300,978)	1,016,179	5,642,367
Securities issued during the period	2,366,859	-	-	2,366,859
Convertible Note – equity portion	-	-	66,741	66,741
Transaction costs	(145,599)	-	-	(145,599)
Share-based payments	-	-	54,503	54,503
Net loss for period	-	(2,013,342)	-	(2,013,342)
Balance at 30 June 2008	8,148,426	(3,314,320)	1,137,423	5,971,529
Securities issued during the period	867,198	-	-	867,198
Convertible Note – equity portion	-	-	(54,325)	(54,325)
Share-based payments	-	-	313,226	313,226
Net loss for period	-	(1,617,074)	-	(1,617,074)
Balance at 30 June 2009	9,015,624	(4,931,394)	1,396,324	5,480,554

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has also been prepared in accordance with the historical cost convention. The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial report. The Company is a listed public company, incorporated in Australia and operating in Australia.

Reporting Basis and Conventions

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's assets and the discharge of its liabilities in the normal course of business.

Notwithstanding the deficiency of working capital of \$437,324 the Board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can continue to fund its operations and further develop its mineral exploration and evaluation assets during the twelve months from the date of signing this financial report.

Funds have been raised since the end of the reporting period through the issue of equity (refer to Note 18 – Subsequent Events).

Further additional funding will be derived from one or a combination of the following:

- The placement of further securities under the ASX Listing Rule 7.1 or otherwise;
- An excluded offer pursuant to the Corporations Act 2001;
- Payments from parties acquiring a percentage Joint Venture interest in the Company's projects;
- The placement of securities under the existing \$5,000,000 Equity Line of Credit facility with YA Global Investment LP (of which \$4,910,000 remains undrawn as at 23 September 2009);
- Loans or other direct funding from parties seeking the off-take rights to future production output from the Company's projects;
- Loan funds secured against assets of the Company; or
- The sale of assets.

The Company has received a strong response from parties interested in providing funding to advance the exploration of the Western Haematite Project in exchange for a percentage joint venture interest in that asset. The Company has fielded over 30 serious inquiries in this regard and this list has now been rationalized down to a few remaining bidders. These discussions are at an advanced stage and have the potential to be resolved in the short term on conditions that would allow the Company to fully exploit the exploration opportunity of this potentially important new asset while also providing funds directly into the Company (through equity or otherwise) that can be utilised as working capital and to advance the Company's other interests.

Discussions with potential off-take and investment partners for the Yalgoo Iron Project had reached an advanced stage before being deferred due to the Global Financial Crisis. The Company believes that circumstances are now returning that will allow the Company to re-initiate these discussions in the medium term. These proposed agreements include the provision of significant amounts of funding from these parties to the Company that would enable it to fully exploit its business plan objectives for the year now current.

Accordingly, the Directors believe the Company will obtain sufficient funding from one or more of the funding opportunities detailed above to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(a) Basis of Preparation (continued)

Should none of the future equity raisings and/or the other agreements mentioned above be completed, there would be significant uncertainty as to whether the company would be able to continue as a going concern and to realise its assets (in particular its deferred exploration expenditure) and extinguish its liabilities in the normal course of business.

(b) Adoption of new and revised standards

In the year ended 30 June 2009, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2009.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) Critical accounting judgements and key sources of estimation uncertainty

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, using the assumptions detailed in Note 9.

Exploration and evaluation assets

The Company's accounting policy for exploration and evaluation expenditure is set out at Note 1(m). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

(e) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(f) Borrowing Costs

Borrowing costs are recognised as an expense when incurred except those that relate to the acquisition, construction or production of qualifying assets where the borrowing cost is added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

(h) Trade and other receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the Company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the Company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(i) Income Tax (continued)

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(j) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(k) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(l) Financial assets and financial liabilities

Financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(I) Financial assets and financial liabilities (continued)

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(I) Financial assets and financial liabilities (continued)

Derecognition of financial assets and financial liabilities

(i) Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(I) Financial assets and financial liabilities (continued)

The amount of the loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial instruments issued by the Company

(i) Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(ii) Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognized directly in equity as a reduction of the proceeds of the equity instrument to which the costs relate. Transaction costs are costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(m) Deferred exploration expenditure

Exploration, evaluation, and relevant acquisition costs are accumulated separately for each area of interest. They comprise acquisition costs, direct exploration and evaluation costs, and an appropriate portion of related overhead expenditure. They do not include general overhead or administrative expenditure not having a specific nexus with a particular area of interest.

Costs of this nature are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active operations in, or relating to, the area are continuing.

Exploration and evaluation expenditure which does not satisfy these criteria is written off.

Economically recoverable reserves are defined as the estimated quantity of product in an area of interest, which can be expected to be profitably extracted, processed, and sold under current and foreseeable economic conditions.

Revenue received from the sale or disposal of product, materials, or services during the exploration and evaluation phase of operations is not offset against expenditure in respect of the area of interest or mineral resource concerned but is taken into the financial statements as income.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

(n) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(n) Impairment of assets (continued)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(o) Trade and other payables

Trade payables and other payables are carried at cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

(p) Interest bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when liabilities are derecognised.

(q) Employee leave benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(r) Share-based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently one plan in place to provide these benefits:

- The Employee Incentive Option Scheme, which provides benefits to all employees, excluding directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black-Scholes model, further details of which are given in Note 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(r) Share-based payment transactions (continued)

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ferrowest Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(s) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

(u) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 2: REVENUE AND EXPENSES

	2009	2008
(a) Revenue	\$	\$
Interest received	4,801	67,832
(b) Expenses		
Depreciation of non-current assets		
Leasehold Improvements	15,260	14,960
Plant and Equipment	78,143	53,075
Amounts, received or due and receivable by auditors for:		
• audit or review services	24,800	16,500
• other services	-	-

NOTE 3: INCOME TAX

	2009	2008
(a) Income Tax Expense	\$	\$
The income tax expense for the year differs from the prima facie tax as follows:		
Loss for year	(1,617,074)	(2,013,342)
Prima facie income tax (benefit) @ 30%	(485,122)	(604,003)
Tax effect of non-deductible items	93,968	16,351
Deferred tax assets not brought to account	391,154	587,652
Total income tax expense	-	-

(b) Deferred Tax Assets

The following deferred tax assets have not been brought to account as assets:

Tax losses - revenue	1,249,329	932,337
Exploration	1,336,152	1,288,107
Temporary differences	119,771	45,608
	2,705,252	2,266,052

These amounts have not been brought to account as it is not probable that the Company will earn taxable income in the foreseeable future to allow the deferred tax assets to be utilised.

These losses are available to be used against future taxable income provided the Company continues to meet the utilisation requirements of the Income Tax Assessment Act.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 4: LOSS PER SHARE

	2009 Cents per share	2008 Cents per share
Basic loss per share	(2.5)	(3.5)
	\$	\$
Earnings – Net loss for year	(1,617,074)	(2,013,342)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	63,632,557	56,807,059

Diluted earnings per share has not been calculated as there were no securities on issue which would be potential ordinary shares having a dilutive effect.

NOTE 5: CASH AND CASH EQUIVALENTS

	2009 \$	2008 \$
Cash at bank	142,476	77,859

Cash at bank earns interest at floating rate based on daily bank deposit rates.

(i) Reconciliation of loss for the year to net cash flow used in operating activities:

Loss for the year	(1,617,074)	(2,013,342)
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Non-Cash items

Depreciation	93,403	68,035
Equity settled share based payment	313,226	54,503
Exploration expenditure written off	296,826	689,037
Interest expense settled in shares	3,698	150,000

Changes in assets and liabilities

Receivables	31,521	(12,130)
Payables	364,108	126,246
GST recoverable	(11,103)	98,280
Net cash flows (used in) operating activities	(525,395)	(839,371)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 5: CASH AND CASH EQUIVALENTS

(ii) Non-cash financing and investing activities

During the year the Company:

- (a) issued 1,875,000 unlisted options with an exercise price of 60 cents per share and an expiry date of 30 June 2010 to holders of Convertible Notes in satisfaction of the Convertible Note Deed requirements.
- (b) issued 48,565 fully paid ordinary shares at an issue price of 5.19 cents per share in satisfaction of Convertible Note interest.
- (c) issued 9,578 fully paid ordinary shares at an issue price of 12.3 cents per share in satisfaction of Convertible Note interest.

There were no other non-cash financing and investing activities during the year.

NOTE 6: OTHER ASSETS

	2009	2008
	\$	\$
Goods and Services Tax recoverable	12,913	8,836
Performance and rental bonds	83,917	83,917
Sundry debtors and prepayments	7,920	32,415
	104,750	125,168
	104,750	125,168

Terms and conditions relating to the above financial instruments:

- Other assets are non-interest bearing and generally repayable within 30 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 7: PROPERTY, PLANT AND EQUIPMENT

	Option Fee – freehold land \$	Leasehold improve- ments \$	Plant and equipment \$	Total \$
Year ended 30 June 2009				
At 1 July 2008, net of accumulated depreciation	150,000	27,773	197,223	374,996
Scrapped	-	-	(680)	(680)
Depreciation charge for the year	-	(15,260)	(78,143)	(93,403)
At 30 June 2009, net of accumulated depreciation	150,000	12,513	118,400	280,913
At 1 July 2008				
Cost	150,000	54,000	278,762	482,762
Accumulated depreciation	-	(26,227)	(81,539)	(107,766)
Net carrying amount	150,000	27,773	197,223	374,996
At 30 June 2009				
Cost	150,000	54,000	278,082	482,082
Accumulated depreciation	-	(41,487)	(159,682)	(201,169)
Net carrying amount	150,000	12,513	118,400	280,913
Year ended 30 June 2008				
At 1 July 2007, net of accumulated depreciation	-	31,914	134,271	166,185
Additions	150,000	10,000	116,846	276,846
Depreciation charge for the year	-	(14,141)	(53,894)	(68,035)
At 30 June 2008, net of accumulated depreciation	150,000	27,773	197,223	374,996
At 1 July 2007				
Cost	-	44,000	162,735	206,735
Accumulated depreciation	-	(12,086)	(28,464)	(40,550)
Net carrying amount	-	31,914	134,271	166,185
At 30 June 2008				
Cost	150,000	54,000	278,762	482,762
Accumulated depreciation	-	(26,227)	(81,539)	(107,766)
Net carrying amount	150,000	27,773	197,223	374,996

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 8: DEFERRED EXPLORATION EXPENDITURE

	2009 \$	2008 \$
Expenditure brought forward	6,214,398	4,019,686
Tenement acquisition	-	-
Expenditure incurred	456,977	2,883,749
Expenditure written off during year	(296,826)	(689,037)
Expenditure carried forward	<u>6,374,549</u>	<u>6,214,398</u>

The ultimate recoupment of the mining tenements, exploration and evaluation expenditure carried forward is dependent upon the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value.

NOTE 9: SHARE BASED PAYMENT PLANS

Employee Incentive Option Scheme

Employee options entitlements are staggered over three years from the commencement of employment with the Company. 40% of total options issued vest after 1 year from commencement of employment, 30% after 2 years and 30% after 3 years. The options are issued free of charge and the exercise price of each of the options will be based on the weighted average share price for the 5 ASX trading days prior to the employees commencement date with the Company and the expiry date in respect of each tranche of Options are 2 years after the relevant vesting date. There are no cash settlement alternatives.

The expense of \$313,266 is recognised in the income statement in relation to share-based payments.

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2009 No.	2009 Weighted average exercise price	2008 No.	2008 Weighted average exercise price
Outstanding at the beginning of the year	3,531,000	2 cent	3,325,000	20 cent
Granted and vested during the year	<u>5,805,500</u>	57 cents	<u>206,000</u>	18.6 cents
Outstanding at the end of the year	<u>9,336,500</u>		<u>3,531,000</u>	
Exercisable at the end of the year	<u>9,336,500</u>		<u>3,531,000</u>	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 9: SHARE BASED PAYMENT PLANS

The outstanding balance as at 30 June 2009 is represented by:

- 3,325,000 options over ordinary shares with a weighted average exercise price of 20 cents each, exercisable by 31 January 2011;
- 206,000 options over ordinary shares with a weighted average exercise price of 18.6 cents each, exercisable upon meeting the above conditions and until relevant expiry dates;
- 180,500 options over ordinary shares with a weighted average exercise price of 24 cents each, exercisable upon meeting the above conditions and until relevant expiry dates;
- 1,250,000 options over ordinary shares with a weighted average exercise price of 47 cents each, exercisable by 31 January 2011;
- 1,250,000 options over ordinary shares with a weighted average exercise price of 57 cents each, exercisable by 31 January 2011;
- 1,250,000 options over ordinary shares with a weighted average exercise price of 67 cents each, exercisable by 31 January 2011; and
- 1,875,000 convertible note bonus options over ordinary shares with a weighted average exercise price of 60 cents each, vesting on 30 June 2010.

The weighted average remaining contractual life for share options outstanding as at 30 June 2009 is between 1 and 2.5 years.

The range of exercise prices for options outstanding at the end of the year was \$0.18 and \$0.67 (2008: \$0.18 and \$0.565).

The weighted average fair value of options granted during the year was \$313,226.

The fair value of the equity-settled share options granted under the option plan is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2008:

	2009	2008
Volatility (%)	137	137
Risk-free interest rate (%)	5.25	6.5
Expected life of options (years)	Various	2 (after vesting date)
Exercise price (cents)	Various	Different for each employee depending on commencement of employment
Weighted average share price at grant date (cents)	Various	35.5

The expected life of options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 10: TRADE AND OTHER PAYABLES

	2009	2008
	\$	\$
Current		
Trade payables and accruals		
Other corporations	58,520	124,391
Director related entities	466,160	194,285
Employee benefits	159,870	58,956
	<u>684,550</u>	<u>377,632</u>

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

NOTE 11: INTEREST BEARING LOANS AND BORROWINGS

	2009	2008
	\$	\$
Convertible Note		
Liability portion	737,584	443,259
Equity portion	12,416	66,741
	<u>750,000</u>	<u>510,000</u>

The Company has issued 1,875,000 Convertible Notes with a face value of \$750,000 pursuant to Convertible Note Agreements ("Convertible Notes") for the purpose of providing ongoing working capital, including meeting commitments on the Company's project.

The principle terms of the Convertible Notes are as follows:

- (a) Maturity date of two years from the date of issue;
- (b) Convertible into shares at \$0.40 per share;
- (c) One free option will be issued with each convertible note at an exercise price of 60 cents and expires 30 June 2010;
- (d) Convertible, in whole or part, by:
 - At the Noteholder's request, at any time during the Term; or
 - At Ferrowest's option, only where the VWAP of the FWL Shares is \$0.50 or greater for 10 consecutive trading days.
- (e) Interest rate of 10% per annum payable at the noteholder's option either in cash or in shares issued at a 15% discount to the VWAP of the Company's shares when the interest falls due.;
- (f) Unless converted or redeemed during the term, the Convertible Note will be redeemed at the maturity date at the face value of the Convertible Note or the proportion of such sum as remains to the credit of the Company's bank account, funds from the Convertible Note issue having been validly expended for the purposes outlined in the convertible note agreement;
- (g) The Convertible Notes confer rights on the Convertible Noteholder as a creditor of the Company; and
- (h) The Convertible Notes are unsecured.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 12: ISSUED CAPITAL AND RESERVES

	2009 \$	2008 \$		
Issued and paid up capital				
Ordinary shares fully paid	9,015,624	8,148,426		
	<hr/>			
(a) Movement in ordinary shares on issue	2009 Number	2009 \$	2008 Number	2008 \$
Balance at beginning of year	58,703,990	8,148,426	54,000,000	5,927,166
Issued on 5 September 2008 as placement for cash	2,208,333	265,000	-	-
Issued on 5 November 2008 as placement for cash	2,000,000	200,000	-	-
Issued on 5 February 2008 as placement for cash	4,000,000	200,000	-	-
Issued on 5 February 2008 as consideration for convertible note interest	58,143	3,698	-	-
Issued on 26 May 2009 under the Share Purchase Plan for cash	2,481,250	198,500	-	-
Conversion of options on 17 August 2007	-	-	99,439	24,860
Issued on 12 November 2007 as placement of shares for cash	-	-	3,640,000	2,002,000
Issued on 21 December 2007 as consideration for services	-	-	150,814	75,000
Issued on 14 February 2008 as consideration for services	-	-	226,655	75,000
Issued on 14 February 2008 as consideration for an option fee	-	-	289,856	100,000
Issued on 27 February 2008 as placement of shares for cash	-	-	297,226	90,000
Transaction costs	-	-	-	(145,600)
Balance at end of year	69,451,716	9,015,624	58,703,990	8,148,426
	<hr/>			

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 12: ISSUED CAPITAL AND RESERVES

(b) Share Options

At the end of the year the following options over unissued ordinary shares were outstanding:

- 3,325,000 options expiring on 1 January 2011 at an exercise price of 20 cents each;
- 26,900,561 options expiring on 1 June 2010 at an exercise price of 25 cents each;
- 386,500 options expiring between 1 August 2009 and 6 August 2013 at exercise prices between 18 cents each and 56.5 cents each;
- 1,250,000 options expiring on 31 January 2011 at an exercise price of 47 cents each;
- 1,250,000 options expiring on 31 January 2011 at an exercise price of 57 cents each;
- 1,250,000 options expiring on 31 January 2011 at an exercise price of 67 cents each; and
- 1,875,000 options expiring on 30 June 2010 at an exercise price of 60 cents each.

(c) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Note	2009 \$	2008 \$
Reserves			
Share-based payments reserve		395,992	82,766
Option issue reserve		987,916	987,916
Option premium on convertible note	11	12,416	66,741
		1,396,324	1,137,423

(a) Movement in reserves

Share-based payments reserve

Balance at beginning of year	82,766	28,263
Share based payment	313,226	54,503
Balance at end of year	395,992	82,766

Option issue reserve

Balance at beginning of year	987,916	987,916
Balance at end of year	987,916	987,916

Option premium on convertible notes

Balance at beginning of year	66,741	-
Issue of convertible notes	8,232	66,741
Derecognition of equity component	(62,557)	-
Balance at end of year	12,416	66,741

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009**

NOTE 12: ISSUED CAPITAL AND RESERVES

(b) **Nature and purpose of reserve**

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued as part of remuneration of directors, employees and consultants.

Option issue reserve

The option issue reserve is used to accumulate proceeds from the issuing of share options.

Option premium on convertible notes

Option premium on convertible notes represent the equity portion of 1,875,000 10% convertible notes. Each note entitles the holder to convert to one ordinary share at a cost of 40 cents per share. Refer Note 11 for terms of conversion and unconverted notes.

NOTE 13: COMMITMENTS

Exploration Commitments

The Company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Company. These commitments have not been provided for in the accounts. Due to the nature of the Company's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or by new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

	2009 \$	2008 \$
Within one year	440,300	398,580

NOTE 14: CONTINGENT LIABILITIES

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company. However, at the date of these accounts, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

NOTE 15: RELATED PARTY TRANSACTIONS

(a) Details of Key Management Personnel

(i) Directors in office during the financial year were:

Non Executive Chairman

Mr RH Duffin

Executive Directors

Mr BL Manning

Mr GG Johnston

Non Executive Directors

Mr BE Wyatt

Mr PJ Evers

(ii) Executives

Chief Financial Officer and Company Secretary

Mr DJ Bredenkamp

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

(d) Shareholdings of Key Management Personnel

30 June 2009

	Balance 01/07/08	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/09
RH Duffin	1,250,000	-	-	50,000	1,300,000
BL Manning	2,166,500	-	-	87,950	2,254,450
BE Wyatt	4,365,000	-	-	-	4,365,000
PJ Evers	4,345,000	-	-	78,750	4,423,750
GG Johnston	4,615,800	-	-	101,700	4,717,500
DJ Bredenkamp	10,000	-	-	(3,000)	7,000

30 June 2008

	Balance 01/07/07	Received as Remuneration	Options Exercised	Net Change Other	Balance 30/06/08
RH Duffin	1,250,000	-	-	-	1,250,000
BL Manning	2,085,000	-	-	81,500	2,166,500
BE Wyatt	4,365,000	-	-	-	4,365,000
PJ Evers	4,345,000	-	-	-	4,345,000
GG Johnston	4,585,800	-	-	30,000	4,615,800
DJ Bredenkamp	10,000	-	-	-	10,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

NOTE 15: RELATED PARTY TRANSACTIONS

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

(e) Option holdings of Key Management Personnel

30 June 2009

	Balance 01/07/08	Received as Remuner ation	Options Exercised	Net Change Other	Balance 30/06/08	Vested as at end of period		
						Total	Exercisable	Not Exercisable
RH Duffin	3,950,000	750,000	-	700,000	5,400,000	5,400,000	5,400,000	-
BL Manning	278,000	750,000	-	688,500	1,716,500	1,716,500	1,716,500	-
BE Wyatt	-	750,000	-	650,000	1,400,000	1,400,000	1,400,000	-
PJ Evers	2,222,500	750,000	-	650,000	3,622,500	3,622,500	3,622,500	-
GG Johnston	2,317,500	750,000	-	775,000	3,842,500	3,842,500	3,842,500	-
DJ Bredenkamp	-	-	-	120,000	120,000	120,000	120,000	-

30 June 2008

	Balance 01/07/07	Received as Remuner ation	Options Exercised	Net Change Other	Balance 30/06/08	Vested as at end of period		
						Total	Exercisable	Not Exercisable
RH Duffin	3,950,000	-	-	-	3,950,000	3,950,000	3,950,000	-
BL Manning	255,000	-	-	23,000	278,000	278,000	278,000	-
BE Wyatt	-	-	-	-	-	-	-	-
PJ Evers	2,172,500	-	-	50,000	2,222,500	2,222,500	2,222,500	-
GG Johnston	2,317,500	-	-	-	2,317,500	2,317,500	2,317,500	-
DJ Bredenkamp	-	-	-	-	-	-	-	-

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

NOTE 16: FINANCIAL REPORTING BY SEGMENTS

During the financial year the Company operated principally in one business segment (for primary reporting) being mineral exploration, and one geographical segment (for secondary reporting) being Australia. This is consistent with the prior year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

NOTE 17: FINANCIAL INSTRUMENTS

Capital risk management

Prudent capital risk management implies maintaining sufficient cash and marketable securities to ensure continuity of tenure to exploration assets and to be able to conduct the Company's business in an orderly and professional manner. The Board monitors its future capital requirements on a regular basis and will when appropriate consider the need for raising additional equity capital.

The capital structure of the Company consists of debt, which includes borrowings disclosed in note 11 and equity attributable to equity holders comprising capital, reserves and retained earnings as disclosed in note 12.

Gearing ratio

The Company uses its gearing ratio to manage its capital. The ratio is monitored by the Board and management and is measured as debt to equity. Based on recommendation of management and the Board, the Company will balance its overall capital structure through new share issues as the raising of funds under the on-going Convertible Note raising.

The gearing ratio at year end was as follows:

	2009	2008
	\$	\$
Current		
Debt (i)	737,584	443,259
Equity (ii)	5,480,554	5,971,529
Net debt to equity ratio	13.46%	7.42%

(i) Debt is defined as long term borrowings as detailed in note 11.

(ii) Equity includes all capital and reserves.

Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no variable rate interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At balance date, the following table details the Company's expected maturity for its non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities on the financial instruments including interest that will be earned on these instruments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 17: FINANCIAL INSTRUMENTS

	2009 \$	2008 \$
<i>Financial Assets</i>		
Cash and cash equivalents (interest-bearing accounts)	142,476	77,858
Trade and other receivables	-	-
Net exposure	142,476	77,858

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit/loss and equity relating to financial assets of the Group would have been affected as follows:

Judgements of reasonably possible movements:

Post tax profit/(loss) – higher / (lower)

+ 1.0%	1,425	779
- 1.0%	(1,425)	(779)

Equity – higher / (lower)

+ 1.0%	1,425	779
- 1.0%	(1,425)	(779)

Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

Liquidity risk

The Company manages interest rate and liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity and interest rate risk tables

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities. These are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

NOTE 17: FINANCIAL INSTRUMENTS

	Weighted average effective interest rate %	Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2009						
Non-interest bearing	-	-	684,550	-	-	-
Fixed interest rate instruments	10	-	-	-	750,000	-
		-	684,550	-	750,000	-
2008						
Non-interest bearing	-	-	377,632	-	-	-
Fixed interest rate instruments	10	-	-	-	510,000	-
		-	377,632	-	510,000	-

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

Net fair value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based on upon market prices where a market exists or be discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

NOTE 18: EVENTS SUBSEQUENT TO YEAR END

Subsequent to the end of the reporting period the following activities occurred:

- The Company raised \$387,000 through the private placement of 4,300,000 ordinary shares to sophisticated investors at 9 cents per share. The funds will be used for working capital and to conduct a Reconnaissance Exploration Programme on the Western Haematite Project.

There are no other matters or circumstances that have arisen since 30 June 2009 that have or may significantly affect the operations, results, or state of affairs of the Company in future financial years.

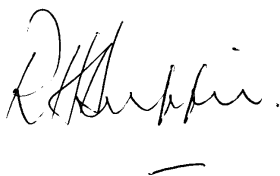
DIRECTORS' DECLARATION

In the opinion of the directors:

- a) The financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the Company's financial position as at 30 June 2009 and of its performance for the year then ended; and
 - ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2009.

This declaration is signed in accordance with a resolution of the Board of Directors.



Bob Duffin
Chairman
PERTH, Western Australia
30 September 2009



Brett Manning
Managing Director
PERTH, Western Australia
30 September 2009

INDEPENDENT AUDITOR'S REPORT

To the members of Ferrowest Limited

Report on the Financial Report

We have audited the accompanying financial report of Ferrowest Limited, which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity, cash flow statement and notes to the financial statements for the year ended on that date, and the directors' declaration as set out on pages 22 to 53.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- (a) the financial report of Ferrowest Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) to the financial report which indicates that the Company will be required to raise additional equity or secure other funding to enable it to continue as a going concern. If the Company is unable to source future equity raising and/or conclude the other agreements as detailed in Note 1(a), there is significant uncertainty whether the company will continue as a going concern and, therefore, whether it will realise its assets (in particular its deferred exploration expenditure) and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included on pages 11 to 15 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Ferrowest Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.



HLB MANN JUDD
Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
30 September 2009

SUPPLEMENTARY INFORMATION

The shareholder information set out below was applicable as at 23 September 2009.

Distribution of Shareholders

**Fully Paid
Ordinary Shares**

Number of Holders	857
Holders of less than a marketable parcel	154

Number of holders in the following distribution categories

1 – 1000	21
1,001 – 5000	174
5,001 – 10,000	212
10,001 – 100,000	372
100,001 and over	78

Twenty Largest Shareholders

The names of the twenty largest shareholders are as follows:

Rank	Shareholder Name	Holding	%
1	S de Belle & J Sheehan <SJ Super A/C>	6,083,333	8.25
2	Comet Resources Limited	6,082,500	8.25
3	Graeme & Margaret Johnston <The G&M Johnston Superfund>	4,575,000	6.20
4	Philip James Evers	4,397,500	5.96
5	Grenache Pty Ltd	4,325,000	5.86
6	Alcardo Investments Limited <Styled 102501 Account>	4,296,390	5.83
7	National Nominees Limited	3,175,559	4.31
8	Eugenia Manning	2,053,000	2.78
9	Robert David Evers	2,000,000	2.71
10	Brett Lee Manning	1,885,000	2.56
11	Nikolais Zuks	1,300,000	1.76
12	Irrawaddy Investments Pty Ltd <Duffin Family A/C>	1,025,000	1.39
13	MP Securities Nominees	1,000,000	1.36
14	Michael & JE Cassidy	825,202	1.12
15	HSBC Custody Nominees Australia Ltd	770,922	1.05
16	Craig Corliss	639,000	.87
17	WHI Securities Pty Ltd <Crown Credit Corporation>	607,000	.82
18	Forty Traders Pty Ltd	562,000	.76
19	Bruce & Regina Bell <B & R Bell Superfund A/C>	522,112	.71
20	Brace Holdings Pty Ltd	485,000	.66
	Total Top 20 Holders	46,610,128	63.21

FERROWEST LIMITED

Substantial Shareholders

Substantial shareholders in the Company as disclosed in the substantial shareholder notices given to the Company are:

	No. of Shares
Philip James Evers	4,397,500
Grenache Pty Ltd	4,325,000
Graeme & Margaret Johnston	4,682,500
Comet Resources Limited	7,000,000
S de Belle	6,083,333

Fully Paid Options

Number of Holders	294
Holdings of less than a marketable parcel	-

Number of holders in the following distribution categories

1 – 1000	6
1,001 – 5000	62
5,001 – 10,000	44
10,001 – 100,000	139
100,001 and over	43

Twenty Largest Option holders

The names of the twenty largest option holders are as follows:

Rank	Shareholder Name	Holding	%
1	Graeme & Margaret Johnston <The G&M Johnston Superfund>	2,287,500	8.50
2	Comet Resources Limited	2,250,000	8.36
3	Philip James Evers	2,167,500	8.06
4	National Nominees Limited	1,635,000	6.08
5	Tuxedo Investments Pty Ltd	1,316,806	4.90
6	Michael & JE Cassidy	1,002,000	3.72
7	MP Securities Nominees	1,000,000	3.72
8	MP Securities Staff Superfund <MPSSF No 2 A/C>	932,500	3.47
9	WHI Securities Pty Ltd <Crown Credit Corporation>	800,000	2.97
10	Irrawaddy Investments Pty Ltd <Duffin Family A/C>	500,000	1.86
11	Penfold Ltd	500,000	1.86
12	John & Muriel P Aloizos <Partnership A/C>	400,000	1.49
13	PL Jacobs	399,416	1.48
14	Libbie Pty Ltd <S/F A/C>	391,450	1.46
15	Declan Joseph Jarret	372,000	1.38
16	Andromeda Entertainment	325,247	1.21

FERROWEST LIMITED

17	Karema Cap Pty Ltd <Malcolm Mcphail S/F A/C>	300,000	1.12
18	Forty Traders Pty Ltd	250,000	.93
19	Aindra Cecil Goonesekera	237,750	.88
20	Paul & Karen Kopejtka <Kopejtka Share A/C>	237,500	.88
	Total Top 20 Holders	17,304,669	64.33

Unlisted Options

Details of unlisted options are as follows:

	No. of Options	No. of Holders
Options exercisable at 20 cents on or before 1 January 2011	3,325,000	1
707,500 options expiring between 1 August 2009 and 6 August 2013 at exercise prices between 18 cents each and 56.5 cents each	707,500	6
Options exercisable at 47 cents on or before 31 January 2011	1,250,000	5
Options exercisable at 57 cents on or before 31 January 2011	1,250,000	5
Options exercisable at 67 cents on or before 31 January 2011	1,250,000	5
Options exercisable at 60 cents on or before 30 June 2010	1,875,000	5
Option Holders of more than 20% of this class:		
1. Irrawaddy Investments Pty Ltd	5,400,000	

Restricted Securities

There are no Restricted Securities.

Voting Rights

Shares

On a show of hands every member present in person or by proxy or attorney or being a corporation by its authorised representative who is present in person or by proxy, shall have one vote for every fully paid share of which he is a holder.

Options

Options have no voting rights until such options are exercised as fully paid ordinary shares.

On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.

Tenement Schedule

Tenement	Status	Area	Minimum Expenditure	Ownership
E59/1097	Granted	70 Blocks	\$105,000.00	100% Ferrowest Limited
E59/1348	Granted	12 Blocks	\$20,000.00	100% Ferrowest Limited
E59/1400	Granted	12Blocks	\$20,000.00	100% Ferrowest Limited
M59/525	Granted	55Ha	\$10,000.00	100% Ferrowest Limited
M59/634	Granted	907Ha	\$90,800.00	100% Ferrowest Limited
M59/635	Granted	777Ha	\$77,800.00	100% Ferrowest Limited
M59/636	Granted	947Ha	\$94,700.00	100% Ferrowest Limited
M59/637	Granted	200Ha	\$20,000.00	100% Ferrowest Limited
P59/1860	Granted	47Ha	\$2,000.00	100% Ferrowest Limited