



14 October 2015

Ferrum Crescent Limited

("Ferrum Crescent", the "Company" or the "Group")(ASX: FCR, AIM: FCR, JSE: FCR)

BFS Farm-In Agreement Concluded with BVI/Ovation Capital

Highlights:

- Following extensive negotiations, Ferrum Crescent, through its subsidiary Ferrum Iron Ore (Proprietary) Limited ("FIO") and its parent intermediate holding company, Ferrum South Africa (Proprietary) Limited ("FSA"), has entered into a legally binding farm-in and joint venture agreement (the "Farm-in Agreement") with Business Venture Investments No. 1709 (Proprietary) Limited ("BVI") to form a joint venture for the completion of the bankable feasibility study ("BFS") for the Moonlight Iron Project in Limpopo Province, northern South Africa (the "Project")
- The previously announced memorandum of understanding with Principle Monarchy Investments (Proprietary) Limited ("PMI") has been formally terminated
- BVI is a sister company of South African BEE investment house Ovation Capital
- Comprehensive Farm-in Agreement with BVI provides for the completion of all requisite BFS workstreams to produce a full BFS on the Project to a fixed timeline - to be fully funded by BVI in return for up to a 43% equity interest in the Project's holding company, FIO
- Clear mechanisms and milestones (as described below) for earn-in and supervision of BFS activities across two phases: BFS Phase 1 and BFS Phase 2
- Full legally binding Farm-in Agreement in place - BFS Phase 1 work scheduled to commence during Q4 2015
- Farm-in Agreement provides for full information sharing to satisfy Ferrum Crescent's regulatory obligations and disclosure requirements

Commenting today Tom Revy, Managing Director of Ferrum Crescent, said:

"It has been a very long road in extremely difficult market conditions but finally we now have a fully committed and binding agreement in place for completion of the Moonlight Project BFS. I look forward to working with our new partners, BVI, on the development of the Project. Restarting of the BFS Phase 1 activities should commence by the end of 2015 and I look forward to reporting on a regular basis as to the status of the Project as the various planned key BFS milestones are progressed."

Ferrum Crescent, the ASX, AIM and JSE quoted iron ore developer announces that its subsidiary, Ferrum Iron Ore (Proprietary) Limited (“FIO”), and its parent intermediate holding company, Ferrum South Africa (Proprietary) Limited (“FSA”), have entered into a farm-in and joint venture agreement (the “Farm-in Agreement”) with Business Venture Investments No. 1709 (Proprietary) Limited (“BVI”) in South Africa for the completion of the bankable feasibility study (“BFS”) at the group’s Moonlight Iron Project located in Limpopo Province, northern South Africa (the “Project”). BVI is a sister company of South African BEE investment house Ovation Capital. BFS Phase 1 work anticipated to commence during Q4 2015.

The previously announced memorandum of understanding with Principle Monarchy Investments (Proprietary) Limited (“PMI”) to provide financing for the BFS for up to 39% of FIO has been formally terminated with no scheduled payments having been received from PMI.

Principal Terms of the Farm-in Agreement and Development Obligations

During the last 6 months, the Company has investigated a number of scenarios with respect to various potential smaller scale start up options, including the potential development of a concentrate-only producing project. This initial review work has concluded that as well as potentially significant capital cost savings, there are also possible development time benefits and seemingly sufficient local demand for a high quality concentrate product.

Accordingly, the BFS will now be undertaken in two phases:

BFS Phase 1

Focused on updating and completing a full +/-25% (capital and operating costs) study on the best short term business case (concentrate) model. This model will be based upon technical, financial and committed domestic offtake details. BVI will be responsible for completing this study within 12 months. Upon satisfactory completion of BFS Phase 1, BVI will be entitled to receive 14% equity in FIO. Ferrum Crescent will, however, be entitled (but not obligated) to elect to contribute R8.3m to reduce the equity interest for BVI to 10%. Should BVI not complete BFS Phase 1, it will not earn any interest in FIO.

BFS Phase 2

Following satisfactory completion of BFS Phase 1, BVI will then be afforded a total of 24 months in which to complete a full +/- 15% (capital and operating costs) study on the best short term business case defined during the abovementioned BFS Phase 1 process. BFS Phase 2 will be carried out to a standard, and include, all matters required by international project and equity financiers, including without limitation certain detailed deliverables agreed with Ferrum Crescent. Upon satisfactory completion of BFS Phase 2, BVI will earn a further 29% equity interest in FIO, thereby taking its total potential interest to up to 43% of the Project. Should BVI not complete BFS Phase 2, it will have

earned no further equity in FIO apart from that earned as a result of completing BFS Phase 1.

A shareholders' agreement is intended to be entered into and become effective on completion of BFS Phase 1.

Management and Oversight Structure of BFS

Under the terms of the Farm-in Agreement, BVI may appoint the manager of the BFS, provided that BVI can demonstrate to FIO's reasonable satisfaction that the firm (the "Manager") being appointed is an internationally reputable engineering firm capable of managing the conduct and completion of the stipulated farm-in programme to a standard that is reasonably acceptable and typically expected by third party financiers in order for the BFS to be bankable. BVI must ensure that the Manager complies with pre-agreed provisions relating to operational standards and competency. It is specifically acknowledged and agreed between the parties that BVI must enter into all contracts with the Manager and its associates for the purposes of the farm-in programme on a principal to principal basis.

As part of the Farm-in Agreement, BVI and FIO will form a management committee (the "Management Committee"). The primary function of the Management Committee is to establish and give directions to a team to be charged with the day to day management and direction of the Manager in the conduct of the BFS and with carrying out certain functions that are necessary for the completion by the Manager of both BFS Phase 1 and 2. Each of FIO and BVI are entitled to appoint two representatives to the Management Committee.

Mr Ed Aylmer, currently Ferrum Crescent's Study Manager, will immediately be involved in the management of both phases of the BFS, whilst Mr Scott Huntly, currently Ferrum Crescent's Government and Community Relations Manager, will also be involved from the commencement of BFS Phase 2. All costs attributable to their contributions to the BFS activities will be borne by BVI.

Project Execution

It has been agreed by both BVI and Ferrum Crescent, as a key condition of the Farm-in Agreement, that as part of the execution of the Project, FIO will have the right to negotiate, in good faith, and conclude term sheets for the following:

- (a) an engineering, procurement and construction ("EPC") contract in respect of the mine establishment from an engineering consulting firm to be recommended by BVI;
- (b) an engineering, procurement and construction management ("EPCM") contract with Aurecon in respect of certain of the requisite Project infrastructure;

- (c) an infrastructure financier in respect of the potential slurry pipeline subject to the conclusion of a pipeline usage contract between FIO and such infrastructure financier that is financially attractive to FIO; and
- (d) if and when required in the future, an EPC contract in respect of the pelletising plant contract from an engineering consulting firm to be recommended by BVI.

The parties will evaluate the results of the full BFS before making any decision to proceed to enter into any legally binding contracts in respect of the potential future construction phase of the Project.

Further information on Ovation Capital

Ovation Capital is a niche boutique investment management firm which has been operational since November 2012 and is currently seeking to deploy venture capital towards early stage market opportunities.

Ovation Capital's principal long term focus is to become a specialist investment management company, aimed at creating structured investment products for developmental finance institutions, institutional and high net worth investors. Ovation Capital aims to deliver consistently above average returns to the investor in each of such selected investment products. Ovation Capital also provides the following services across different industries:

- Investment Advisory & Structuring: Venture Capital, Private Equity & Corporate Finance
- Deal Sourcing
- Capital Raising
- Investment Management & Reporting

Ovation Capital identifies and holds its mining and mineral beneficiation opportunities through BVI and both Ovation Capital and BVI are controlled by Mr Yonela Ngcai who is the founding member and director of Ovation Capital..

Ovation Capital has invested and been involved in the development of a number of mineral beneficiation projects in South Africa, including:

- A Silicomanganese project
- An underground coal gasification & downstream beneficiation project commencing with a 50MW power plant
- A phosphate mine to fertiliser complex.
- A fluospar beneficiation complex.

Further information on Ovation Capital can be viewed at:
www.ovationcapital.co.za.

For further information on the Company, please visit www.ferrumcrescent.com or contact:

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Notes to Editors:

Ferrum Crescent's principal project is the Moonlight Iron Project located in Limpopo Province in the north of South Africa. The Moonlight Deposit (upon which the Project is based) is a magnetite deposit located on the Moonlight, Gouda Fontein and Julietta farms and is the main operational focus for the Company. Iscor Limited ("Iscor"), which explored the Project in the 1980s and '90s, reported mineralisation capable of producing a concentrate grading at 68.7% iron. At that time, Iscor concluded that the deposit, which was described as being comparable to the world's best, was easily mineable due to its low waste-to-ore ratio. The beneficiation attributes of Moonlight ore are extremely impressive, with low-intensity magnetic separation considered suitable for optimum concentration.

Metallurgical tests on Moonlight material, undertaken since then by Ferrum Crescent, suggest that Iscor's historical results are conservative, that good metal recoveries can be achieved, and that the resulting concentrates have a high iron content and only negligible impurities, at grind sizes considered to be industry standard (P80 of 75 - 125 microns).

Key features of the Project to date are:

- JORC (2012) compliant Mineral Resource;
- Historical drilling, drilling by the Group, geological modelling and a high density geophysical survey conducted by the Company in 2012 confirm tonnage upside potential;
- 30 year Mining Right granted;
- Environmental licence (EIA) in place for the Moonlight mining area (approved 4 April 2013);
- Metallurgical test work indicates the potential for high quality pellets in excess of 69% iron with low deleterious elements (DR grade pellets for use in direct reduction iron/electric arc steel-making processes);
- Low stripping ratio; slurry pipeline planned to a pellet plant located at a rail head (Thabazimbi); export through Richards Bay;

- Duferco offtake partner (4.5 Mtpa plus first right on a further 1.5 Mtpa if not sold domestically);
- Independent valuation by The Mineral Corporation completed in June 2014;
- Located near Kumba railhead at Thabazimbi (Kumba operation depleting in grade), Limpopo Province, northern South Africa;
- New Eskom power plant (4,800MW) commissioning first 800MW module;
- Richards Bay port expansion for iron ore products.