

THIRD QUARTER ACTIVITY REPORT

For the period ending 31 March 2010

Highlights

- **Mirrin Mirrin drill results confirm discovery of substantial iron mineralisation. Significant intercepts of up to 76m @ 60.3% Fe with additional potential for detrital ore**
- **Positive Scoping Study completed based on a 15Mtpa iron ore project**
- **All iron ore areas now described as the “FerrAus Pilbara Project”**
- **Upgrade of high grade resource (+55% Fe) up 15% from 166.6 Mt to 191.3 Mt**
- **Upgrade of medium grade resource (between 50 and 55% Fe) now reported as 85.6 Mt**
- **Metallurgical work supports beneficiation of medium grade material**
- **FerrAus intends to spin-out gold and base metal tenements into newly incorporated Lawson Gold**
- **Lawson Gold intends to raise funds by way of an IPO and list on the ASX**
- **FerrAus intends to provide shareholders with a priority allocation in the IPO**

CORPORATE ACTIVITY

During this period FerrAus Limited(FerrAus) announced 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.

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 US\$81 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.

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 (\$A million)	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.

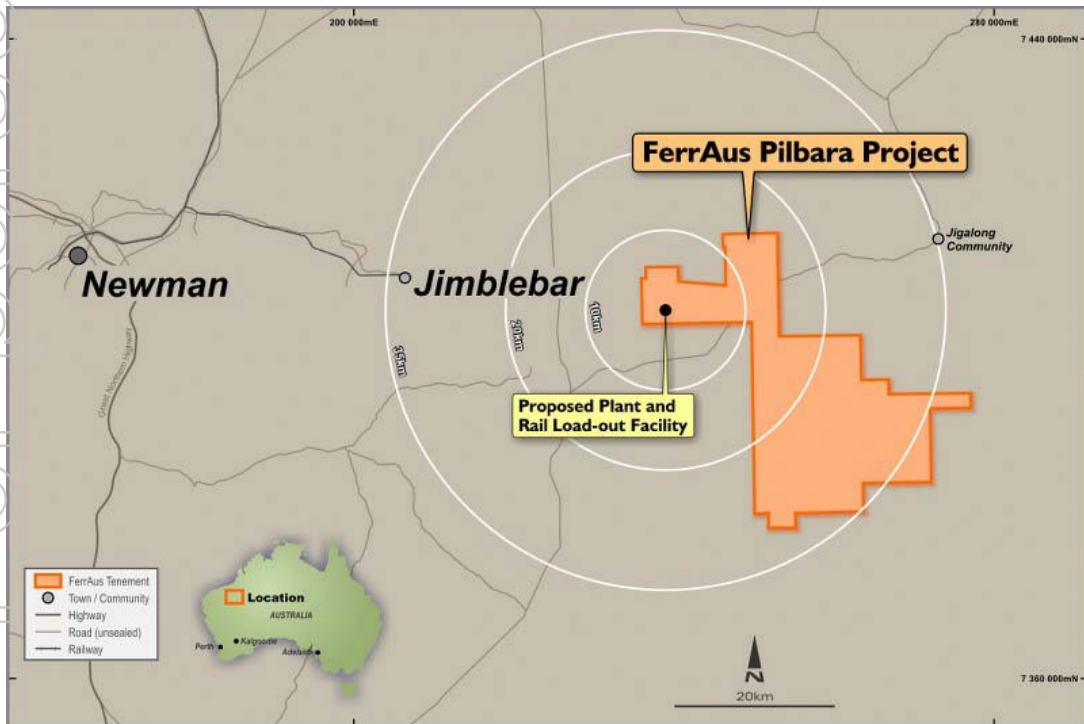
FerrAus aims to complete both the PFS and the Feasibility Study by early 2011.

The core activities for the PFS include infill drilling to increase resource confidence levels, 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.

Consistent with the development of a single process plant the company also introduced "FerrAus Pilbara Project" as the name that is now 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

Medium Grade Resources

Medium grade resources (50-55% Fe) are located adjacent to and overlying existing modelled higher grade (+55% Fe) resources.

Total medium grade Inferred Resources for FerrAus Pilbara Projects identified to date are 85.6 million tonnes @ 53.1% Fe based on work completed by Snowden Mining Industry Consultants.

Earlier preliminary metallurgical results from beneficiation test work indicated that medium grade ore (50 to 55% Fe) is a valuable addition to the resource base.

A range of beneficiation techniques using conventional technologies and methods were trialled. All beneficiation techniques tested generating products with iron contents higher than the initial head grade. Product recoveries were high, ranging from 63 to 82 per cent.

Drilling results announced on 4 March 2010 lifted the total resources at the FerrAus Pilbara Project to 276.9 million tonnes. (Refer to Figure 2 below)

Following intensive RC drilling, during the latter part of 2009 and early 2010, evaluation of the outstanding results has delivered a significant increase of 66 per cent or 110.3 million tonnes on its existing resource base.

Maiden resources have now been determined for the Mirrin Mirrin and Dugite Prospects, along with resource upgrades for the Tiger Prospect (within the Davidson Creek Area) and King Brown Prospect (within the Robertson Range Area).

Figure 2: FerrAus Pilbara Project – Resource Inventory March 2010

Area	JORC (2004) Resource Category	Million Tonnes	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	LOI (%)	Ca Fe (%)
High Grade Resources (+55% Fe)								
Robertson Range	Measured	23.4	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.7	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.6	58.11	6.56	3.37	0.097	6.15	61.93
	Total	54.6	58.79	5.26	2.94	0.105	6.93	63.18
Davidson Creek	Indicated	23.0	58.44	4.17	2.63	0.080	9.02	64.28
	Inferred	113.7	58.36	4.64	2.58	0.090	8.69	63.96
	Total	136.7	58.37	4.56	2.59	0.088	8.75	64.01
Total (+55% Fe)		191.3	58.49	4.76	2.69	0.093	8.23	63.77
Medium Grade Resources (between 50-55% Fe)								
Robertson Range	Inferred	16.2	53.00	8.51	5.40	0.123	8.85	58.2
Davidson Creek	Inferred	69.4	53.10	8.27	5.31	0.080	9.51	58.7
Total (between 50-55% Fe)		85.6	53.08	8.32	5.33	0.088	9.39	58.6
Total Resources		276.9						

Small discrepancies may occur in the tabulated resources due to the effects of rounding. Calcined Fe grade calculated as follows: CaFe = (Fe x 100)/(100 - LOI). Resources are reported above a 55% Fe cut-off grade, except for medium grade resources which are between 50-55% Fe. The above resources were classified and reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore reserves (the JORC Code). Snowden Mining Industry Consultants classified the mineral resources listed in the above table.

Infrastructure Access

Recent announcements from many of the significant junior iron ore developers underline the important role each will play, either individually or collectively, in changing the face of iron ore production in Western Australia.

The North West Iron Ore Alliance (NWIOA), of which FerrAus is a founding member, was able to announce the completion of the Port Pre-Feasibility Study to accommodate the projected 50 million tonnes per annum of iron ore exports at Port Hedland by 2013.

Early in March 2010 the Australian Competition and Consumer Commission (ACCC) granted conditional approval to the NWIOA and its members to collectively negotiate for haulage services and rail track access in the Pilbara Region.

The Company considers that access will ultimately increase the volume and diversity of supply of iron ore exports from Australia, enhance government revenues and ensure the future of junior iron ore developers, which can only be good for Western Australia and the nation as a whole.

The role of both State and Federal governments in facilitating effective access through these and other processes is crucial. Effective and timely access to rail infrastructure is of vital interest to FerrAus shareholders and employees as well as nearby indigenous communities.

FerrAus will continue to seek a rail outcome with the existing and proposed rail infrastructure operators.

Silver Swan North Project – Intention To Spin Out Gold Assets

On 17 March 2010 the Directors of FerrAus Limited announced their intention to spin-out the Lawson Gold Project (the Project), formerly the Silver Swan North Project, into a newly formed subsidiary company, Lawson Gold Limited (Lawson Gold). As part of the spin-out, Lawson Gold intends to conduct an Initial Public Offering (IPO) through the issue of new shares in Lawson Gold and seek a listing on the Australian Securities Exchange (ASX).

The Project, which is currently comprised of four mining licences and an exploration licence, is located in the Kanowna Greenstone Belt approximately 45 kilometres north east of Kalgoorlie in Western Australia.

Although previous exploration efforts at the Project have focussed predominantly on nickel, the Directors consider that these tenements are prospective for gold mineralisation of the style found at Kanowna Belle.

Following further work on the Project by FerrAus, a number of potential gold targets have been identified and a work programme has been developed to test these targets.

While the spin-out is subject to market conditions and other factors, it is expected that a prospectus containing full details of the IPO will be made available in the near future.

Anyone wishing to acquire new shares in Lawson Gold will need to complete the application form that will accompany the prospectus.

Successful completion of the spin-out will allow FerrAus to focus on its core FerrAus Pilbara Project in Western Australia.

Priority Allocation

Presently, it is the intention of FerrAus to provide those shareholders with a registered address in Australia or New Zealand a priority entitlement to participate in the IPO of Lawson Gold.

Allocations under the priority offer will be at the discretion of the directors of Lawson Gold, with strong consideration to be given to shareholders' pro-rata holding in FerrAus as at the record date. The record date for determining priority entitlements will be advised to the market at a later date.

EXPLORATION ACTIVITY

As a statutory requirement annual returns have been completed for all tenements.

Across the project entire area, a number of the priority targets identified late in 2009 are being drill tested during the first half of calendar 2010.

Exploration Expenditure Summary

	Exploration Expenditure
FerrAus Pilbara Project	3,916,275
Lawson Gold Project	61,760
Enachedong	1,048
	<hr/> 3,979,083 <hr/>

ROBERTSON RANGE (E 52/1630) Pilbara Region, WA

There has been no drilling conducted this quarter. Drilling is scheduled to commence during the fourth quarter with reconnaissance RC drilling east of the King Brown Deposit.

DAVIDSON CREEK (E53/1658) Pilbara Region, WA

The Davidson Creek Area continues to be a high priority area with multiple rigs conducting regional exploration, resource definition and metallurgical core drilling.

There were 23 core holes completed for a total of 542.2 metres pre-collars and 1,579.2 metres PQ3 core. At the Python and Gwardar Prospects 21 core holes were completed for metallurgical purposes (1,317.7 metres core). One twin hole was completed at Mirrin Mirrin (72 metres core) and one exploration core hole in north Davidson Creek (189.5 metres).

A total of 212 RC drill holes (for 23,173 metres) were completed for the quarter, with resource definition drilling at Python, Gwardar and Taipan accounting for 170 holes in the program (17,316 metres). This entire program has been drilled to support the PFS.

A summary of all RC drilling appears below:

The total of 212 RC drill holes were completed (for 23,173 metres)

- 76 holes at Gwardar Prospect for 7,232 metres
- 81 holes at Python Prospect for 8,822 metres
- 13 holes at Taipan Prospect for 1,262 metres
- 1 hole at Tiger Prospect for 174 metres
- 35 holes at Mirrin Mirrin Prospect for 4,568 metres
- 6 regional reconnaissance holes at north Davidson Creek for 1,115 metres

MURRAMUNDA (E52/1901) Pilbara Region, WA

Although no exploration activity was conducted during the third quarter, statutory reports were completed.

ENACHEDONG MANGANESE PROJECT (E46/614) Pilbara Region, WA

Although no exploration activity was conducted during the third quarter, statutory reports were completed.

LAWSON GOLD PROJECT (EL27/209 and ML's 27/262-265) Kalgoorlie Area, WA

During this quarter regional exploration efforts focused on soil sampling, rock chip sampling and reconnaissance mapping efforts intended to validate existing historic gold anomalies and generating new targets.

A total of 408 soil samples, as well as 111 rock chip and drill spoil samples were taken.

Field gridding was conducted to re-establish portions of a comprehensive existing historic grid system as well as a DGPS collar surveys of old drill holes.

RAB aircore drilling is scheduled for the fourth quarter.

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", "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