FerrAus Limited

ABN 86 097 422 529

Financial Report

for the year ended 30 June 2011

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Corporate Information

Directors
Mr Mark Clifford Lawrenson (Managing Director)
Mr Mark Hancock (Non-Executive Director)
Mr Jeremy Sinclair (Non-Executive Director)
Mr Jack Cullity (Non-Executive Director)
Mr Bryan Oliver (Non-Executive Director)

Company Secretary
Mr Christopher Hunt

Registered Office
Level 10
233 Adelaide Terrace
PERTH, WA, 6000

Principal place of business
Level 10
233 Adelaide Terrace
PERTH, WA, 6000

Share Registry
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Bankers
National Australia Bank
100 St Georges Terrace
PERTH, WA, 6000

Auditors
Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
West Perth, WA, 6005

Directors' Report

Your directors submit their report for the year ended 30 June 2011.

DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report unless otherwise stated are as follows:

Mr Mark Lawrenson	Managing Director	Appointed 18/04/11	
Mr Mark Hancock	Non-Executive Director	Appointed 13/09/11	
Mr Jeremy Sinclair	Non-Executive Director	Appointed 13/09/11	
Mr Jack Cullity	Non-Executive Director	Appointed 13/09/11	
Mr Bryan Oliver	Non-Executive Director	Appointed 06/09/10	
Mr John Nyvlt	Non-Executive Director	Appointed 17/12/05	Resigned 13/09/11
Mr Joe Singer	Non-Executive Director	Appointed 03/04/09	Resigned 13/09/11
Mr James Li	Alternate Director for Mr Guoping Liu	Appointed 25/03/10	Resigned 13/09/11
Mr Robert Greenslade	Non-Executive Director	Appointed 10/11/03	Resigned 13/09/11
Mr Guoping Liu	Non-Executive Director	Appointed 15/12/09	Resigned 13/09/11
Mr James Wall	Non-Executive Director	Appointed 09/11/07	Resigned 13/09/11
Mr Michael Amundsen	Non-Executive Director	Appointed 01/07/09	Resigned 30/07/10

Names, qualifications, experience and special responsibilities

Mark Clifford Lawrenson
Chief Executive Officer, Managing Director
Mr Lawrenson has more than 20 years experience as a senior executive across a range of industry sectors and previously held the position of Group Chief Executive of GRD Limited. He holds postgraduate qualifications in commerce and finance and has worked extensively in project development and investment banking around the world, including Australia, USA and Singapore. In addition, Mr Lawrenson has served on several boards in international locations where he has led the project development and financing of numerous major infrastructure projects. Mr Lawrenson is also the Non Executive Chairman of Pacific Energy Limited.

Directors' Report

Mark Hancock
Non - Executive Director
(BBus, CA, FFin)
Mr Hancock is the Chief Commercial Officer and Joint Company Secretary for Atlas Iron Limited ("Atlas"). He has more than 25 years experience in senior financial roles across a number of leading Australian and international companies including Atlas, Lend Lease Corporation Ltd, Woodside Petroleum Ltd and Premier Oil plc.

Jeremy Sinclair
Non - Executive Director
Mr Sinclair currently holds the position of Chief Operating Officer at Atlas. Mr Sinclair graduated from the University of Queensland in 1994. He is a Mining Engineer with 15 years experience in surface mining operations. Prior to commencing with Atlas he held key management roles within Rio Tinto Iron Ore in their Pilbara operations. Previously he consulted to the mining industry and also worked in operational roles in large scale operations mining nickel, iron ore and gold.

Since joining Atlas in 2007, he has led the Operations team in successfully commencing Atlas's two operating mines at Pardoo and Wodgina, and has recently overseen the successful ramp up to a 6Mtpa production rate.

Jack Cullity
Non - Executive Director
Mr Cullity currently holds the position of General Manager Legal and Commercial at Atlas. Mr Cullity is a lawyer with 15 years experience who commenced his career in private practice and has subsequently held a number of legal and commercial roles in the mining industry. Jack worked with Linklaters lawyers in London in the corporate department, before returning to Australia to take up managerial positions with ASX listed companies Newcrest Mining and Downer EDI.

Bryan Oliver
Non - Executive Director
(Associateship in Civil Engineering, Graduate Stanford Executive Program)
Mr Oliver was appointed Executive Director on 6 September 2010 which he held until 18 April 2011 when he became a Non – Executive Director following the appointment of Mr M Lawrenson as Managing Director. Mr Oliver has more than 30 years experience as a senior executive in the iron ore industry for organisations including Midwest Corporation, Robe River Mining and Iron Ore Company of Canada.

His responsibilities have included the management of complex mining and resource operations, many of which have delivered significant increases in shareholder value over sustained periods of time.

Mr Oliver's recent experience at Midwest Corporation included overall responsibility for development of projects at Weld Range, Jack Hills, and Robinson Range hematite projects and Koolanooka magnetite project in the Mid West of Western Australia. In addition Mr Oliver progressed the small scale start up (1 to 2 mtpa hematite) at Koolanooka and Blue Hills and completed capital raisings for Bankable Feasibility Studies for Weld Range and the Jack Hills projects.

Directors' Report

John Nyvlt – Resigned 13 September 2011
Non - Executive, Chairman
(BSc – Honours)
Mr Nyvlt is responsible for Penfold Limited's ("Penfold") business development and acquisitions a company involved in marketing, trading and investment in minerals and metals industries. Penfold is a major shareholder of FerrAus. Mr Nyvlt has spent all his working life in the resources sector. Prior to joining Penfold in 2000, Mr Nyvlt worked with Normandy Mining Group for eight years, where he was responsible for sales and marketing of the group's mine production and for supplying services and materials to the group's operations. Mr Nyvlt worked previously as a geologist and in various commercial roles with EZ Industries Ltd, North Broken Hill Ltd and Pasminco Ltd.

Joe Singer – Resigned 13 September 2011
Non - Executive Director
(BSc and Eng, MBA)
Mr Singer is the founding Director of Penfold; a company involved in marketing, trading and investment in minerals and metals industries. Prior to establishing Penfold, Mr Singer held senior roles with international trading and investment companies, Itouchu Australia Pty Ltd , Marc Rich & Co and Glencore International Plc. The bulk of his experiences deals with physical trading of base metals and concentrates and is predominantly Asia focused. He also served five years as a Director of China Western Mining Co. Ltd (WMC), the first foreign Director of a Shanghai listed Chinese mining company. Mr Singer is trained as a civil engineer and graduated from the University of Chicago with a MBA in 1986. Through his work experiences and travels he has gained some fluency in Chinese, Japanese, Spanish and English.

James Li – Resigned 13 September 2011
Non - Executive Director – Alternate for Mr Guoping Liu
Mr Li is the President of China Railway Materials (Australia) Pty Limited, the Australian branch of China Railway Materials. He held an engineering role with Ministry of Railways in China and has a Master of Engineering from University of New South Wales. He has also been an Alternate Director of Mount Gibson Iron Ltd, and an Alternate Director of Yilgarn Infrastructure Limited which was involved with the Oakajee Project in the Mid-West of Western Australia.

Robert Greenslade – Resigned 13 September 2011
Non - Executive Director
(BEcon)
Mr Greenslade is a founding Director of Adelaide-based boutique investment bank Gryphon Partners Pty Limited specialising in resource transactions in the public and private sectors. Prior to 2002, Mr Greenslade was Group Executive Corporate for Normandy Mining Limited heading up the company's corporate division. Following the takeover of Normandy Mining Limited by Newmont Mining Corporation Inc, he was appointed Vice President of Newmont Capital Limited responsible for the Group's Australian and Asia Pacific corporate and business development activities. Mr Greenslade is also a non-executive Director of ASX listed company Oaks Hotel and Resorts Limited, Kibaran Nickel Limited and Innovance Limited.

Guoping Liu – Resigned 13 September 2011
Non - Executive Director
Mr Liu is the Vice President of China Railway Materials Commercial Corporation (CRM) and Chairman to the Board of its wholly owned subsidiary Union Park Company (UPC). He has extensive international experience and relationships within USA, Europe and South America.

Directors' Report

James Wall – Resigned 13 September 2011
Non - Executive Director
(B. Eng)
Mr James Wall has a Bachelor of Engineering from the University of Western Australia. In the 90's he was Managing Director of Savage Resources Limited. During that time its market capitalisation on ASX increased by 40 times to over $600 million. Savage Resources was transformed from a loss making company into a profitable mining company with substantial operating assets in coal, copper/gold and zinc in Australia and zinc in the USA. From 2000 until 2009 he was a Director of CBH Resources Limited and for most of that period was the Executive Chairman. During that time CBH was transformed from an exploration company into one of Australia's larger zinc and lead producers. He is currently the Executive Chairman of Kimberley Metals Limited. During his extensive mining history he has gained field experience in iron ore, nickel laterite, coal, copper, gold, lead and zinc. He is a fellow in the Australian Institute of Mining and Metallurgy.

Michael Amundsen – Resigned 30 July 2010
CEO
(B. Bus, Grad Dip Mngmnt, MAICD, MAusIMM)
Mr Amundsen's extensive international experience includes 28 years with BHP Billiton Iron Ltd ("BHP"), primarily in the iron ore and coal business groups, in a number of senior roles covering business development, finance and marketing. He is a seasoned and experienced senior iron ore executive whose long career with BHP included nine years based in Perth.

Mr Amundsen's last role with BHP was Vice-President Business Development and Director Business Development in the iron ore business. He was a board member of Samarco (50:50 BHP and Vale Joint Venture) from 2001 to 2007 and played a lead role in the recent US$1.2 billion expansion of Samarco Australia Pty Ltd. Mr Amundsen's broad international experience includes expatriate assignments to Brazil and Hong Kong.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of the Directors in the shares and options of FerrAus Limited were:

	Number of ordinary shares	Number of performance shares (Class B)	Number of options over ordinary shares
Mr Mark Clifford Lawrenson	-	-	-
Mr Mark Hancock	-	-	-
Mr Jeremy Sinclair	-	-	-
Mr Jack Cullity	-	-	-
Mr Bryan Oliver	-	-	-
Mr John Nyvlt (resigned 13/09/11)	-	1,462,500	-
Mr Joe Singer (resigned 13/09/11)	-	2,193,825	-
Mr James Li (resigned 13/09/11)	-	-	-
Mr Robert Greenslade (resigned 13/09/11)	-	-	-
Mr Guoping Liu (resigned 13/09/11)	-	-	-
Mr James Wall (resigned 13/09/11)	-	-	-
Total	-	**3,656,325**	-

Directors' Report

Class B Performance shares were issued with the following terms:

- No voting rights for the holder of the shares
- No right to any dividend
- No right to any surplus profits or assets upon winding up of the company
- Not transferable
- Each share will automatically convert into one Ordinary Share on the latest of the following dates:

a) the date of grant of a mining lease in the area of the mining tenements held by Australian Manganese Pty Ltd at the date the shares were issued;
b) the date of completion of a Bankable Feasibility Study in respect of the Tenement Area;
c) the date of release to ASX of a Resource Estimate in respect of the Tenement Area; and
d) the business day following 12 months from the issue of the shares.

If a), b) and c) are not achieved within 7 years of the issue of the shares the Company must seek shareholder approval to convert the shares to Ordinary Shares.

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors is responsible for the corporate governance of FerrAus Limited (the Company) and its controlled entities (the Group). The Group operates in accordance with the corporate governance principles as set out by the ASX Corporate Governance Council and required under ASX listing rules.

The corporate government practices in place at the end of the financial period, all of which comply with the principles and recommendations of the ASX corporate governance council unless otherwise stated, are detailed below. Some of the charters and policies that form the basis of the corporate governance practices of the Group may be located on the Group's website, *www.ferraus.com*.

The ASX Corporate Governance Council has released amendments dated 30 June 2010 to the second edition Corporate Governance Principles and Recommendations (Principles and Recommendations) in relation to diversity, remuneration, trading policies and briefings. The Group has addressed the amended principles within this statement.

Principle 1: Lay solid foundations for management and oversight

Board Responsibilities

The Board is accountable to the Shareholders for the performance of the Group and has overall responsibility for its operations. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives, are formally delegated by the Board.

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives of the Group and monitoring management performance in the achievement of these objectives.
- Adopting budgets and monitoring the financial performance of the Group.
- Reviewing annually the performance of the Managing Director against the objectives and performance indicators established by the Board.

Directors' Report

- Overseeing the establishment and maintenance of adequate internal controls and effective monitoring systems.
- Overseeing the implementation and management of effective safety and environmental performance systems.
- Ensuring all major business risks are identified and effectively managed.
- Ensuring that the Group meets its legal and statutory obligations.

For the purposes of the proper performance of their duties, the Directors are entitled to seek independent professional advice at the Group's expense, unless the Board determines otherwise. The Board schedules meetings on a regular basis and other meetings as and when required.

The Board has not publicly disclosed a statement of matters reserved for the Board, or the Board charter and therefore the Group has not complied with recommendation 1.3 of the Corporate Governance Council. Given the size of the Group, the Board does not consider the formation of a Board charter necessary.

Performance evaluation of Senior Management
The Managing Director and Senior Management participate in annual performance reviews. The performance of staff is measured against the objectives and performance indicators established by the Board. The performance of senior management is reviewed by comparing performance against agreed measures, examining the effectiveness and results of their contribution and identifying area for potential improvement. The Group has not publicly disclosed a description of the performance evaluation process and therefore has not complied with recommendations 1.2 and 1.3 of the ASX Corporate Governance Council.

Principle 2: Structure the Board to add value

Size and composition of the Board
At the date of this statement the Board consists of, one Managing Director, four Non-Executive Directors. Directors' are expected to bring independent views and judgment to the Board's deliberations.

- Mr Mark Lawrenson — Managing Director
- Mr Mark Hancock — Non-Executive Director
- Mr Jeremy Sinclair — Non-Executive Director
- Mr Jack Cullity — Non-Executive Director
- Mr Bryan Oliver — Non-Executive Director

The Board considers this to be an appropriate composition given the size and development of the Group at the present time. The names of Directors including details of their qualification and experience are set out in the Directors' Report of this Financial Report.

The composition of the Board recognizes the majority ownership position of Atlas. It is considered appropriate that Directors associated with the controlling shareholder constitute the majority of Directors on the Board. Notwithstanding this, the Directors discharge their duties in the interests of all the shareholders.

Directors' Report

Independence

The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to ensure a full and frank discussion of the matter(s) under consideration by the rest of the Board. Those Directors who have interests in specific transactions or potential transactions do not receive Board papers related to those transactions or potential transactions, do not participate in any part of a Directors' meeting which considers those transactions or potential transactions, are not involved in the decision making process in respect of those transactions or potential transactions, and are asked not to discuss those transactions or potential transactions with other Directors.

Messrs Lawrenson and Oliver are considered Independent Directors as they have no other material relationships or associations with the Group other than their directorships.

The Board does not consist of a majority of independent Directors and therefore the Group has not complied with recommendation 2.1 of the Corporate Governance Council. The Board defines 'independence' in accordance with ASX recommendations. The Board considers the current structure to be an appropriate composition of the required skills and experience, given the experience of the individual Directors and the size and development of the Group at the present time.

Nomination, retirement and appointment of Directors

The Board has not established a nomination committee and therefore the Group has not complied with recommendation 2.4 of the Corporate Governance Council. Given the size of the Group the Board does not consider a separate committee appropriate. The Board takes ultimate responsibility for these matters. The composition/membership of the Board is subject to review in a number of ways, as outlined below:

- The Company's constitution provides that at every Annual General Meeting, one third of the directors shall retire from office but may stand for re-election.

- Board composition is also reviewed periodically either when a vacancy arises or if it is considered that the Board would benefit from the services of a new Director, given the existing mix of skills and experience of the Board which should match the strategic demands of the Group. Once it has been agreed that a new director is to be appointed, a search would be undertaken, sometimes using the services of external consultants. Nominations are subsequently received and reviewed by the Board.

Evaluation of Board performance

The Board continually reviews its performance and identifies ways to improve performance. The Chairman is responsible for reviewing the Board performance on an Annual basis.

Board Committees

It is the role of the Board to oversee the management of the Group and it may establish appropriate committees to assist in this role.

The Board has established an Audit Committee and a Minority Shareholders Interests Committee. At the present time no other committees have been established because of the size of the Company and the involvement of the Board in the operations of the Group. The Board takes ultimate responsibility for the operations of the Group including remuneration of Directors and executives and nominations to the Board.

Directors' Report

The Board has not publicly disclosed the process for evaluating the performance of the Board, its committees and individual directors. Therefore, the Group has not complied with recommendation 2.5 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider disclosure of the performance evaluation necessary at this stage.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Group intends to maintain a reputation for integrity. The Group's officers and employees are required to act in accordance with the law and with the highest ethical standards. The Board has adopted a formal code of conduct applying to the Board and all Employees. However, the Group has not publicly disclosed the code of conduct and therefore the Group has not complied with recommendation 3.1 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider disclosure of the code of conduct necessary at this stage.

Securities Trading Policy

The Group has adopted and discloses a securities trading policy under ASX Listing Rules that applies to Directors, all employees and employees of contractors that have access to the Company's technical, financial or other price sensitive information (see website). Under this policy all Directors and employees of the Company are prohibited from trading in the Company's securities (ie share and options) if they are in possession of "inside information" and during certain periods ten days prior to the announcement of quarterly, half yearly, full year results and the pending announcement of any drilling results. Trading by Restricted Persons (as defined in the Policy) requires clearance from:

i) in the case of the Chairman wishing to trade, all other directors; and
ii) in the case of Directors and all other restricted persons wishing to trade, the Chairman.

The policy is in accordance with ASX Principle 3.

Principle 4: Safeguard integrity in financial reporting

The Group aims to structure management to independently verify and safeguard the integrity of their financial reporting. The structure established by the Group includes:

- Review and consideration of the financial statements by the Audit Committee;
- A process to ensure the independence and competence of the Group's external auditors.

Audit Committee

The Audit Committee comprises of Mr Mark Lawrenson (Managing Director) and Mr Jack Cullity (Non-Executive Director).

The Committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and

Directors' Report

- ensure compliance with laws, regulations and other statutory or professional requirements, and the Group's governance policies.

The Committee has not been structured to contain three non-executive Directors including a majority of independent Directors and therefore the Group has not complied with recommendation 4.2 of the Corporate Governance Council. Given the relative skills and experience of the Audit Committee, the Board believes the structure and process to be adequate. The Board continues to monitor the composition of the Committee and the roles and responsibilities of the members.

Minority Shareholders Interests Committee
The Minority Shareholders Interests Committee comprises of Mr Mark Lawrenson (Managing Director) and Mr Bryan Oliver (Non-Executive Director).

The objective and purpose of the Minority Shareholders Interest Committee is to assist the Board in the effective discharge of its corporate governance and oversight responsibilities by establishing, monitoring and reviewing issues that could affect the minority shareholders of the Company.

Principle 5: Make timely and balanced disclosure

The Group has a policy that all shareholders and investors have equal access to the Group's information. The Board ensures that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporation's Act and ASX Listing Rules. The Company Secretary has primary responsibility for all communications with the ASX and is accountable to the Board through the chair for all governance matters.

The Group has not publicly disclosed a formal disclosure policy and therefore has not complied with recommendation 5.1 of the Corporate Governance Council. Given the size of the Group, the Board does not consider public disclosure to be appropriate. The Board takes ultimate responsibility for these matters.

Principle 6: Respect the rights of shareholders

The Board strives to ensure that Shareholders are provided with sufficient information to assess the performance of the Group and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders through:

- annual and half-yearly financial reports and quarterly reports;
- annual and other general meetings convened for Shareholder review and approval of Board proposals;
- continuous disclosure of material changes to ASX for open access to the public; and
- the Group maintains a website where all ASX announcements, notices and financial reports are published as soon as possible after release to ASX.

The Auditor is invited to attend the annual general meeting of Shareholders. The Chairman will permit Shareholders to ask questions about the conduct of the audit and the preparation and content of the audit report.

The Group has not designed or publicly disclosed a communications policy and therefore has not complied with recommendation 6.1 of the Corporate Governance Council. Given the size of the Group, the Board does not consider disclosure of a communications policy to be appropriate. The Board take ultimate responsibility for these matters.

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Principle 7: Recognise and manage risk
The Board has identified the significant areas of potential business and legal risk of the Group. The identification, monitoring and, where appropriate, the reduction of significant risk to the Group is the responsibility of the Board. The Board has also established an Audit Committee which addresses the risk of the Group.

The Board reviews and monitors the parameters under which such risks will be managed. Management accounts are prepared and reviewed at Board meetings. Budgets are prepared and compared against actual results.

The Group has not publicly disclosed a policy for the oversight and management of material business risks and therefore has not complied with recommendation 7.1 of the Corporate Governance Council. The Board takes ultimate responsibility for these matters and does not consider the disclosure of a risk management policy to be appropriate at this stage.

Declaration from Managing Director and Chief Financial Officer
The Managing Director and the Chief Financial Officer will be required to state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results are in accordance with relevant accounting standards. Included in this statement will be confirmation that the Group's risk management and internal controls are operating efficiently and effectively.

Principle 8: Remunerate fairly and responsibly
The Chairman and the Non-Executive Directors are entitled to draw Director's fees and receive reimbursement of reasonable expenses for attendance at meetings. The Group is required to disclose in its annual report details of remuneration to Directors. The maximum aggregate annual remuneration which may be paid to Non-Executive Directors is $500,000. This amount cannot be increased without the approval of the Group's shareholders.

The Board has not established a Remuneration Committee and therefore the Group has not complied with recommendation 8.1 and 8.3 respectively of the Corporate Governance Council. Given the size of the Group, the Board does not consider a separate committee appropriate. The Board takes ultimate responsibility for these matters.

DIVIDENDS
No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

PRINCIPAL ACTIVITIES
The principal activities of the Group during the financial year were:

- To continue to conduct mineral exploration of areas held and to also seek out new areas with potential mineralisation;

- To evaluate the exploration results from surface sampling, drilling, geological mapping and geophysical surveys carried out during the year; and

- To progress feasibility studies into developing its operations.

There were no significant changes in the nature of the consolidated group's principal activities during the financial year.

Directors' Report

OPERATING RESULTS
The consolidated loss of the Group for the financial year after providing for income tax amounted to $40,485,748 [2010: $21,985,368].

OPERATIONS OVERVIEW
During the year the principal activity of the Group was exploration of its wholly owned leases in the East Pilbara Region of Western Australia and to progress feasibility studies into developing its operations.

Milestones
The significant milestones achieved by the Group during this period included:

- China Railway Materials Commercial Corporation, exercised its right on 19 July 2010 to subscribe for 3,005,753 additional FerrAus shares following the share placement to Wah Nam International Australia Pty Ltd.
- The Lawson Gold Offer was completed on 26 July 2010. The Offer raised approximately $4.7 million at $0.20 per share, with the 23.4 million shares issued before trading opened on the Australian Securities Exchange on 5 August 2010.
- On 29 July 2010 the Company announced the resignation of Mr Michael Amundsen as the Managing Director of the Company.
- An announcement was made on 5 August 2010 that the resource total for the FerrAus Pilbara Project had reached 316.4 million tonnes.
- On 6 September 2010 the Company announced the appointment of Mr Bryan Oliver as an Executive Director on an interim basis until the permanent appointment of a Managing Director.
- High grade manganese results, from the Enacheddong Manganese Project located in the north east Pilbara, were announced on 28 October 2010.
- On 11 November 2010 FerrAus received a takeover offer from Wah Nam International Holdings Limited.
- The results of the Pre Feasibility Study, which found the FerrAus Pilbara Project to be financially robust and technically viable, were announced on 15 November 2010.
- Also on 15 November 2010, the Company announced a maiden iron ore reserve of 126 million tonnes and new Mirrin Mirrin results that lifted the total resources to 328.7 million tonnes.
- On 10 January 2011 Mr Cliff Lawrenson was appointed as Chief Executive Officer and Managing Director, subject to the approval of shareholders. (Note: Shareholders approved this appointment at a General Meeting held on 18 April 2011).
- FerrAus completed a $35 million capital raising on 31 January 2011.

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- On 4 April 2011 FerrAus announced that it had awarded a number of key contracts as part of the process to complete its Definitive Feasibility Study, as well as confirming the appointment of key members of the management team.

- A further increase in the iron ore reserve estimate was announced on 13 May 2011 taking the total iron ore reserve figure for the FerrAus Pilbara Project to 163 million tonnes.

- On 27 June 2011, the Company and Atlas jointly announced a takeover offer from Atlas designed to achieve the consolidation of South East Pilbara iron ore assets for the benefit of all stakeholders.

- Wah Nam International Holdings Limited advised shareholders on 28 June 2011 that, as a result of the announcement of the offer from Atlas, its takeover offer would lapse on 15 July 2011.

Main Activities

During this financial period the Company reported that total resources of iron ore at the FerrAus Pilbara Project increased 11.4 per cent from 297.2 million tonnes to 331.0 million tonnes. The Company considers that there remains further exploration potential to increase the resource base to 400 million tonnes, which may or may not be achieved. Note that this figure excludes the tenements acquired from Atlas subsequent to 30 June 2011.

The main objective of the Company is to continue to grow the resource base to a significant size and establish a "pipeline of development projects" to support long-term infrastructure investment and industry consolidation.

Projects

The **FerrAus Pilbara Project** includes:

Robertson Range Area – M52/1034, E52/1630 and E52/1901

This project is located approximately 60 kilometres south east of BHP Billiton Limited's ("BHP") mining operations and rail infrastructure at Jimblebar, Western Australia.

Davidson Creek Area – M52/1043 and E52/1658

This project is located approximately 35 kilometres east of BHP's mining operations and rail infrastructure at Jimblebar, Western Australia.

Enacheddong Manganese Project – E46/614

This project is located approximately 200 kilometres north-east of Newman and 60 kilometres south of the primary manganese mining operation at Woodie Woodie, Western Australia.

Directors' Report

Resource Inventory and Exploration Potential

Based on RC drilling and diamond drilling completed during this period, the iron ore resource inventory of the FerrAus Pilbara Project is summarised in the table below:

FerrAus Pilbara Project - Iron Ore Resources

In July 2011 the Company announced the following updated resource:

Area	JORC (2004) Resource Category	Tonnes Mt	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)	CaFe (%)
High Grade Resources (+55% Fe)								
Robertson Range	Measured	23.40	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.70	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.60	58.11	6.56	3.37	0.097	6.15	61.93
	Total	**54.60**	**58.79**	**5.26**	**2.94**	**0.105**	**6.93**	**63.18**
Davidson Creek	Measured	9.50	58.10	4.31	2.83	0.078	9.12	63.90
	Indicated	120.10	58.30	4.79	2.59	0.088	8.60	63.72
	Inferred	3.40	57.40	5.09	3.13	0.092	8.92	63.00
	Total	**133.00**	**58.20**	**4.77**	**2.62**	**0.087**	**8.65**	**63.70**
Mirrin Mirrin	Indicated	33.90	58.94	4.16	2.26	0.101	8.75	64.59
	Inferred	4.80	56.67	6.81	3.42	0.109	8.04	61.64
	Total	**38.70**	**58.66**	**4.49**	**2.41**	**0.102**	**8.66**	**64.22**
Total (High Grade)		**226.30**	**58.44**	**4.84**	**2.66**	**0.094**	**8.23**	**63.67**
Medium Grade Resources (between 53% Fe and 55% Fe for RR, between 52% Fe and 55% Fe for DC & MM)								
Robertson Range	Indicated	6.50	54.00	7.61	4.95	0.122	8.86	59.30
	Inferred	2.30	54.10	8.96	5.20	0.096	7.57	58.50
Davidson Creek	Indicated	54.80	53.60	8.10	4.88	0.075	9.17	59.10
	Inferred	3.40	53.54	8.21	4.63	0.105	9.43	59.16
Mirrin Mirrin	Indicated	12.00	53.52	8.43	4.97	0.086	9.23	58.98
	Inferred	8.10	53.62	9.26	4.27	0.123	8.50	58.61
Total (Medium Grade)		**87.10**	**53.63**	**8.24**	**4.84**	**0.086**	**9.06**	**59.03**
Low Grade Resources (between 50% Fe and 53% Fe for RR, between 50% Fe and 52% Fe for DC & MM)								
Robertson Range	Inferred	7.40	51.80	9.17	5.87	0.132	9.23	57.10
Davidson Creek	Inferred	21.40	51.14	9.32	6.43	0.069	9.68	56.62
Mirrin Mirrin	Inferred	4.80	51.25	10.39	6.01	0.080	8.98	56.32
Total (Low Grade)		**33.63**	**51.30**	**9.44**	**6.25**	**0.08**	**9.48**	**56.69**
MEASURED RESOURCES (Mt)		**32.90**						
INDICATED RESOURCES (Mt)		**248.00**						
INFERRED RESOURCES (Mt)		**66.20**						
TOTAL (Mt)		**347.10**						

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.

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

Directors' Report

QUALIFICATION STATEMENTS
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 Limited. 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.

FerrAus Pilbara Project - Iron Ore Reserves

In May 2011 the Company announced the following ore reserve statement:

Area	JORC (2004) Reserve Category	Tonnes Mt	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
Robertson Range (+53% Fe)	Proved	-	-	-	-	-	-
	Probable	31.0	58.3	5.4	3.0	0.09	7.4
	Total	**31.0**	**58.3**	**5.4**	**3.0**	**0.09**	**7.4**
Davidson Creek (+52% Fe)	Proved	0.0	0.0	0.0	0.0	0.00	0.0
	Probable	95.0	57.0	5.5	3.3	0.09	8.9
	Total	**95.0**	**57.0**	**5.5**	**3.3**	**0.09**	**8.9**
Mirrin Mirrin (+52% Fe)	Proved	0.0	0.0	0.0	0.0	0.00	0.0
	Probable	37.0	57.5	4.3	2.3	0.09	8.7
	Total	**37.0**	**57.5**	**4.3**	**2.3**	**0.09**	**8.7**
Total Reserve		**163.0**	**57.4**	**5.2**	**3.0**	**0.09**	**8.6**

ORE RESERVE STATEMENT
The Ore Reserve Statement has been prepared by Snowden Mining Industry Consultants ('Snowden') on behalf of FerrAus Limited

The author of the report, Mr. Alan G Cooper, Principal Mining Consultant for Snowden Mining Industry Consultants, states that he is a Member of The Australasian Institute of Mining and Metallurgy (The AusIMM) and has more than five years mining experience applicable to the mining of Iron Ore. He consents to the public release of this Ore Reserve estimate, providing it remains in the context presented.

RISK MANAGEMENT

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's objectives and strategy statements, designed to meet stakeholders needs and manage business risk.

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of performance indicators of both a financial and non financial nature.

Directors' Report

SIGNIFICANT EVENTS AFTER BALANCE DATE

- At the General Meeting held on 29 August 2011 shareholders approved:

  (a) the issue by the Company to Atlas of approximately 37.4 million ordinary shares at an issue price of $0.65 per share to raise $24.3 million, pursuant to a subscription agreement; and

  (b) the purchase of South East Pilbara iron ore assets by the Company from Atlas in consideration for approximately 121.8 million ordinary shares at a deemed issue price of $0.65 per share, pursuant to an asset sale agreement (Iron Ore Assets Acquisition).

  As a result of these approvals approximately 159.3 million ordinary shares were allotted to Atlas, representing 38.96 per cent of the enlarged company.

- On 5 September 2011 Atlas launched its takeover bid and then declared the offer wholly unconditional on 8 September with an announcement that it held a relevant interest in 60.48 per cent of the Company.

- Changes to the Company's Board were announced on 13 September 2011 as a result of a change in control of the Company.

- On 16 September 2011 the Company advised that, in accordance with the Atlas takeover bid conditions, the holders of unlisted options issued to Directors, employees and consultants of FerrAus have agreed to the cancellation of 9,135,000 options. Following the cancellation a total of 691,640 Atlas shares were issued to the option holders as consideration.

- As at the date of this report Atlas has a 96.14 per cent relevant interest in the ordinary shares of the Company.

- On 21 September 2011 Atlas confirmed that if, at the close of the Offer at 5:00pm AWST on Wednesday, 5 October 2011, it is entitled compulsory acquire outstanding FerrAus ordinary shares under Part 6A.1 of the corporations Act, it intends to proceed with compulsory acquisition of the remaining ordinary shares and any ordinary shares which come into existence within the period of 6 weeks after Atlas gives the compulsory acquisition notice (referred to in section 661B(1) of the Corporations Act) due to the conversion of, or exercise of, convertible securities in the Company.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than noted elsewhere in this report there have been no significant changes in the state of affairs of the Company.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company intends to continue to undertake appropriate exploration and evaluation expenditure enabling it to maintain title to all its prospective mineral properties until decisions can be made to successfully develop and exploit, sell or abandon such properties. New projects will be sought and evaluated. Provision of any further information may result in unreasonable prejudice to the Company.

Directors' Report

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is aware of its responsibility to impact as little as possible on the environment, and where there is disturbance, to rehabilitate sites. During the period under review all the work carried out was in Western Australia and the Company's environmental obligations are regulated under both Western Australian State and Federal Law. FerrAus Limited is committed to conduct its activities with high standards of care for the natural environment. The Company will apply the most appropriate standards to each activity and communicate with employees, contractors and communities about environmental objectives and responsibilities. No environmental breaches have been notified by any Government agency during the year ended 30 June 2011.

OCCUPATIONAL HEALTH, SAFETY AND WELFARE

In running its business, the Company aims to protect the health, safety and welfare of employees, contractors and guests. In the reporting period the Company experienced no medical aid incidents and no lost time injuries. The Company reviews its OHS&W policy at regular intervals to ensure high standards of OHS&W, and to reflect best practice in injury and accident prevention.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Group has indemnified (fully insured) each director and the secretary of the Group for a premium of $14,565 (31/10/2010 – 31/10/2011). The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings (that may be brought) against the officers in their capacity as officers of the Group or a related body, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

Directors' Report

SHARE OPTIONS

Unissued Shares
At the date of this report, the following options to acquire ordinary shares in the Company were on issue:

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2010	Net Issued/ (Exercised) / (Lapsed)	Cancelled (i)	Balance at 28 September 2011
18/03/2006	17/03/2011	$0.25	3,000,000	(3,000,000)		-
08/06/2006	07/06/2011	$0.40	200,000	(200,000)		-
08/11/2007	07/11/2012	$1.35	400,000		(400,000)	-
28/04/2008	27/04/2012	$1.00	500,000	(300,000)	(200,000)	-
28/04/2008	28/04/2011	$1.00	300,000	(300,000)		-
08/08/2008	31/12/2011	$1.15	1,200,000		(1,200,000)	-
12/10/2009	13/10/2013	$0.75	300,000	(250,000)	(50,000)	-
01/11/2009	02/11/2013	$1.00	50,000		(50,000)	-
01/11/2009	02/11/2013	$1.25	75,000		(75,000)	-
18/01/2010	17/01/2013	$0.75	500,000	(500,000)		-
18/01/2010	17/01/2013	$1.00	500,000	(500,000)		-
18/01/2010	17/01/2013	$1.25	500,000	(500,000)		-
26/11/2010	06/09/2013	$1.00		500,000	(500,000)	-
27/01/2011	1/04/2014	$1.00		1,000,000	(1,000,000)	-
14/09/2010	14/09/2014	$1.00		350,000	(350,000)	-
18/04/2011	17/04/2016	$1.00		1,000,000	(1,000,000)	-
18/04/2011	17/04/2016	$1.40		1,000,000	(1,000,000)	-
18/04/2011	17/04/2016	$1.80		1,000,000	(1,000,000)	-
18/04/2011	17/04/2016	$2.20		1,000,000	(1,000,000)	-
18/04/2011	17/04/2016	$2.40		1,000,000	(1,000,000)	-
27/05/2011	27/05/2014	$1.00		310,000	(310,000)	-
			7,525,000	**1,610,000**	**(9,135,000)**	**-**

i) On 16 September 2011 the Company advised that, in accordance with the Atlas takeover bid conditions, the holders of unlisted options issued to Directors, employees and consultants of the Company have agreed to the cancellation of 9,135,000 options. Following the cancellation a total of 691,640 Atlas shares were issued to the option holders as consideration.

Shares issued as a result of the exercise of Options
- 1,114,290 Options issued on 18 March 2006 were exercised on 10 March 2011 at an exercise price of $0.25 to acquire 1,114,290 fully paid ordinary shares in the Company.
- 1,671,420 Options issued on 18 March 2006 were exercised on 10 March 2011 at an exercise price of $0.25 to acquire 1,671,420 fully paid ordinary shares in the Company.
- 214,000 Options issued on 18 March 2006 were exercised on 14 March 2011 at an exercise price of $0.25 to acquire 214,000 fully paid ordinary shares in the Company.
- 200,000 Options issued on 8 June 2006 were exercised on 7 June 2011 at an exercise price of $0.40 to acquire 200,000 fully paid ordinary shares in the Company.

Directors' Report

Lapsing of Options
During the financial year 2,350,000 Options lapsed due to vesting conditions not being met.

New Options issued
- 350,000 Options were issued on 14 September 2010 2009 under the Company's Share Option Plan with exercise price of $1.00 expiring on 14 September 2014.
- 500,000 Options were issued on 26 November 2010 under the Company's Share Option Plan with exercise price of $1.00 expiring on 6 September 2013.
- 1,000,000 Options were issued on 27 January 2011 to Mr Bryan Oliver as approved by the Company's shareholders at a General Meeting held on 24 January 2011 with exercise price of $1.00, vesting on 01 April 2011 and expiring on 01 April 2014.
- 1,000,000 Options were issued on 18 April 2011 to Mr Mark Lawrenson as approved by the Company's shareholders at a General Meeting held on 18 April 2011 with exercise price of $1.00, vesting on 17 October 2011 and expiring on 17 April 2016.
- 1,000,000 Options were issued on 18 April 2011 to Mr Mark Lawrenson as approved by the Company's shareholders at a General Meeting held on 18 April 2011 with exercise price of $1.40, vesting on 17 April 2012 and expiring on 17 April 2016.
- 1,000,000 Options were issued on 18 April 2011 to Mr Mark Lawrenson as approved by the Company's shareholders at a General Meeting held on 18 April 2011 with exercise price of $1.80, vesting on 17 October 2012 and expiring on 17 April 2016.
- 1,000,000 Options were issued on 18 April 2011 to Mr Mark Lawrenson as approved by the Company's shareholders at a General Meeting held on 18 April 2011 with exercise price of $2.20, vesting on 18 April 2013 and expiring on 17 April 2016.
- 1,000,000 Options were issued on 18 April 2011 to Mr Mark Lawrenson as approved by the Company's shareholders at a General Meeting held on 18 April 2011 with exercise price of $2.40, vesting on 17 October 2013 and expiring on 17 April 2016.
- 310,000 Options were issued on 27 May 2011 under the Company's Share Option Plan with exercise price of $1.00 expiring on 27 May 2014.

Cancellation of Options
- Since the end of the financial year 9,135,000 options were cancelled as a result of Atlas' takeover of the Company.

REMUNERATION REPORT (AUDITED)
This report outlines the remuneration arrangements in place for Directors and other Key Management Personnel of FerrAus Limited.

The required s300A remuneration and entitlement information is provided below.

Remuneration Philosophy
The Board is responsible for determining remuneration policies applicable to Directors and senior executives of the Group. The broad policy is to ensure that remuneration properly reflects the individuals' duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people with appropriate skills and experience. At the time of determining remuneration, consideration is given by the Board to the Group's financial performance.

The maximum aggregate annual remuneration which may be paid to Non-Executive Directors is currently $500,000. This cannot be increased without approval of the Company's shareholders.

Directors' Report

Employee Contracts

Mr Mark Clifford Lawrenson, Chief Executive Officer and Managing Director

The employment conditions of the Chief Executive Officer and Managing Director, Mark Clifford Lawrenson, are formalised in a contract of employment. Mr Lawrenson commenced employment on 18 April 2011 and his base salary is $600,000 plus superannuation of $54,000 per annum which is subject to annual review. Mr Lawrenson is also entitled to receive a short term bonus per financial year commencing after 1 July 2011 equal to 50% of his base salary for that financial year, subject to him meeting Key Performance Indicators (KPIs) set by the Board in consultation with Mr Lawrenson, or otherwise at the Board's discretion. Additionally Mr Lawrenson or his nominee has been issued with 5,000,000 options, in five (5) 1,000,000 tranches to acquire ordinary shares in the Company as a long term incentive bonus plan. On 16 September 2011, in accordance with the Bid Implementation Agreement executed by FerrAus Limited and Atlas, the Company announced that all existing unlisted options in the Company had been cancelled, including Mr Lawrenson's, and Atlas shares were issued as consideration for the cancellation.

Mr Lawrenson's employment may be terminated at any time by the Company in the instance of serious misconduct.

The Company may also terminate employment by giving immediate notice to Mr Lawrenson without cause.

Mr Lawrenson may terminate his employment by giving immediate notice to the Company if:

- the Company commits a material breach of his employment contract that is not capable of remedy within thirty (30) days; or
- other than through Mr Lawrenson's own volition, he ceases to be a Director of the Company; or
- liquidation of the Company occurs.

If Mr Lawrenson's employment is terminated by the Company without cause or by Mr Lawrenson with cause, he will also be entitled to an amount equal to the lesser of his base salary for one year at the time of cessation of his employment and the maximum amount that the Company may pay the Executive at the time without obtaining shareholder approval and without breaching section 200B of the Corporations Act.

Mr Lawrenson may also terminate his employment by giving three (3) months notice to the Company at any time.

Mr Christopher Hunt, Chief Financial Officer and Company Secretary

The employment conditions of the Chief Financial Officer and Company Secretary, Christopher Hunt, are formalised in a contract of employment. Mr Hunt commenced employment on 14 June 2010 and his base salary is $325,000 inclusive of superannuation which is subject to annual review. Additionally Mr Hunt has been issued with 350,000 options to acquire ordinary shares in the Company. On 16 September 2011, in accordance with the Bid Implementation Agreement executed by FerrAus Limited and Atlas, the Company announced that all existing unlisted options in the Company had been cancelled, including Mr Hunt's, and Atlas shares were issued as consideration for the cancellation.

Mr Hunt's employment may be terminated at any time by the Company in the instance of serious misconduct.

The Company may also terminate employment by giving immediate notice to Mr Hunt without cause.

Directors' Report

Mr Hunt may terminate his employment by giving immediate notice to the Company if:

- the Company commits a material breach of his employment contract that is not capable of remedy within thirty (30) days; or
- liquidation of the Company occurs.

If Mr Hunt's employment is terminated by the Company without cause or by Mr Hunt with cause, he will also be entitled to his base salary for six (6) months as at the time of cessation of his employment.

Mr Hunt may also terminate his employment by giving three (3) months notice to the Company at any time.

Mr Brett Hazelden, Project Director
The employment conditions of the Project Director, Brett Hazelden, are formalised in a contract of employment. Mr Hazelden commenced employment on 1 March 2011 and his base salary, inclusive of superannuation, is $354,250 per annum. The Company or Mr Hazelden may terminate the employment contract without cause by providing three (3) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Mr Peter Brookes, Exploration Manager
The employment conditions of the Exploration Manager, Peter Brookes, are formalised in a contract of employment. Mr Brooks commenced employment on 7 September 2009 and his base salary, inclusive of superannuation, is $230,000 per annum. The Company or Mr Brooks may terminate the employment contract without cause by providing one (1) months written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Key Management Personnel remuneration and equity holdings
The Board currently determines the nature and amount of remuneration for Key Management Personnel of the Group. The policy is to align Director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results.

The Non-Executive Directors and other Key Management Personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to Key Management Personnel is expensed as incurred. Key Management Personnel are also entitled to participate in the Company Share Option Plan. Options are valued using the Black-Scholes methodology and are recognised as remuneration over the vesting period.

The Board policy is to remunerate Non-Executive Directors at market rates based on comparable companies for time, commitment and responsibilities. The Board determines payments to Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Directors' Report

Remuneration Report - audited

Table 1: Key Management Personnel remuneration for the year ended 30 June 2011 and 30 June 2010 - audited

	Short Term Benefits	Post Employment	Share-based Payments	Total	Portion perform-ance related	Value of shares/ options
	Salary, Fees & Bonuses $	Superannuation $	Value of Options $	$	%	%
John Nyvlt*						
2011	120,000	10,800	-	**130,800**	-	-
2010	120,000	10,800	-	**130,800**	-	-
Michael Amundsen (resigned 31 July 2010)						
2011	92,476	8,723	-	**101,199**	-	-
2010	300,000	27,000	897,000	**1,224,000**	-	73.28
David Turvey (resigned 15 December 2009)						
2011	-	-	-	**-**	-	-
2010	32,419	-	-	**32,419**	-	-
Robert Greenslade **						
2011	60,000	-	-	**60,000**	-	-
2010	60,000	-	-	**60,000**	-	-
Guoping Liu						
2011	60,000	-	-	**60,000**	-	-
2010	32,630	-	-	**32,630**	-	-
James Wall						
2011	60,000	-	-	**60,000**	-	-
2010	67,393	-	-	**67,393**	-	-
Joe Singer*						
2011	60,000	-	-	**60,000**	-	-
2010	53,750	-	-	**53,750**	-	-
Mark Clifford Lawrenson						
2011	123,077	11,077	1,798,880	**1,933,034**	-	93.06
2010	-	-	-	**-**	-	-
Bryan Oliver						
2011	280,056	23,407	843,347	**1,146,810**	-	73.54
2010	-	-	-	**-**	-	-
Peter Brookes						
2011	196,330	17,670	33,912	**247,912**	-	13.68
2010	-	-	-	**-**	-	-
Brett Hazelden						
2011	264,249	23,782	45,216	**333,247**	-	100.00
2010	-	-	-	**-**	-	-
John Berry						
2011	116,466	7,001	-	**123,467**	-	-
2010	250,000	50,000	35,370	**335,370**	-	10.55
Christopher Hunt						
2011	265,672	23,910	179,432	**469,014**	-	38.26
2010	12,614	1,136	-	**13,750**	-	-
Total						
2011	**1,698,326**	**126,370**	**2,900,787**	**4,725,483**		
2010	**928,806**	**88,936**	**932,370**	**1,950,112**		

Directors' Report

*Penfold Marketing Pty Limited of which John Nyvlt is a Director received rental payments, administration fees and professional service fees of $80,929 (2010: $77,365). The amount payable to Penfold Marketing Pty Limited as at 30 June 2011 is $6,050. Penfold Limited of which Joe Singer is a Director received capital raising fees, including disbursements, of $311,695. There are no amounts outstanding to Penfold Limited as at 30 June 2011.

***Gryphon Partners of which Robert Greenslade is a Partner, received fees of $1,075,630 (2010: $313,136) inclusive of Mr Greenslade's director's fee. The amount payable to Gryphon Partners as at 30 June 2011 is $694,691.

Key Management Personnel in the above table include directors and specified executives.

Table 2: Options granted as part of remuneration- audited

Options are issued to executives and consultants as part of their remuneration to attract and retain their services and to provide incentive linked to performance of the Company. The options issued will only be of benefit if executives and consultants perform to a level whereby the value of the Company increases sufficiently to warrant exercising the options. It is considered that any additional performance criterion is not warranted. These options were valued using Black-Scholes method (Note 11).

	Grant Date	Grant Number	Exercise Period: Exercise Date	Exercise Period: Expiry Date	Value per option at grant date	Exercise Price	Total Fair value	Expensed during the year	% of Remun-eration
Bryan Oliver	26/11/10	500,000	26/11/10	06/09/13	0.549	$ 1.00	274,727	274,727	24%
Bryan Oliver	27/01/11	1,000,000	01/04/11	01/04/14	0.569	$ 1.00	568,620	568,620	50%
Mark Lawrenson	18/04/11	1,000,000	17/10/11	17/04/16	0.432	$ 1.00	431,937	431,937	22%
Mark Lawrenson	18/04/11	1,000,000	17/04/12	17/04/16	0.386	$ 1.40	385,661	385,661	20%
Mark Lawrenson	18/04/11	1,000,000	17/10/12	17/04/16	0.350	$ 1.80	350,177	350,177	18%
Mark Lawrenson	18/04/11	1,000,000	18/04/13	17/04/16	0.322	$ 2.20	321,703	321,703	17%
Mark Lawrenson	18/04/11	1,000,000	17/10/13	17/04/16	0.309	$ 2.40	309,401	309,401	16%
Christopher Hunt	14/09/10	350,000	14/09/11	14/09/14	0.487	$ 1.00	170,432	135,412	32%
Peter Brookes	27/05/11	75,000	27/05/12	27/05/14	0.452	$ 1.00	33,912	3,252	1%
Brett Hazelden	27/05/11	100,000	27/05/12	27/05/14	0.452	$ 1.00	45,216	4,336	1%
Total		**7,025,000**					**2,891,786**	**2,785,226**	

Directors' Report

Table 3: Option holdings of Key Management Personnel- audited

30 June 2011	Balance at beginning of period	Granted as remuneration	Options exercised	Forfeited/ lapsed	Balance at end of period	Exercisable at end of period	Not exercisable at end of period
J Nyvlt	1,114,290	-	(1,114,290)	-	-	-	-
M Amundsen*	1,500,000	-	-	(1,500,000)	-	-	-
R Greenslade	-	-	-	-	-	-	-
G Liu	-	-	-	-	-	-	-
J Wall	400,000	-	-	-	400,000	400,000	-
J Singer	1,671,420	-	(1,671,420)	-	-	-	-
J Li	-	-	-	-	-	-	-
M C Lawrenson	-	5,000,000	-	-	5,000,000	-	5,000,000
B Oliver	-	1,500,000			1,500,000	1,500,000	
C Hunt	-	350,000	-	-	350,000	-	350,000
P Brookes	50,000	75,000			125,000	50,000	75,000
B Hazelden	-	100,000			100,000		100,000
J Berry **	450,000	-	-	(450,000)	-		
D Stephens	400,000	-	(200,000)	(200,000)	-		
D Turvey***	514,290	-	(214,290)	(300,000)	-	-	-
Total	**6,100,000**	**7,025,000**	**(3,200,000)**	**(2,450,000)**	**7,475,000**	**1,950,000**	**5,525,000**

* Resigned 30 July 2010
** Resigned 8 October 2010
*** Resigned 15 December 2009

30 June 2010	Balance at beginning of period	Granted as remuneration	Options exercised	Forfeited/ lapsed	Balance at end of period	Exercisable at end of period	Not exercisable at end of period
J Nyvlt	1,914,290	-	(800,000)	-	1,114,290	1,114,290	-
M Amundsen	-	1,500,000	-	-	1,500,000	-	1,500,000
D Turvey	1,314,290	-	(800,000)	-	514,290	514,290	-
R Greenslade	400,000	-	(400,000)	-	-	-	-
G Liu	-	-	-	-	-	-	-
J Wall	400,000	-	-	-	400,000	400,000	-
J Singer	1,671,420	-	-	-	1,671,420	1,671,420	-
J Li	-	-	-	-	-	-	-
D Stephens	400,000	-	-	-	400,000	400,000	-
J Berry	650,000	200,000	(400,000)	-	450,000	250,000	200,000
C Hunt	-	-	-	-	-	-	-
Total	**6,750,000**	**1,700,000**	**(2,400,000)**	**-**	**6,050,000**	**4,350,000**	**1,700,000**

Table 4: Key Management Personnel shareholdings- audited

Directors

30 June 2011	Balance at 1 July 2010	On exercise of options	Net change other	Balance at 30 June 2011
J Nyvlt*	9,023,797	1,114,290	-	10,138,087
M Amundsen (resigned 30/07/10)	100,000	-	-	100,000
R Greenslade*	1,540,650	-	-	1,540,650
G Liu	-	-	-	-
M Lawrenson	-	-	-	-
J Wall*	50,400	-	-	50,400
J Singer*	14,732,673	1,671,420	-	16,404,093
J Li	-	-	-	-
Total	**25,447,520**	**2,785,710**	**-**	**28,233,230**

Directors' Report

In addition to the Director shareholdings in the table above Mr Nyvlt and Mr Singer also hold 1,462,500 and 2,193,825 respectively in performance shares (Class B).

30 June 2010	Balance at 1 July 2009	On exercise of options	Net change other	Balance at 30 June 2010
J Nyvlt*	8,223,797	800,000	-	9,023,797
M Amundsen (resigned 30/07/10)	-	-	100,000	100,000
D Turvey* (resigned 15/12/09)	1,954,688	800,000	(550,610)	2,204,078
R Greenslade*	1,140,650	400,000	-	1,540,650
G Liu	-	-	-	-
J Wall*	50,400	-	-	50,400
J Singer*	14,732,673	-	-	14,732,673
J Li	-	-	-	-
Total	**26,102,208**	**2,000,000**	**(450,610)**	**27,651,598**

* Held by Directors and entities in which Directors have a relevant interest.

Executives

30 June 2010	Balance at 1 July 2010	On Exercise of Options	Net Change Other	Balance 30 June 2011
J Berry (resigned 8/10/10)	209,900	-	-	209,900
C Hunt	-	-	1,000	1,000
Total	**209,900**	**-**	**1,000**	**210,900**

30 June 2010	Balance at 1 July 2009	On Exercise of Options	Net Change Other	Balance 30 June 2010
J Berry (resigned 8/10/10)	59,900	400,000	(250,000)	209,900
C Hunt	-	-	-	-
Total	**59,900**	**400,000**	**(250,000)**	**209,900**

Directors' Report

DIRECTORS' MEETINGS

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

	Directors' Meetings	Audit Committee Meetings
Number of meetings held	17	2

	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr Mark Lawrenson	7	7	0	0
Mr Mark Hancock *	-	-	-	-
Mr Bryan Oliver	15	15	0	0
Mr Jeremy Sinclair *	-	-	-	-
Mr Jack Cullity *	-	-	-	-
Mr John Nyvlt	17	17	0	0
Mr Michael Amundsen	1	1	0	0
Mr Robert Greenslade	17	17	2	2
Mr James Wall	17	16	2	2
Mr Joe Singer	17	17	0	0
Mr James Li	17	13	0	0
Mr Guoping Liu	17	2	0	0
Mr James Li (alternate to G Liu)	17	13	0	0

* Appointed on 13 September 2011

The Company has an Audit Committee consisting of the following key personnel:

Mark Lawrenson	Managing Director
Jack Cullity	Non-Executive Director

On 20 September 2010 the Company formed a Minority Shareholders Interests Committee consisting of the following key personnel:

Mark Lawrenson	Managing Director
Bryan Oliver	Non-Executive Director

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' Report

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton Audit Pty Ltd, in its capacity as auditor for FerrAus Limited, has not provided any non-audit services throughout the reporting period. The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 30.

Signed in accordance with a resolution of the Board of Directors.

Mr Mark Clifford Lawrenson
Managing Director
Dated this 28th day of September 2011

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin.wa@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of FerrAus Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of FerrAus Limited for the year ended 30 June 2011, 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.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Director - Audit & Assurance

Perth, 28 September 2011

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

		Consolidated	
		2011	2010
	Notes	$	$
Exploration and Evaluation expenses	1	(29,025,552)	(16,410,563)
Administration expenses	3	(9,768,685)	(4,603,817)
Depreciation expense		(220,281)	(180,806)
Share of loss of joint ventures	18	(3,130,333)	(1,730,750)
Other (expenses) /income		(1,349)	159,595
LOSS FROM OPERATING ACTIVITIES		(42,146,200)	(22,766,341)
Net Finance revenue	3	1,660,452	746,362
LOSS BEFORE INCOME TAX		(40,485,748)	(22,019,979)
Income tax (expense)/benefit	4	-	34,611
LOSS FOR THE YEAR		(40,485,748)	(21,985,368)
Other Comprehensive income, net of tax			
Gain on revaluation of investments		90,000	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO THE MEMBERS OF THE PARENT		(40,395,748)	(21,985,368)
Earnings per share:		*Cents*	*Cents*
Basic loss per share	5	(18.39)	(13.22)
Diluted loss per share	5	(18.39)	(13.22)

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

		Consolidated		
		2011	2010	1 July 2009
	Note	$	$	$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	6	**29,358,373**	29,612,090	14,568,574
Trade and other receivables	7	**1,208,876**	1,411,256	193,741
Other	8	**21,590**	16,954	13,389
TOTAL CURRENT ASSETS		**30,588,839**	31,040,300	14,775,704
NON-CURRENT ASSETS				
Investments in Joint Ventures	18	**1,111,410**	-	-
Available for sale financial assets		**210,000**	-	-
Property, plant and equipment	9	**1,955,534**	1,967,775	2,087,457
Mining tenements capitalised	10	**4,362,220**	3,621,976	3,621,976
TOTAL NON-CURRENT ASSETS		**7,639,164**	5,589,751	5,709,433
TOTAL ASSETS		**38,228,003**	36,630,051	20,485,137
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	12	**5,726,267**	3,217,925	698,439
Provisions	13	**255,867**	132,699	126,361
TOTAL CURRENT LIABILITIES		**5,982,134**	3,350,624	824,800
NON-CURRENT LIABILITIES				
Provisions	13	**8,674**	11,173	4,732
TOTAL NON-CURRENT LIABILITIES		**8,674**	11,173	4,732
TOTAL LIABILITIES		**5,990,808**	3,361,797	829,532
NET ASSETS		**32,237,195**	33,268,254	19,655,605
EQUITY				
Issued Capital	14	**136,075,345**	98,595,731	63,271,371
Reserves	15	**4,372,331**	2,976,392	2,702,745
Accumulated Losses		**(108,210,481)**	(68,303,869)	(46,318,511)
TOTAL EQUITY		**32,237,195**	33,268,254	19,655,605

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Consolidated				
	Issued Capital	Accumulated Losses	Share Option Reserve	Financial Asset Revaluation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2010	98,595,731	(68,303,869)	2,976,392	-	33,268,254
Adjustment for an error in prior period)(Note 19)	-	(493,964)	493,964	-	-
Adjusted equity at 1 July 2010	98,595,731	(68,797,833)	3,470,356	-	33,268,254
Loss for the year	-	(40,485,748)	-		(40,485,748)
Total other comprehensive loss				(90,000)	(90,000)
Issue of shares to China Railway Minerals on 14/10/2010	2,584,948	-	-	-	2,584,948
Share placement 21/02/2011	35,000,000	-	-	-	35,000,000
Options exercised	830,000	-	-	-	830,000
Fair value of options issued	-	-	2,801,297	-	2,801,297
Fair value of options exercised	692,000	-	(692,000)	-	-
Options forfeited		1,073,100	(1,117,322)	-	(44,222)
Transaction costs (net of tax)	(1,627,334)	-	-	-	(1,627,334)
Balance at 30 June 2011	**136,075,345**	**(108,210,481)**	**4,462,331**	**(90,000)**	**32,237,195**
Balance at 1 July 2009	63,271,371	(8,396,411)	2,702,745	-	57,577,705
Adjustment for change in accounting policy on the treatment of exploration costs	-	(37,922,090)	-	-	(37,922,090)
Adjusted equity at 1 July 2010	63,271,371	(46,318,501)	2,702,745	-	19,655,615
Total comprehensive loss for the year	-	(21,985,368)	-	-	(21,985,368)
Issue of shares to China Railway Materials Commercial Corporation on 15/12/2009	12,617,365	-	-	-	12,617,365
Issue of shares to Wah Nam International Holdings Ltd on 28/06/2010	21,541,228	-	-	-	21,541,228
Options exercised	1,562,500	-	-	-	1,562,500
Fair value of options issued	-	-	507,297	-	507,297
Transfer from share based payment reserve upon exercise of options	233,650	-	(233,650)	-	-
Transaction costs (net of tax)	(630,383)	-	-	-	(630,383)
Balance at 30 June 2010	**98,595,731**	**(68,303,869)**	**2,976,392**	**-**	**33,268,254**

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

		Consolidated	
		2011	2010
	Note	$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	159,595
Payments to suppliers and employees		(34,231,486)	(18,979,365)
Interest received		1,648,196	726,185
NET CASH USED IN OPERATING ACTIVITIES	6	(32,583,290)	(18,093,585)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property plant and equipment		(208,040)	(60,953)
Payments for joint venture contributions		(4,350,002)	(1,622,491)
Loans repaid by other entities		100,000	-
NET CASH USED IN INVESTING ACTIVITIES		(4,458,042)	(1,683,444)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		38,414,949	35,721,093
Transaction costs of issue of shares		(1,627,334)	(900,548)
NET CASH PROVIDED BY FINANCING ACTIVITIES		36,787,615	34,820,545
Net increase/(decrease) in cash and cash equivalents		(253,717)	15,043,516
Cash at the beginning of the reporting period		29,612,090	14,568,574
CASH AT THE END OF THE REPORTING PERIOD	6	29,358,373	29,612,090

The accompanying notes form part of these financial statements

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT 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 and Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have been prepared on an accruals basis and are based on the historical cost basis using Australian dollars. FerrAus Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's functional and presentation currency is Australian Dollars.

b. Statement of compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes of FerrAus Limited and its controlled entities comply with International Financial Reporting Standards (IFRS).

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of FerrAus Limited and its subsidiaries as at 30 June each year (the Group).

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

d. Change in accounting policy

AASB 6

The Company has changed its accounting policy for the financial year ending 30 June 2011 relating to the treatment of exploration and evaluation expenditure.

Previously the Group capitalised and deferred all exploration and evaluation costs as incurred. Any capitalised costs were reviewed at each reporting date and considered for impairment where there was no longer a possibility of successfully developing the area of interest.

The Company has elected to adopt the following policy:

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

"Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where the right of tenure of the area of interest is current, and they are expected to be recouped through the sale or successful development and exploration of the area of interest, or, where exploration activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned, or the directors decide that is not commercially viable, any accumulated acquisition costs in respect of that area are written off in full in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, accumulated costs for the relevant mineral projects are amortised on a units of production basis over the expected useful life of the economically recoverable reserves."

This change has been implemented as the directors are of the opinion that expensing exploration and evaluation costs will provide more relevant information, and will align the Company with its peers in the mining industry.
The aggregate effect of the change in accounting policy on the annual financial statements for the year ended 30 June 2011 is as follows:

	2011 Consolidated		
	Previous Policy $	Adjustment $	Revised Policy $
Statement of comprehensive income			
Exploration and Evaluation expenditure	-	(29,025,552)	(29,025,552)
Loss before income tax	(11,460,196)	(29,025,552)	(40,485,748)
Basic loss per share before tax (cents)	(5.21)	(13.18)	(18.39)
Statement of financial position			
Exploration and Evaluation assets	84,265,065	(79,902,845)	4,362,220
Accumulated loss	(28,307,636)	(79,902,845)	(108,210,481)

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	2010 Consolidated		
	Previous Policy $	Adjustment $	Revised Policy $
Statement of comprehensive income			
Exploration and Evaluation expenditure	-	(16,410,563)	(16,410,563)
Impairment of non-current assets	(2,715,116)	2,715,116	-
Loss before income tax	(8,324,532)	(13,695,447)	(22,019,979)
Basic loss per share before tax (cents)	(4.99)	(8.23)	(13.22)
Statement of financial position			
Exploration and Evaluation assets	55,239,513	(51,617,537)	3,621,976
Accumulated loss	(16,686,332)	(51,617,537)	(68,303,869)

	2009 Consolidated		
	Previous Policy $	Adjustment $	Revised Policy $
Statement of financial position			
Exploration and Evaluation assets	41,544,076	(37,922,100)	3,621,976
Accumulated loss	(8,396,411)	(37,922,100)	(46,318,511)

Note: There are no taxation effects from the above change in accounting policy.

As the Group has retrospectively applied a change in an accounting policy and made a retrospective restatement of items in the financial statements, an additional statement of financial position as at the beginning of the earliest comparative period, being 1 July 2009, has been disclosed within the financial statements.

e. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST).

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Interest income
Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Provision of services
Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

f. Cash and cash equivalents
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of six months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

g. Trade and other receivables
All debtors are recognised at cost less provision for doubtful debts, which in practice will equal the amounts receivable upon settlement. Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

h. Income tax
Income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

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.

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 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 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 date.

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.

i. 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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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.

j. 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 or diminishing balance over the estimated useful life of the assets. The depreciation rates which are applied consistently are:

Plant & equipment 10 – 67%

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

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with the 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, the 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

For plant and equipment, impairment losses are recognised in the Statement of Comprehensive Income in a combination of functional expense items.

k. Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where the right of tenure of the area of interest is current, and they are expected to be recouped through the sale or successful development and exploration of the area of interest, or, where exploration activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned, or the directors decide that is not commercially viable, any accumulated acquisition costs in respect of that area are written off in full in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences. When production commences, accumulated costs for the relevant mineral projects are amortised on a units of production basis over the expected useful life of the economically recoverable reserves.

l. Interests in joint ventures

The Group has a joint venture interest in the North West Infrastructure and records this interest using the equity method of accounting in the consolidated financial statements.

Under the equity method of accounting the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition the Group's share of the profit or loss of the joint venture is included in the Group's Statement of Comprehensive Income.

m. Trade and other payables

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

n. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

o. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

p. Share-based payment transactions

The Group provides benefits to employees and consultants of the Group in the form of share-based payments, whereby employees or consultants receive option incentives (equity-settled transactions).

There is currently a plan in place to provide these benefits, the Employee Share Option Plan (ESOP) which provides benefits to directors and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost is recognised as an expense in the Statement of Comprehensive Income, together with a corresponding increase in the share option reserve, when the options are issued. The fair value is determined using the Black Scholes option pricing model.

Upon the exercise of options, the balance of share based payments reserve relating to those options is transferred to share capital.

q. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in the Statement of Comprehensive Income in the period in which they are incurred.

r. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

s. Contributed equity

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), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

u. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(i) Key estimates – tenement acquisition costs

The Group's policy for exploration and evaluation is discussed in note 1(k). The application of this policy requires management to make certain assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised tenement acquisition costs management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploitation, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income.

(ii) Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with suppliers by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model. The assumptions used in the valuation of share based transactions are discussed in Note 11.

v. Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to the Statement of Comprehensive Income immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

Classification and subsequent measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in the Statement of Comprehensive Income in the period in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group’s intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

v. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

vi. *Impairment*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

w. Adoption of new and revised accounting standards

The Group has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period.

Impact of new and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Group include:

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9

In December 2009, the AASB issued AASB 9 Financial Instruments which addresses the classification and measurements of financial assets and is likely to affect the Group’s accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess its full impact. However, initial indications are that it will have no impacts on the Group’s financial statements. The Group has yet to decide when to adopt AASB 9.

Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

AASB 2009-5 Introduces amendments to Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the current/non-current classification of convertible instruments, the classification of expenditures on unrecognized assets in the statements of cash flows and the classification of leases of land and buildings.

The adoption of these amendments, have not resulted in any material changes to the Group’s accounting policies and have no effect on the amounts reported for the current or prior periods.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

Amends a number of pronouncements as a result of the IASB's 2008-2010 cycle of annual improvements to provide clarification of certain matters.

The key clarifications include:
- The measurement of non-controlling interests in a business combination;
- Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised AASB 3 Business Combinations (2008); and
- Transition requirements for amendments arising as a result of AASB 127 Consolidated and Separate Financial Statements.

The adoption of these amendments, have not resulted in any material changes to the Group's accounting policies and have no effect on the amounts reported for the current or prior periods.

New Accounting Standards for application in future periods

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report.

(i) AASB *9 Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASM 139 *Financial Instruments: Recognition and Measurement*. AASB will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.

(ii) AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provided a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Group's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.

(iii) AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2012 financial statements, are not expected to have significant impact on the financial statements.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

(iv) AASB 11 *Joint Arrangements*, which become mandatory for the Group's 30 June 2014 financial statements and could change the classification and measurement of investments in jointly controlled entities. The group does not plan to adopt this standard early and the extent of the impact has not been determined.

Amended AASB 119 *Employee Benefits,* which become mandatory for the group's 30 June 2014 financial statements and could change the definition of short-term and other long-term employee benefits and some disclosure requirements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined

Carbon Tax

On July 2011, the Commonwealth Government announced the " Securing a Clean Energy Future – the Australian Government 's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism on the Group as legislation must be voted on and passed by both houses of Parliament. In addition, as the Group will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors expect that this will not have a significant impact upon the operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

2. OPERATING SEGMENTS

Industry & Geographical Segment

The Directors have considered the requirements of AASB 8 – Operating Segments and the internal reports that are reviewed by the chief operating decision maker (the Board) in allocating resources and have concluded that at this time there are no separately identifiable segments.

The Group remains focused on mineral exploration over areas of interest solely in Western Australia.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

3. REVENUE AND EXPENSES

	Consolidated	
	2011	2010
	$	$
REVENUE AND ADMINISTRATION EXPENSES		
(a) Employee benefit expense		
Wages, salaries, directors fees and other remuneration expenses	**2,648,749**	1,094,229
Share-based payments expense	**2,757,075**	507,297
	5,405,824	1,601,526
(b) Administration expenses		
Accounting and taxation fees	**169,925**	88,168
Legal costs	**1,078,693**	321,454
Operating lease expenses	**380,486**	254,276
Insurance	**70,364**	39,028
ASX fees	**91,367**	69,105
Travel & accommodation	**118,677**	117,976
Service Agreement	**-**	60,966
Audit fees	**37,027**	31,000
Consultancy Fees	**1,297,424**	1,022,015
Other expenses	**1,118,898**	998,303
	4,362,861	3,002,291
	9,768,685	4,603,817
(c) Net finance revenue		
Bank interest received or receivable	**1,660,452**	746,362
	1,660,452	746,362

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

4. INCOME TAX

	Consolidated 2011 $	Consolidated 2010 $
INCOME TAX		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	-	270,164
R&D Tax offset	-	(304,775)
Income tax expense/(benefit) reported in the income statement	-	(34,611)
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	**(40,485,748)**	(22,019,979)
At the Group's statutory income tax rate of 30% (2010: 30%)	**(12,145,725)**	(6,605,994)
Unders and overs from prior year	**(1,732,748)**	-
Immediate write off of capital expenditure	**(222,073)**	-
Expenditure not allowable for income tax purposes	**1,846,943**	1,829,832
Other	**(253,980)**	(163,625)
Tax losses not recognised due to not meeting recognition criteria	**12,507,583**	4,939,787
R&D Tax offset	-	(304,775)
Tax portion of share issue costs	-	270,164
	-	(34,611)

The Group has tax losses (after accounting for deferred tax liabilities) arising in Australia of $106,957,570 (2010: $68,902,032) that, assuming either the continuity of ownership test or same business test are passed, are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2011, there is no recognised or unrecognised deferred income tax liability (2010: $nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiary, associate or joint venture, as the Group has no liability for additional taxation should such amounts be remitted.

This deferred tax asset will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

5. EARNINGS PER SHARE

Earnings per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	2011	**2010**
	$	**$**
Net loss attributable to ordinary equity holders of the parent	**(40,485,748)**	(21,985,368)
Weighted average number of ordinary shares for basic earnings per share	**220,145,090**	166,265,234
Basic loss per share	**(18.39)**	(13.22)

In accordance with AASB 133 'Earnings per Share', as potential ordinary shares may only result in a situation where their conversion results in an increase in loss per share or decrease in profit per share from continuing operations, no dilutive effect has been taken into account in 2011.

The following transaction occurred since subsequent to the end of the financial year:

At the General Meeting held on 29 August 2011 shareholders approved:

(a) the issue by FerrAus to Atlas of approximately 37.4 million FerrAus ordinary shares at an issue price of $0.65 per share to raise $24.3 million, pursuant to a subscription agreement; and

(b) the purchase of South East Pilbara iron ore assets by FerrAus from Atlas in consideration for approximately 121.8 million FerrAus ordinary shares at a deemed issue price of $0.65 per share, pursuant to an asset sale agreement (Iron Ore Assets Acquisition).

As a result of these approvals approximately 159.3 million FerrAus ordinary shares were allotted to Atlas, representing 38.96 per cent of the enlarged company

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

6. CASH AND CASH EQUIVALENTS

	Consolidated 2011 $	2010 $
CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**4,908,373**	531,322
Short-term deposits	**24,450,000**	29,080,768
	29,358,373	29,612,090

Cash at bank earns interest at floating rates based on daily bank deposit rates.
The weighted average effective interest rate on short-term bank deposits was 5.59% (2010: 5.47%)

Reconciliation of net loss after tax to net cash flows from operations		
Net loss	**(40,485,748)**	(21,985,368)
Adjustments for non-cash items:		
Income tax	**-**	270,164
Depreciation	**220,281**	180,806
Share options expensed	**2,757,075**	507,297
Share of loss of joint venture	**3,130,333**	1,730,750
Changes in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	**264,809**	(1,240,194)
(Increase) in prepayments	**(4,636)**	(3,565)
Increase/(Decrease) in trade and other payables	**1,254,419**	2,315,484
Increase/(Decrease) in employee entitlements	**280,177**	131,042
Net cash from operating activities	**(32,583,290)**	(18,093,584)

Loan Facilities
The Group has a cash backed bank guarantee facility amounting to $4,000,000 of which $2,635,580 is being utilised.

7. TRADE & OTHER RECEIVABLES

Trade receivables	**-**	29,866
Interest receivable	**81,294**	69,038
Sundry receivables	**86,579**	7,226
Goods & Services Tax receivable	**1,041,003**	895,966
Tax credits receivable	**-**	409,160
	1,208,876	1,411,256

At 30 June 2011 the Group did not have any receivables which were outside of normal trading terms.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

8. OTHER CURRENT ASSETS

	Consolidated	
	2011	2010
	$	$
OTHER CURRENT ASSETS		
Prepayments	**21,590**	16,954
	21,590	16,954

9. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment		
At cost	**2,703,298**	2,495,258
Accumulated depreciation	**(747,764)**	(527,483)
	1,955,534	1,967,775
Movements in carrying amounts		
Carrying amount at beginning of year	**1,967,775**	2,087,457
Additions	**208,040**	61,124
Depreciation expense	**(220,281)**	(180,806)
Carrying amount at end of year	**1,955,534**	1,967,775

10. MINING TENEMENTS CAPITALISED

	Consolidated		
	2011	2010	1 July 2009
	$	$	$
Carrying amount at beginning of year	**3,621,976**	3,621,976	3,621,976
Acquisitions	**740,244**	-	-
Write downs	**-**	-	-
Carrying amount at end of year	**4,362,220**	3,621,976	3,621,976

The ultimate recoupment of costs carried forward for capitalised tenement acquisition costs is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

11. SHARE-BASED PAYMENTS

The Company has established the Employee Share Option Plan ("ESOP" or "Plan") and share options are issued from time to time at the discretion of the Directors with appropriate terms and conditions as set by them.

- All employees or consultants (full and part time including Directors) will be eligible to participate in the Plan.
- Options are granted under the Plan at the discretion of the Board and if permitted by the Board, may be issued to an employee's nominee.
- Each option is to subscribe for one fully paid ordinary share in the Company and will expire four years from its date of issue. An option is exercisable at any time from its date of issue. Options will be issued for nil consideration. The exercise price of options will be determined by the Board, subject to a minimum price equal to 120% of the market value of the Company's shares at the time the option is issued or 25 cents. The total number of shares, the subject of options issued under the Plan, when aggregated with issues during the previous 5 years pursuant to the Plan and any other employee share plan, must not exceed 5% of the Company's issued share capital.
- If, prior to the expiry date of options, a person ceases to be an employee of a Group Company for any reason other than retirement at age 55 or more (or such earlier age as the board permits), permanent disability, redundancy or death, the options held by that person (or that person's nominee) automatically lapse on the first to occur of a) the expiry of the period of 30 days from the date of such occurrence, and b) the expiry date. If a person dies, the options held by that person will be exercisable by that person's legal personal representative.
- Options may be transferred with the approval of the Board.
- The Company will not apply for official quotation of any options.
- Shares issued as a result of the exercise of options will rank equally with the Company's previously issued shares.
- Option holders may only participate in new issues of securities by first exercising their options.

The Board may amend the Plan Rules subject to the requirements of the Australian Securities Exchange Listing Rules.

Not all share-based options were issued under the Employee Share Option Plan.

The expense recognised in the Statement of Comprehensive Income in relation to Director share-based payments is disclosed in note 3(b).

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

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

	2011 Number of options	2011 Exercise Price	2010 Number of options	2010 Exercise Price
Outstanding at the beginning of the year	7,525,000	0.72	8,900,000	0.61
Granted during the year	3,160,000	1.00	300,000	0.75
Granted during the year	1,000,000	1.40	550,000	1.00
Granted during the year	1,000,000	1.80	75,000	1.25
Granted during the year	1,000,000	2.20	500,000	0.75
Granted during the year	1,000,000	2.40	500,000	1.25
Exercised during the year	(3,000,000)	0.25	(3,125,000)	0.50
Exercised during the year	(200,000)	0.40		
Lapsed during the year	(300,000)	1.00		
Lapsed during the year	(800,000)	1.00	(175,000)	1.06
Lapsed during the year	(750,000)	0.75		
Lapsed during the year	(500,000)	1.25		
Outstanding at the end of the year	9,135,000	1.45	7,525,000	0.72
Exercisable at the end of the year	8,475,000	1.49	5,600,000	0.63

The outstanding balance as at 30 June 2011 is represented by:

- A total of 500,000 options exercisable any time until 6 September 2013 with a strike price of $1.00 and a fair value per option at grant date of $0.55.
- A total of 1,200,000 options issued on 8 August 2008 and exercisable any time until 31 December 2011 with a strike price of $1.15 and a fair value of $0.601.
- A total of 50,000 options issued on 1 November 2009 and exercisable any time until 2 November 2013 with a strike price of $1.00 and a fair value of $0.187.
- A total of 75,000 options issued on 1 November 2009 and exercisable any time until 2 November 2013 with a strike price of $1.25 and a fair value of $0.135.
- A total of 50,000 options issued on 12 October 2009 and exercisable any time until 13 October 2013 with a strike price of $0.75 and a fair value of $0.248.
- A total of 400,000 options issued on 8 November 2007 and exercisable any time until 8 November 2012 with a strike price of $1.35 and a fair value of $0.729.
- A total of 200,000 options issued on 28 April 2008 and exercisable any time until 27 April 2012 with a strike price of $1.00 and a fair value of $0.660.
- A total of 1,000,000 options issued on 27 January 2011 and exercisable any until 1 April 2014 with a strike price of $1.00 and a fair value of $0.569.
- A total of 1,000,000 options issued on 18 April 2011 and exercisable any time until 17 April 2016 with a strike price of $1.00 and a fair value of $0.432.
- A total of 1,000,000 options issued on 18 April 2011 and exercisable any time until 17 April 2016 with a strike price of $1.40 and a fair value of $0.386.
- A total of 1,000,000 options issued on 18 April 2011 and exercisable any time until 17 April 2016 with a strike price of $1.80 and a fair value of $0.350.
- A total of 1,000,000 options issued on 18 April 2011 and exercisable any time until 17 April 2016 with a strike price of $2.20 and a fair value of $0.322.
- A total of 1,000,000 options issued on 18 April 2011 and exercisable any time until 17 April 2016 with a strike price of $2.40 and a fair value of $0.309.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

- A total of 350,000 options issued on 14 September 2009, vesting on 14 September 2011 and exercisable any time until 14 September 2014 with a strike price of $1.00 and a fair value of $0.487.
- A total of 310,000 options issued on 27 May 2011, vesting on 27 May 2012 and exercisable any time until 27 May 2014 with a strike price of $1.00 and a fair value of $0.452.

Contractual life of options
The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 3.5 years.

Exercise price of options
The range of exercise prices for options outstanding at the end of the year was $0.75 - $2.40.

At the date of exercise, the weighted average share price of options exercised during the period was $0.83.

Fair value of options
The weighted average fair value of options granted during the year was $0.41.

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 30 June each year:

	2011	2010
Historical volatility (%)	**74.16%-90.00%**	99%
Risk-free interest rate (%)	**4.75%- 6.25%**	5%
Expected life of option (yrs)	**3-5**	3-5

The expected life of the 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.

12. TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
	$	$
Trade payables	**1,416,955**	1,908,667
Other payables	**4,309,312**	1,200,999
North West Infrastructure	**-**	108,259
	5,726,267	3,217,925

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

13. PROVISIONS

	Consolidated 2011 $	Consolidated 2010 $
PROVISIONS		
Current		
Employee annual leave provisions	255,867	132,699
Non-current		
Employee annual leave provisions	8,674	11,173
Total	264,541	143,872

14. ISSUED CAPITAL

	Consolidated 2011 $	Consolidated 2010 $
Issued capital	136,075,345	98,595,731
	136,075,345	98,595,731

249,598,565 fully paid ordinary shares (2010: 202,695,137)	2011 Number	2011 $	2010 Number	2010 $
Balance at beginning of financial year	202,695,137	97,823,231	151,581,534	62,498,871
Issued shares to fund working capital on 14/10/2010	3,005,753	2,584,948	22,940,664	12,617,365
Issued shares to fund working capital on 21/02/2011	40,697,675	35,000,000	25,047,939	21,541,228
Options exercised	3,200,000	830,000	3,125,000	1,562,500
Fair value of options exercised	-	692,000	-	233,650
Transaction costs on shares issued (net of tax)	-	(1,627,334)	-	(630,383)
Balance at end of financial year	249,598,565	135,302,845	202,695,137	97,823,231

7,500,000 fully paid class B performance shares	2011 Number	2011 $	2010 Number	2010 $
Balance at beginning of financial year	7,500,000	772,500	7,500,000	772,500
Balance at end of financial year	7,500,000	772,500	7,500,000	772,500

Fully paid Ordinary Shares carry one vote per share and carry the right to dividends (in the event such a dividend was declared).

Class B Performance shares were issued with the following terms:

(iii) No voting rights for the holder of the shares
(iv) No right to any dividend
(v) No right to any surplus profits or assets upon winding up of the company
(vi) Not transferable
(vii) Each share will automatically convert into one Ordinary Share on the latest of the following dates:

a) the date of grant of a mining lease in the area of the mining tenements held by Australian Manganese Pty Ltd at the date the shares were issued;

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

b) the date of completion of a bankable feasibility study in respect of the Tenement Area;
c) the date of release to ASX of a Resource Estimate in respect of the Tenement Area; and
d) the business day following 12 months from the issue of the shares.

If a), b) and c) are not achieved within 7 years of the issue of the shares the Company must seek shareholder approval to convert the shares to Ordinary Shares.

15. RESERVES

a) Share Option Reserve

The share-option reserve records items recognised as expenses on valuation of employee share options and other equity settled transactions.

Table of Share Option movement for the Group as at 30 June 2011:

	Consolidated	
	2011 $	2010 $
Balance at beginning of the year	**2,976,392**	2,702,745
Adjustment for prior period error	**493,964**	-
Options expensed during period	**2,801,297**	507,297
Fair value of options forfeited	**(1,117,322)**	-
Fair value of options exercised during the period	**(692,000)**	(233,650)
Total Option Reserve	**4,462,331**	**2,976,392**

During the year 6,500,000 options (exercisable between $1.00 and $2.40, with an expiry date ranging from 6 September 2013 and 17 April 2016) were issued to directors; and 660,000 options (exercisable at $1.00, with expiry dates of between 6 September 2013 and 17 April 2016) were issued to Key Management Personnel and other staff. The total expense relating to these options was $2,757,075, which was recognised in the current financial year being the fair value of options as determined by the Black-Scholes pricing model (refer to note 1(p)) after accounting for relevant vesting conditions.

b) Financial Asset reserve

The financial asset revaluation reserve is used to recognize movement in the value of listed investments held as available-for-sale assets.

Table of Financial asset reserve movement for the Group as at 30 June 2011:

	Consolidated	
	2011 $	2010 $
Balance at beginning of the year	**-**	-
Revaluation of investments in listed entities	**(90,000)**	-
Total Financial Asset Reserve	**(90,000)**	-

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

16. COMMITMENTS AND CONTINGENCIES

(a) Exploration Commitments
In order to maintain current rights of tenure to exploration tenements the Group will be required to spend in the year ending 30 June 2012 amounts of approximately $586,800 (2010: $489,945). These obligations are expected to be fulfilled in the normal course of operations.

(b) Lease expenditure commitments

	Consolidated 2011 $	Consolidated 2010 $
Operating leases		
Not longer than 1 year	**637,404**	202,605
Longer than 1 year and not longer than 5 years	**1,007,323**	210,166
	1,644,727	412,771
Hire purchase commitments		
Not longer than 1 year	**25,121**	21,007
Longer than 1 year and not longer than 5 years	**17,141**	41,697
	42,262	62,704

(c) Capital commitments

	2011 $	2010 $
Contribution towards port development	**2,381,240**	-
	2,381,240	-

(d) Remuneration commitments
Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel that are not recognised as liabilities and are not included in the key management personnel compensation.

	2011 $	2010 $
- not later than one year	**762,500**	-
	762,500	-

17. AUDITOR'S REMUNERATION

	2011 $	2010 $
Audit or review of financial report	**37,027**	31,000

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

18. INTEREST IN JOINT VENTURES

	Balance date	Ownership interest held by consolidated entity 2011 %	2010 %
NWIOA Ops Pty Ltd (i)	30 June 2011	33.33%	33.33%
North West Infrastructure Pty Ltd (i)	30 June 2011	33.33%	33.33%

(i) Principal activity

NWIOA Ops Pty Ltd and North West Infrastructure Pty Ltd are joint venture companies established to develop port and related infrastructure on behalf of the North West Iron Ore Alliance members.

	Consolidated 2011 $	2010 $
Share of joint venture Statement of Financial Position:		
Current assets	**637,452**	406,254
Non-current assets	**2,758,249**	4,853
	3,395,701	411,107
Current liabilities	**(1,054,482)**	(411,106)
Non-current liabilities	**-**	-
	(1,054,482)	(411,106)
Net assets	**2,341,219**	1
Reconciliation of movement in carrying amount of investment in joint ventures:		
Balance at beginning of period	**(108,259)**	-
Contributions to joint venture	**4,350,002**	1,622,491
Share of net loss after income tax	**(3,130,333)**	(1,730,750)
	1,111,410	(108,259)
Carrying amounts of joint ventures		
North West Infrastructure Pty Ltd	**1,111,410**	(108,259)
	1,111,410	(108,259)

The Company has an obligation to cover its share of operating losses.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

19. ACCOUNTING ERROR

During the year under review it was identified that there was an error in the treatment of option expenses for options issued on 18 January 2010. The expense related to the options was deferred over a one year period from the grant date. As the options vested immediately the expense should have been recognised in full on the grant date.

The error resulted in option expense being understated by $493,964 in the period ended 30 June 2010. There was no impact on profit and loss for the period ended 30 June 2009.

The accounting error had the following impact in these half-year financial statements and for each prior period presented:

Statement of Financial Position for the year ended 30 June 2011:

	Consolidated		
	Previous	Adjustment	Restated
	$	$	$
Accumulated losses	(68,303,869)	(493,964)	(68,797,833)
Option Reserve	2,976,392	493,964	3,470,356

20. CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest 2011 %	Ownership interest 2010 %
Parent entity			
FerrAus Ltd	Australia		
Subsidiary			
Australian Manganese Pty Ltd	Australia	100	100
FerrAus Manganese Pty Ltd	Australia	100	-
Lawson Gold Limited	Australia	6	100

On 26 July 2010 FerrAus Limited sold its gold tenements to Lawson Gold Limited which was incorporated on 2 February 2010. As consideration for the sale, FerrAus Limited was issued 1,500,000 shares with a value of $300,000. The shares are recognised as available-for-sale financial assets carried at fair value.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

21. PARENT COMPANY INFORMATION

Parent entity	2011 $	2010 $
Assets		
Current assets	26,674,004	29,201,120
Non-current assets	98,940,279	58,982,901
Impairment of investment in subsidiaries	(4,161,126)	(4,174,132)
Total assets	121,453,157	84,009,889
Liabilities		
Current liabilities	2,057,370	1,195,658
Non-current liabilities	8,674	11,173
Total liabilities	2,066,044	1,206,831
Equity		
Issued capital	141,597,616	103,629,802
Retained loss	(26,582,834)	(23,803,136)
	115,014,782	79,826,666
Reserves		
Reserves	4,372,331	2,976,392
Total reserves	4,372,331	2,976,392
Financial performance		
Loss for the year	(8,252,667)	(6,023,375)
Impairment of investment in subsidiaries	-	(4,174,132)
Total comprehensive income	(8,252,667)	(10,197,507)
Guarantees in relation to the debts of subsidiaries		
Guarantee provided under the deed of cross guarantee	-	-
Contingent liabilities		
Operating leases	1,557,626	412,771
Hire purchase commitments	42,263	31,386
	1,599,889	444,157
Contractual Commitments		
Contractual capital commitments for the acquisition of property, plant or equipment	2,381,240	-

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

22. FINANCIAL INSTRUMENTS

Capital risk management
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and reserves as disclosed in notes 14 and 15 respectively.

Proceeds from share issues are used to maintain and expand the Groups exploration activities, progress feasibility studies and fund operating costs.

Categories of financial instruments
The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases and shares.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Consolidated	
	2011	2010
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	**29,358,373**	29,612,090
Trade and other receivables	**1,208,876**	1,411,256
FINANCIAL LIABILITIES		
Trade and other payables	**5,726,267**	3,217,925

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from activities.

The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

Interest rate sensitivity analysis
At reporting date, if interest rates had been 0.5% higher or lower and all other variables were held constant, the Group's:

- Net profit would increase or decrease by $146,792 (2010: $148,061), which is attributable to the Group's exposure to interest rates on its variable bank deposits.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

Interest rate risk
The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

CONSOLIDATED

	< 1 year	> 1 - < 5 years	> 5 years	Non-Interest Bearing	Total
	$	$	$	$	$
Year ended 30 June 2011					
FINANCIAL ASSETS					
Floating rate					
Cash assets	29,358,373	-	-	-	29,358,373
Receivables	-	-	-	1,208,876	1,208,876
Weighted average effective interest rate	5.58%				
Total Financial Assets	29,358,373	-	-	1,208,876	30,567,249
FINANCIAL LIABILITIES					
Fixed rate					
Trade and other payables	-	-	-	5,726,267	5,726,267
Weighted average effective interest rate	-	-	-	-	-
Total Financial Liabilities	-	-	-	5,726,267	5,726,267

	< 1 year	> 1 - < 5 years	> 5 years	Non-Interest Bearing	Total
	$	$	$	$	$
Year ended 30 June 2010					
FINANCIAL ASSETS					
Floating rate					
Cash assets	29,612,090	-	-	-	29,612,090
Receivables	-	-	-	1,411,256	1,411,256
Weighted average effective interest rate	5.47%				
Total Financial Assets	29,612,090	-	-	1,411,256	31,023,346
FINANCIAL LIABILITIES					
Fixed rate					
Trade and other payables	-	-	-	3,217,925	3,217,925
Weighted average effective interest rate	-	-	-	-	-
Total Financial Liabilities	-	-	-	3,217,925	3,217,925

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

The Group is not materially exposed to any effects on changes in interest rates.

23. RELATED PARTY DISCLOSURE

Payments to related parties

Penfold Marketing Pty Limited of which John Nyvlt is a Director received rental payments, administration fees and professional service fees of $80,929 (2010: $77,365). The amount payable to Penfold Marketing Pty Limited as at 30 June 2011 is $6,050. Penfold Limited of which Joe Singer is a Director received capital raising fees, including disbursements, of $311,695.

Gryphon Partners of which Robert Greenslade is a Partner, received fees of $1,075,630 (2010: $313,136) inclusive of Mr Greenslade's director's fee. The amount payable to Gryphon Partners as at 30 June 2011 is $694,691.

Details of Key Management Personnel's interests in shares and options of the Company and their remuneration can be found on pages 24 to 27 of the Directors' report.

Wholly owned Group transactions

Loans

Loans are made between the Company and its subsidiary, loans outstanding between the Company and its controlled entity have no fixed date of repayment and are non-interest bearing. During the year ended 30 June 2011, such loans totalled $87,109,131 (2010: $51,644,457) and are repayable on demand.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

24. AFTER BALANCE DATE EVENTS

- On 27 June 2011 it was announced that the Company and Atlas would pursue the consolidation of the iron ore assets in the South East Pilbara for the benefit of all stakeholders.

  Consolidation is to be achieved initially through the combination of complimentary assets in the South East Pilbara to create a significant, South East Pilbara focused iron ore development company, followed immediately by a recommended takeover offer for the Company by Atlas.

- At the General Meeting held on 29 August 2011 shareholders approved:

  (a) the issue by the Company to Atlas of approximately 37.4 million ordinary shares at an issue price of $0.65 per share to raise $24.3 million, pursuant to a subscription agreement; and

  (b) the purchase of South East Pilbara iron ore assets by the Company from Atlas in consideration for approximately 121.8 million ordinary shares at a deemed issue price of $0.65 per share, pursuant to an asset sale agreement (Iron Ore Assets Acquisition).

  As a result of these approvals approximately 159.3 million ordinary shares were allotted to Atlas, representing 38.96 per cent of the enlarged company

- On 5 September 2011 Atlas launched its takeover bid and then declared the offer wholly unconditional on 8 September with an announcement that it held a relevant interest in 60.48 per cent of the Company.

- On 16 September 2011 the Company advised that, in accordance with the Atlas takeover bid conditions, the holders of unlisted options issued to Directors, employees and consultants of the Company have agreed to the cancellation of 9,135,000 options. Following the cancellation a total of 691,640 Atlas shares were issued to the option holders as consideration.

- At the date of this report Atlas held a relevant interest of 96.14 per cent in the ordinary shares of the Company.

- On 21 September 2011 Atlas confirmed that if, at the close of the Offer at 5:00pm AWST on Wednesday, 5 October 2011, it is entitled compulsory acquire outstanding ordinary shares of the Company under Part 6A.1 of the corporations Act, it intends to proceed with compulsory acquisition of the ordinary shares and any FerrAus ordinary shares which come into existence within the period of 6 weeks after Atlas gives the compulsory acquisition notice (referred to in section 661B(1) of the Corporations Act) due to the conversion of, or exercise of, convertible securities in the Company.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 31 to 65, are in accordance with the Corporations Act 2001; and

   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and consolidated group; and
   c. complies with International Financial Reporting Standards as disclosed in Note 1.

2. the Managing Director and Chief Financial Officer has declared that:

   a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;

3. in the Directors' opinion 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 is made in accordance with a resolution of the Board of Directors.

On behalf of the Board

Mr Mark Clifford Lawrenson
Managing Director

28th September 2011

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of FerrAus Limited

Report on the financial report

We have audited the accompanying financial report of FerrAus Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, 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 which require us to 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 control relevant to the Company'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 Company's internal control. 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.

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 FerrAus Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report
We have audited the remuneration report included in pages 24 to 28 of the directors' report for the year ended 30 June 2011. 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 on the remuneration report

In our opinion, the remuneration report of FerrAus Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Director - Audit & Assurance

Perth, 28 September 2011