

FERRAUS MOVES TO PRE-FEASIBILITY AFTER SCOPING STUDY INDICATES POTENTIAL A\$1.1 BILLION NPV

- Positive Scoping Study completed based on a 15Mtpa iron ore project
- Potential NPV's range from A\$880 M to A\$1.1 B and IRR of 21% to 30%
- Scoping Study based on life of mine production of 180 Mt to 250 Mt
- SKM appointed to conduct Pre-Feasibility Study
- All iron ore areas now described as the "FerrAus Pilbara Project"

FerrAus Limited (ASX:FRS) today outlined a robust development evaluation for its iron ore project in the Pilbara Region, located some 35km east of BHP Billiton's Jimblebar Mine in Western Australia, with the completion of a positive Scoping Study that indicates a potential A\$1.1 billion Net Present Value (NPV) for a project ramping up to 15Mtpa.

Scoping Study

The Scoping Study found that the NPV of the FerrAus Pilbara Project, using an 8 per cent real after tax discount rate, ranges from A\$880 million to A\$1.1 billion, with indicative after tax margins of near 20%.

The range for the Internal Rate of Return (IRR) is 21% to 30%, with a payback period of 6 to 8 years and the development capital cost estimates for different scenarios range from A\$600 million to A\$1 billion, including capital for train rolling stock and railroad construction to existing infrastructure; as well as allowances for EPCM and contingency.

The Scoping Study assumed:

- production ramping up to 15Mtpa;
- a long term fines price of US81 cents per dmtu;
- an exchange rate of A\$0.75 to the US dollar;
- total operating costs for contract mining, processing, rail and port, ranging from A\$32 to A\$36 per tonne excluding royalties, general/administration costs; and
- a port service charge, included in the total operating cost mentioned above, covers operating costs and full capital recovery plus interest costs.

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FerrAus Limited

Directors:	John Nyvlt	Chairman
	Mike Amundsen	Managing Director and Chief Executive Officer
	Joe Singer	Non-Executive Director
	Guoping Liu	Non-Executive Director
	Jim Wall	Non-Executive Director
	Rob Greenslade	Non-Executive Director

Issued Ordinary Shares:	177, 647 198
Performance Shares (Class B):	7,500,000
Options	<u>7,525,000</u>
	192,672,198

Market Capitalisation: A\$132 million
(23 February 2010: A\$0.745 per share)

Cash: A\$22.8 million (as at 31 December 2009)

Iron Ore Resource: 166.6 Million Tonnes @ 58.6% Fe*

* 166.6 million tonnes (23.8 million tonnes – Measured, 43.2 million tonnes - Indicated, 99.6 million tonnes - Inferred). Resource estimates are in accordance with AusIMM JORC Code 2004 reported in ASX announcement 3/6/2009

“With capital of US\$30 to US\$56 per annual tonne of capacity, this project is very competitive,” Managing Director, Mike Amundsen, said.

“The long term price assumption used in the Scoping Study is below the current 2009 benchmark price and well below the current spot price.

“The Scoping Study affirms the potential value of the FerrAus Pilbara Project, and is on par with other iron ore projects in terms of access to infrastructure and development.

“We contemplate that there will be a single process plant near the Davidson Creek area, and ore from Robertson Range will be trucked some 25 km to this plant to combine with Davidson Creek ore. The sizable ore bodies in close proximity allow for efficient capital and operating cost scenarios,” he said.

“A range of life of mine production scenarios was considered with rail transport via either the Mt Newman JV railroad or the TPI railroad, with shipping from the North West Iron Ore Alliance port facility.

“We will continue with the exploration programs on our tenements to target sufficient resources to support a 15 million tonne per annum production rate.

“Progress on possible rail solutions continues and we should achieve a line-of-sight on this during the first part of this year. Everything points to 2010 being a defining year for FerrAus Limited,” Mr Amundsen said

The table below shows the sensitivity of NPV when using the 2009 contract price and the spot price:

	Long Term Forecast	2009 Contract Price	January 2010 Spot Price*
Hamersley Fines (USc/dmtu) FOB	81.20	97.00	158.06
Exchange Rates \$A/\$US	0.75	0.88	0.88
NPV₈ (\$AM)	1,143	1,227	4,184

* Source: Goldman Sachs JBWere Investment Research (15 January 2010) US\$98/t FOBT for 62% Fe

The weighted average strip ratio of both Robertson Range and Davidson Creek is 3:1 (waste:ore) and this takes into account the upfront pre-strip included in the development capital. A product ratio of 37:63 lump:fines was used in the study.

From the initial geological models there is substantial low grade mineralization, at an average of approximately 53% Fe, which sits above the high grade ore in many areas. A portion of this low grade mineralisation has been treated as waste in the Scoping Study and consequently a mining cost has already been allocated to it. During the Pre-Feasibility Study (PFS) the economic benefits of this material will be evaluated as a value add study.

Pre-Feasibility Study

FerrAus aims to complete both the PFS and the Feasibility Study by the end of this calendar year.

The core activities for the PFS include infill drilling to increase the level of indicated and measured resources,* metallurgical test work, hydrology, environmental studies, process flow design, regulatory approvals and technical marketing.

Key members of the PFS owner’s team have been appointed and Sinclair Knight Merz (SKM) has been awarded the contract as the lead engineering company with overall responsibility for the preparation of an independent PFS.

SKM will work closely with FerrAus and a number of specialist sub-consultants in areas such as environment, community relations, hydrology, geotechnical studies and mine planning.

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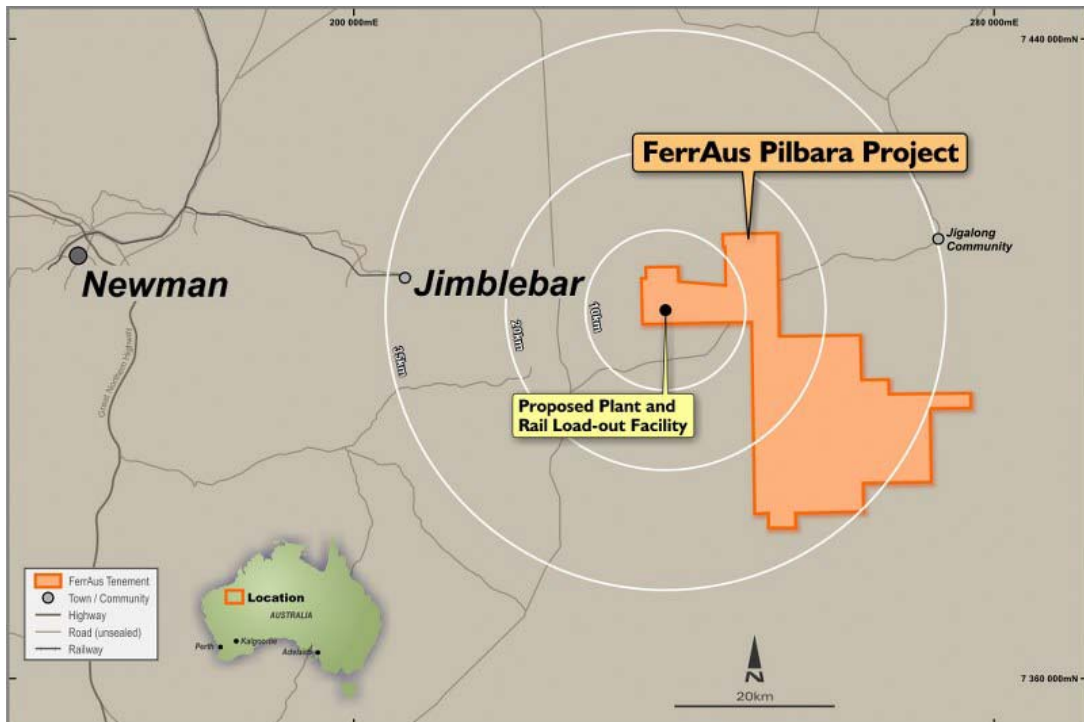
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Members of the FerrAus Limited Pre-Feasibility Study Team (from left) Senior Mining Engineer, Omer Mol; Development Manager, Eduardo Valenzuela; Engineering Manager; Paul Lynch and Project Director, John Berry, represent a total of more than 100 years of industry experience.

Consistent with the development of a single process plant the company has also introduced “FerrAus Pilbara Project” as the name that will now be used to describe all of its three adjacent tenements.

Previously, these areas were referred to separately as the Robertson Range Project, the Davidson Creek Project and the Murramunda Project.



The “FerrAus Pilbara Project” is the new name for the Robertson Range, Davidson Creek and Murramunda tenements

About FerrAus Limited

The FerrAus Pilbara Project, which includes the Robertson Range Area, the Davidson Creek Area and the Murramunda Area, is located 80 kilometres east of Newman and some 35 kilometres east of BHP Billiton's Jumblebar Mine in Western Australia's world-class Pilbara iron ore region.

The tenements surrounding the FerrAus Pilbara Project, which has more than 166 million tonnes* in total resources, concentrated within a 30 kilometre radius, are held by BHP Billiton, Rio Tinto, Fortescue Metals Group and Atlas Iron.

The NWIOA, of which FerrAus is a founding member along with Atlas Iron and Brockman Resources, is a closely aligned group underpinning a new port project in Port Hedland.

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Investor / Media Contact: Gareth Widger Mobile: +61 (0)4 1991 8272

Competent Person Statement

Geological interpretation, exploration results, and mineral resource information contained in this report to which this statement is attached is based on information compiled by Mr Peter Brookes who is member of the Australian Institute of Geoscientists (AIG) and who is a full time employee of FerrAus Ltd. Peter Brookes has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves". Mr Brookes consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

Forward Looking and Exploration Target Statements

This release may include forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of FerrAus Limited, that could cause actual results to differ materially from such statements. Forward looking statements include, but are not limited to, statements concerning the Company's exploration program, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "target", "scheduled", "substantial", "planned", "estimate", "possible", "future", "prospective", and similar expressions. The term "Direct Shipping Ore (DSO)", "Target", and "Exploration Target", where used in this announcement, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. Also, FerrAus Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

List of Abbreviations

M: Million

B: Billion

dmtu: dry metric tonne unit

Mt: Million tonnes

Fe: iron