

7 January 2013

Ferrex plc ('Ferrex' or 'the Company')
Scoping Study Update Substantially Improves Economics at Malelane Iron Ore Project

Ferrex plc, the AIM quoted iron ore and manganese development company focused in Africa, is pleased to provide a positive Scoping Study update from its 74% owned 4,192 Ha Malelane Iron Ore Project ('Malelane' or 'the Project') located in the prospective Mpumalanga Province of South Africa with direct access to the port of Maputo in Mozambique. The enhanced economics are primarily a result of improved fines recovery that the Company has been investigating for the last six months.

Overview

- NPV increased by 65% to USD523m (pre-tax, 10% discount rate)
- IRR increased by 44% to 72% (pre-tax)
- Capital Intensity reduced to USD72/t*
- Operating Costs reduced commencing at USD44/t Freight on Board ('FOB')
- Production increased to 1.8mtpa at 57% iron ('Fe') (62% CaFe)

*capital intensity is the capital cost of the project divided by the tonnage of product produced per annum

Ferrex Managing Director Dave Reeves said, "These updated Scoping Study numbers have substantially enhanced the already excellent economics of Malelane and with the Capital Intensity continuing to fall, the Project is well within the first quartile of iron ore projects world-wide. As a result of metallurgical testwork conducted over the past six months, an increase in mass recovery of the fines from 20% to 37% has been achieved by using an alternative density separation method. This, combined with a reduction in quoted rail costs to the port of Maputo, has delivered the significant improvements in operating costs, product produced and accordingly, the Project's IRR and NPV.

"Importantly, the iron ore price is continuing to strengthen and is now at a higher level than it was before the price dip which occurred in September 2012. The current project economics are based on pricing levels of USD134 per tonne versus current prices of USD144 per tonne (62% Fe Benchmark Price CIF China). Notably, the reduction in operating costs reported today means that the project would still be cash positive at the recent price lows thus highlighting Malelane's economic robustness.

"We have a strong portfolio of African iron ore and manganese deposits which have defined development plans for 2013. At Malelane, our focus is now on completing the pre-feasibility study, incorporating the latest metallurgical process, in tandem with submitting a Mining Permit application in the coming year, while at our Nayega Manganese Deposit in Togo, our Definitive Feasibility Study remains on track for completion in H1 2013."

Detailed Information

Metallurgical Testwork

The fines metallurgical testwork was conducted under the guidance of DRA, Nagrom and Vulcan Technologies, which are all experienced iron ore processing consultants. The testwork was undertaken in Australia by Ludowici which are suppliers of the reflux classifiers that the testwork is based upon. The classifiers are a fluidised bed separator that operate on a density principle. They will replace the spirals that were previously costed. These classifiers are in use in the iron ore, chrome and coal industries worldwide and are rapidly replacing spirals as the preferred device for separation of fines material using density.

Results show that an iron yield of 58% and a mass yield of 43% is achievable for the Project through the treatment of the minus 1mm material through the reflux classifiers.

Cost Estimates

After further discussions with truck, port and rail operators, the Company has used a price of USD0.05/tkm for rail haulage costs compared to the previous USD0.10/tkm.

This, combined with the improved yield, has reduced initial FOB at Maputo costs to USD44/t and average FOB costs to USD53.50/t.

Capital costs have remained at USD139m as the new processing equipment will replace the previously costed fines recovery circuit at no extra cost. As a result, capital intensity has dropped to \$72/t due to the increase in production caused by the higher fines yield.

Key Outputs

The key outputs are summarised below:

	Year														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Concentrate (Mt)	1.9	1.8	1.8	1.8	1.8	1.8	1.9	1.9	1.7	1.7	1.7	1.8	1.9	1.7	1.8
Op Cost FOB USD/t	44	45	46	47	50	50	49	49	51	51	51	57	63	67	66

Operating costs rise toward the end of mine life due to increased strip ratios. Fluctuation in concentrate produced is due to varying feed grades.

Malelane – Further Information

Malelane is located over part of the Archaean Barberton Greenstone Belt, close to infrastructure and just 6km from an electrified railway line which services the deep water port of Maputo in Mozambique 170km away.

Three distinct banded iron formation horizons have been identified on the property with a combined strike length of 14km and mapped horizontal widths of up to 300m. A maiden JORC Code compliant Inferred Resource of 139Mt @ 37% Fe has been calculated over 1.1km of the 14km strike length. Mining consultants Coffey Mining calculated a total exploration target at Malelane of between 775 and 930Mt at 34-36% Fe.

Competent Person Statement

Information in this release that relates to exploration results is based on information compiled by Ferrex Exploration Manager Mr Mark Styles. Mr Styles is a qualified geologist, a member of the Australian Institute of Geoscientists and is a Competent Person as defined in the Australasian Code for Reporting of Exploration Results. Mr Styles consents to the inclusion in the release of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward Looking Statements: Information included in this release constitutes forward-looking statements. There can be no assurance that ongoing exploration will identify mineralisation that will prove to be economic, that anticipated metallurgical recoveries will be achieved, that future evaluation work will confirm the viability of deposits that may be identified or that required regulatory approvals will be obtained.

****ENDS****

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Notes

Ferrex plc is an AIM quoted exploration and development company focused on advancing low capex iron ore and manganese projects in Africa through the development cycle and into production. Our current property portfolio comprises the Nayega manganese project in Togo where the company is steadily progressing with development plans, iron ore at Malelane in South Africa and manganese at Leinster in South Africa.

The Company's growth strategy is centred on advancing its current assets, utilising its Board and management team's considerable experience in developing resource projects across Africa and expanding its portfolio through acquisitions to build Ferrex into a mid-tier, low-cost producer of iron ore and manganese.