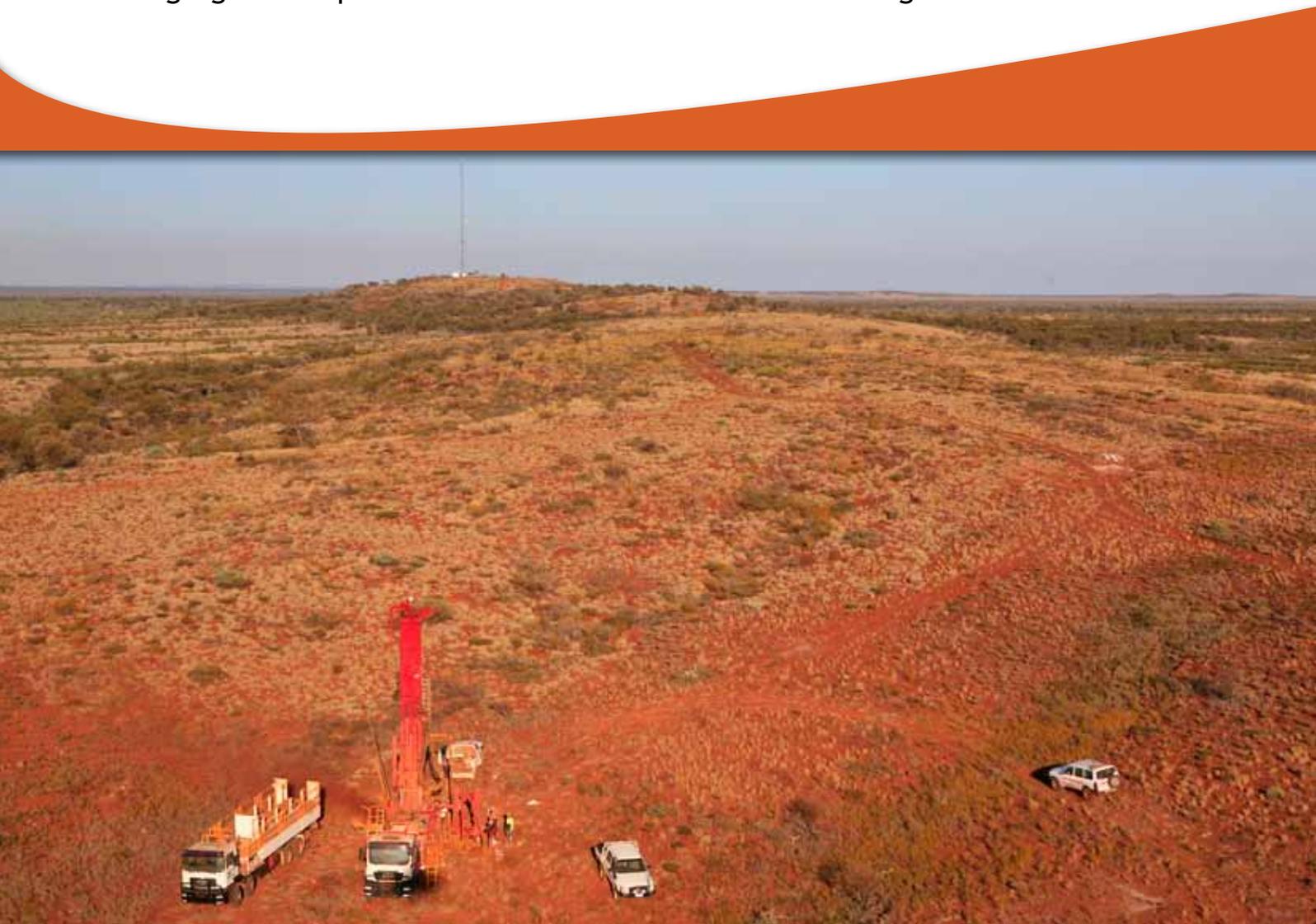


# 2010

## annual report



An emerging developer of iron ore in the East Pilbara Region of Western Australia





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# corporate information

## Directors

Mr John Nyvlt (Chairman)

Mr Robert Greenslade (Non-Executive Director)

Mr Guoping Liu (Non-Executive Director)

Mr James Wall (Non-Executive Director)

Mr Joe Singer (Non-Executive Director)

Mr James Li (Alternate Director for Mr Guoping Liu)

Mr Bryan Oliver (Executive Director - Appointed 06 September 2010)

## Company Secretary

Mr Christopher Hunt

Mr Donald Stephens (Retired 30 July 2010)

## Registered Office

C/- HLB Mann Judd (SA) Pty Ltd

82 Fullarton Road  
NORWOOD SA 5067

## Principal Place Of Business

Suite 10, 100 Mill Point Road  
SOUTH PERTH WA 6151

## Correspondence

PO Box 995  
South Perth WA 6951

## Share Registry

Computershare Investor Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St George's Terrace  
PERTH WA 6000

## Legal Advisors

Watsons Lawyers  
Ground Floor, 60 Hindmarsh Square  
ADELAIDE SA 5000

## Bankers

National Australia Bank  
22 - 28 King William Street  
ADELAIDE SA 5000

## Auditors

Grant Thornton South Australian Partnership  
Chartered Accountants  
Level 1, 67 Greenhill Road  
WAYVILLE SA 5034

John Nyvlt



Robert Greenslade



Guoping Liu



James Wall



Joe Singer



Bryan Oliver



# chairman's report

It is my pleasure to present the 2010 Annual Report. FerrAus has a world class iron ore resource and great team of people working together with a shared vision of developing the project. The strong global demand for iron ore continues and there is a clear trend that shows end consumers want to diversify raw material supplies away from the industry majors.

As the result of a very successful exploration program during this financial year, the total iron ore resource almost doubled to more than 297 million tonnes. This success led to the decision to clearly define the entire group of iron ore tenements as the "FerrAus Pilbara Project". Since then FerrAus has moved to another stage in its development with the completion of its Pre Feasibility Study scheduled for November 2010.

The Board is continuing to focus its energy on overcoming the challenges faced by junior developers in the Pilbara Region in order to achieve its objective of FerrAus becoming an iron ore producer. First and foremost of these challenges is to establish an infrastructure solution that will facilitate the transport of our iron ore to port. Share purchases in FerrAus by substantial Chinese shareholders, China Rail Materials Commercial Corporation (CRM) and more recently Wah Nam International Holdings Limited (Wah Nam) are tacit demonstrations of the belief that the required infrastructure solution will be achieved.

## **Demand Remains Strong**

As has been the case for several years, China continues to dominate the world of iron ore and is supported by the demand coming from by other parts of East Asia, the Middle East, India and Russia. Steel mills of the world have continued to indicate a commercial desire to increase the diversity of supply for steel making raw materials.

Once again this year saw a number of significant multinational investments in iron ore projects across the world as part of the path to secure the supply of iron ore, independent of the resource majors. Located within the Pilbara Region with a significant resource, FerrAus remains ideally placed to take advantage of the support of large, international customers.

## **Significant Support**

As you will be aware, shareholders approved the strategic cooperation agreement and share placement with Union Park Company Limited, a wholly owned subsidiary of CRM at the 2009 Annual General Meeting. Subsequently FerrAus completed the placement to enable CRM to obtain a 12 per cent holding in the Company and we were delighted to welcome Mr Guoping Liu, as a Non Executive Director in December 2009.

Another significant show of support came when, near the end of the financial year, FerrAus announced that it had negotiated an agreement with Wah Nam to complete a placement that would take Wah Nam's shareholding, including its prior shareholding to





## chairman's report

approximately 14.9 per cent. This was a substantial placement at a significant premium, during a time of uncertainty caused by the Resource Super-Profits Tax and it underscored the attractiveness of the FerrAus Pilbara Project and reflected the ongoing interest from Chinese investors.

As a Hong Kong listed investor with an existing substantial iron ore investment in the Pilbara, Wah Nam's participation complemented the placement and strategic alliance with CRM. The placement provided FerrAus with the funds to progress both its feasibility studies and its exploration program.

Since that time Wah Nam continued to increase its holding through on market transactions until it reached a stake of 19.9 per cent at the time of writing.

### Resource Base

Drilling of the Company's iron ore targets continued throughout this financial year and delivered an increase in the iron ore resources reported by FerrAus of 79 per cent or 131 million tonnes to take the total at 30 June to more than 297 million tonnes. In August 2010, FerrAus announced that its total Pilbara Project resource stood at 316 million tonnes and it is anticipated that additional results will lead to an increase in this total before the end of calendar 2010.

The various deposits are located geographically close to each other, have generally been drilled at a relatively close spacing and are of good quality. Many parts of the FerrAus Pilbara Project remain underexplored and there is significant potential for the further discovery of iron ore. FerrAus continues to undertake additional work on its existing resource areas in order to convert these to higher confidence levels in support of the Pre-Feasibility Study.

The relationship with the Indigenous groups within the Jigalong Aboriginal Community remains both strong and mutually supportive, as the Project's momentum continues to build.

### Infrastructure Access - Port and Rail

As a founding member of the North West Iron Ore Alliance (NWIOA), FerrAus is well placed to develop a strong infrastructure solution during the next year.

The NWIOA, has been working with communities in the region, Government, infrastructure providers, existing producers and other stakeholders to promote the development of a vibrant junior iron ore industry.

A strong, cooperative relationship has been forged between FerrAus and the other founding members as each works to ensure the efficient development of the two new multi-user berths, with a shipping allocation of 50 million tonnes per annum, at the Port Hedland Port.

The NWIOA completed a major milestone of an engineering prefeasibility study for the two berths in February 2009. This development anticipates a likely outcome that FerrAus ore will be transported to Port Hedland under a haulage agreement with one of the Pilbara rail infrastructure owners.

On a political level the NWIOA is also continuing its efforts to highlight the need to resolve the rail impasse and is urging the State Government to take the decisive action that will ensure that open access to the existing rail infrastructure is offered to the Pilbara Region's emerging iron ore developers.

### Management

On behalf of both the Board and shareholders I take this opportunity to thank Mike Amundsen, the Managing Director and Chief Executive Officer, for his contribution to the Company. Following Mike's resignation in July, as an interim measure, Bryan Oliver was appointed to the role of Executive Director in September 2010.

# chairman's report

Bryan is a seasoned iron ore executive with a wealth of experience in iron ore project development and production in the Pilbara, Canada and elsewhere. Bryan will remain in an executive role until a replacement Managing Director is recruited. Thereafter, it is likely that he will remain on the Board in a non-executive capacity thereby providing continuity and depth to the skill sets of the Board.

On behalf of all shareholders I will also take this opportunity to record the Company's genuine appreciation of the long and very valuable contribution made by Mr John Berry, who resigned as Project Director in August 2010, following more than three years in that role.

The Board welcomed the appointment in June of Chris Hunt as Chief Financial Officer, and more recently as Company Secretary for FerrAus. Chris Hunt has more than 16 years experience in the resource sector, primarily in iron ore, and his appointment adds depth to the senior management team.

I also take this opportunity to thank my fellow Board members for their support during a challenging, yet productive year, as well as expressing my appreciation to every member of the close knit team for focusing on the key steps needed to achieve success.

For those shareholders who are unable to attend the Annual General Meeting in Perth on 25 November 2010 access to an audio recording of the key presentations will be placed on the web site ([www.ferraus.com](http://www.ferraus.com)) following the meeting.

I invite all shareholders to visit our website and access the latest information about FerrAus Limited. You are also welcome to register your e-mail address so that you will receive regular notifications and updates on the Company's progress.

On behalf of the Board, I thank all of our shareholders for their loyalty and persistence as we strive to overcome the many challenges that are part of the journey as FerrAus makes the major move from iron ore explorer to iron ore producer.

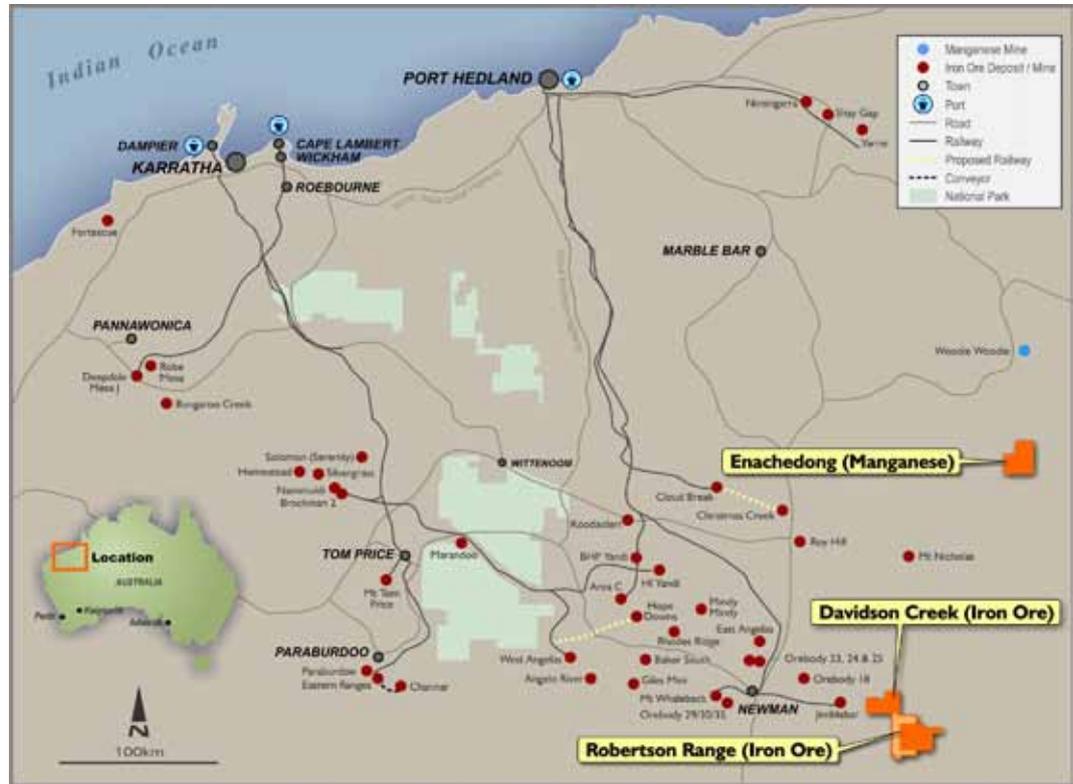


John A Nyvlt  
Chairman  
8th October 2010





# projects / operations review



The events and activities recorded during the 2010 Financial Year continued to reinforce the value of the FerrAus Pilbara Project, with the dedication of the close knit owner's team ensuring further exploration success.

Consistent with the development of a single process plant the company introduced "FerrAus Pilbara Project" as the name used to describe all of its three adjacent tenements. Previously, these areas were referred to separately as the Robertson Range Project, the Davidson Creek Project and the Murrumunda Project.

During the course of the 12 months to 30 June 2010 the resource base grew from 166.6 million tonnes to a total of 297.2 million tonnes.

## CORPORATE ACTIVITY

During this period FerrAus Limited (FerrAus) announced the completion of a positive Scoping Study that indicates a potential A\$1.1 billion Net Present Value (NPV) for a project ramping up to 15Mtpa.

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

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

# projects / operations review

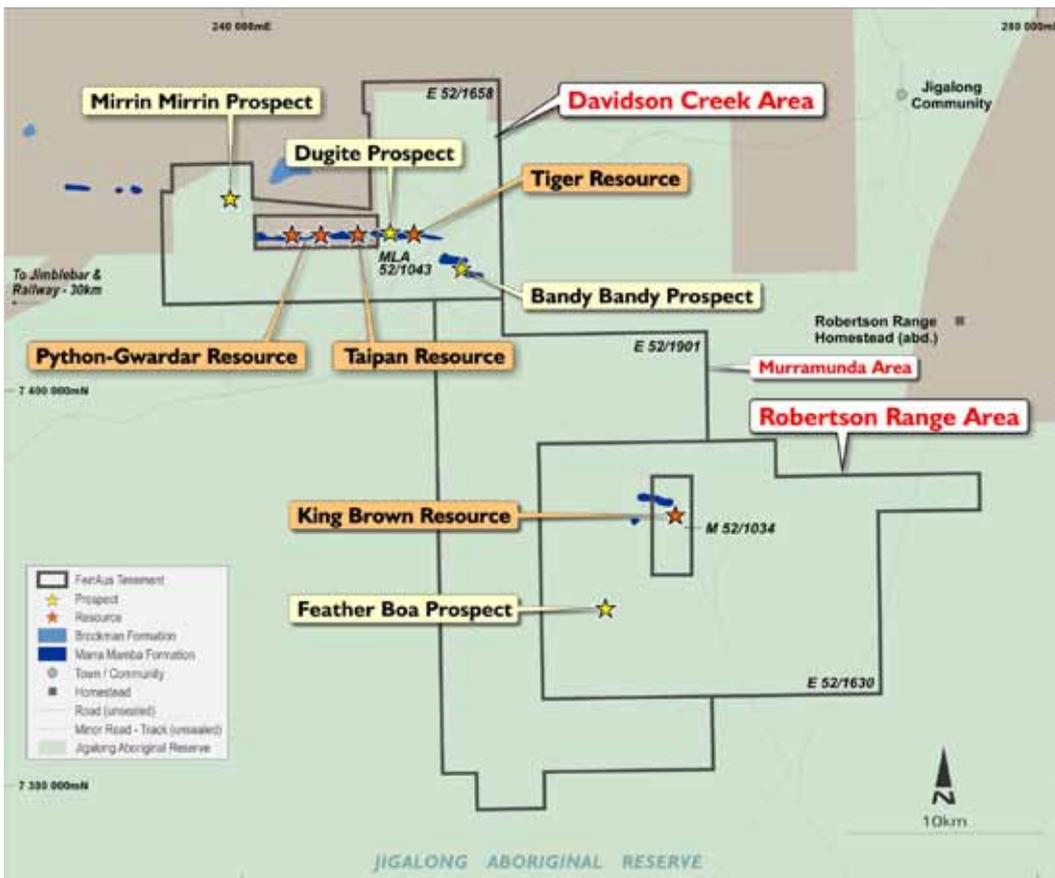
## The Scoping Study assumed:

- production ramping up to 15Mtpa;
- a long term fines price of US\$1 cents per dmtu;
- an exchange rate of US\$0.75 to the Australian dollar;
- total operating costs for contract mining, processing, rail and port, ranging from A\$32 to A\$36 per tonne excluding royalties, general/administration costs; and
- a port service charge, included in the total operating cost mentioned above, covers operating costs and full capital recovery plus interest costs.

The core activities for the pre feasibility study (PFS), include infill drilling to increase resource confidence levels, metallurgical test work, hydrology, environmental studies, process flow design, regulatory approvals and technical marketing.

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

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



## SIGNIFICANT MAJOR SHAREHOLDER SUPPORT

### China Railway Materials Commercial Corporation

A placement to China Railway Materials Commercial Corporation (CRM) through its wholly owned subsidiary Union Park Company Limited (UPC) was completed on 15 December 2009.



## projects / operations review

The placement is equal to 12 per cent of the fully diluted enlarged capital structure of FerrAus Limited and based on the capital structure of the Company at that time, the investment (which has a 12 month escrow period), was valued at \$12.6 million.

FerrAus Limited and CRM have agreed to cooperate in respect of other potential iron ore resource opportunities in the eastern Pilbara region of Western Australia that, together with the Company's existing resources, can be used to support the financing and construction of necessary rail and port infrastructure.

Under the Share Subscription Agreement, UPC was entitled to appoint a representative to the Company's Board and Mr Guoping Liu was appointed as UPC's representative, in the role of a Non-Executive Director.

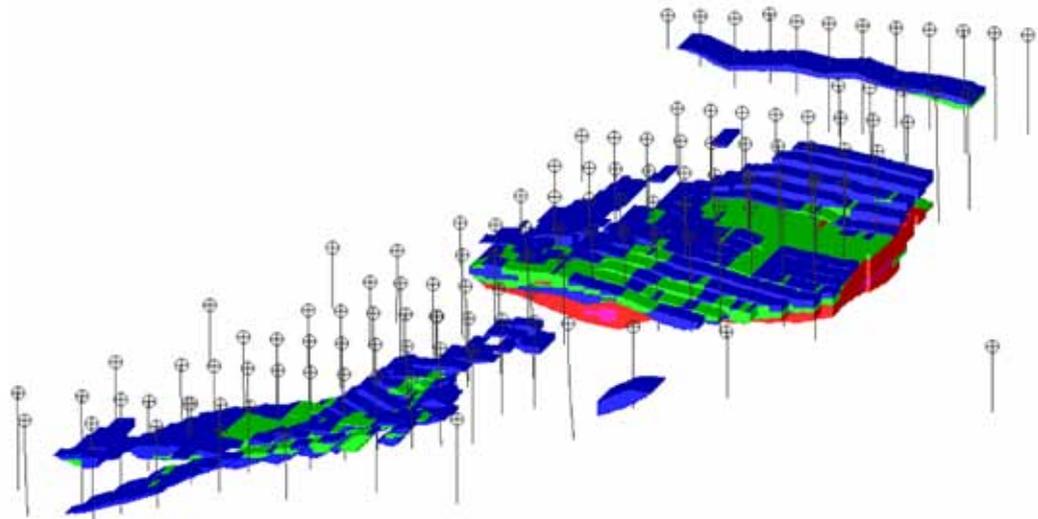
Mr Liu is the Vice President of CRM, Chairman to the Board of UPC and has extensive international experience within the USA, Europe and South America.

### Wah Nam International Holdings Ltd

The placement of 25,047,939 fully paid ordinary shares, representing 11.5 per cent of FerrAus Limited's fully diluted share capital with a wholly owned subsidiary of Wah Nam International Holdings Ltd was completed on 28 June, 2010.

The shares were issued and allotted at A\$0.86 per share, representing a premium of approximately 8 per cent to the last closing price on 22 June 2010, for a total investment of A\$21,541,227 which will be subject to a 12 month escrow period.

The placement provided additional funds to progress both the feasibility studies and exploration program.



*The above diagram is a scaled screen dump from SURPACTM v6.1.3 of the Mirrin Mirrin block model (looking to the south-west) showing Fe blocks  $\geq 50\%$  Fe and drill hole traces, July 2010.*

### MEDIUM GRADE RESOURCES

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

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

Preliminary metallurgical results from beneficiation test work had indicated that medium grade ore (50 to 55 per cent Fe) is a valuable addition to the resource base.

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

# projects / operations review

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

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



## INFRASTRUCTURE ACCESS

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

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

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

The Company considers that access will ultimately increase the volume and diversity of supply of iron ore exports from Australia, enhance government revenues and ensure the future of junior iron ore developers.

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

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



## projects / operations review

### MANAGEMENT

Mr Christopher Hunt was appointed to the position of Chief Financial Officer on 14 June 2010.

Prior to joining FerrAus Limited Mr Hunt was the head of finance for Cliffs Natural Resources Inc's Asia Pacific operations as the General Manager Finance and Administration.

Mr John Berry, who held the role of Project Director for more than three years, resigned from that role in August 2010.

With the resignation of Mr Michael Amundsen in July 2010, Mr Bryan Oliver was appointed as an Executive Director in September.

Mr Oliver has more than 30 years experience as a senior executive in the iron ore industry for organisations within Australia and internationally with 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.

It is anticipated that Mr Oliver will remain in an executive role until the Board, which is currently engaged in a national recruitment process, appoints a new Managing Director and Chief Executive Officer.

### EXPLORATION ACTIVITY

In an ongoing effort to explore the regional potential for iron ore occurrences within FerrAus's Pilbara tenure, an airborne aeromagnetic survey was commissioned during November 2009.

In all, 9,000 line kilometres were surveyed over the entire FerrAus Pilbara Project area to produce a detailed, high resolution series of magnetic images and a number of priority target areas were identified.

In January, FerrAus also announced further exploration success with new results from its Davidson Creek area.

The Mirrin Mirrin Prospect is located two kilometres north west from the Python Resource and is the closest of the FerrAus prospects to the Jumblebar rail head (approximately 30 kilometres to the west).

This Prospect has a mineralised trend of some three kilometres strike extent and is still open to the east, west and down dip to the north. This drilling also intersected zones of detrital ore, which have not been closed off.

Priority reconnaissance drill targets identified are being tested. Drilling has been conducted on both Viper and Bandy Bandy Prospects in the Davidson Creek area, and at Mulga and Keelback Prospects of the Robertson Range area.

### **Robertson Range (e 52/1630) Pilbara Region, WA**

As part of the restarted iron ore exploration activity, which commenced in July 2009, further drilling was conducted on the Robertson Range Resource during this quarter. This initial drilling was focused on the south west zone of the orebody targeting detrital iron ore following interpretation of earlier drilling work completed in 2008.

On 28 October 2009 the Company announced that recent drilling had identified a new, near surface detrital iron ore zone at its Robertson Range Project in the East Pilbara region, Western Australia.

Located in the South West portion of King Brown Prospect, this new detrital iron ore zone sits adjacent to sub-cropping iron mineralization in the Marra Mamba Iron Formation (Newman Member) and extends into a deep palaeo-channel trending to the South East.

# projects / operations review

## FerrAus Pilbara Project - Iron Ore Resource Inventory - August 2010

Area	JORC (2004) Resource Category	Million Tonnes	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)	Ca Fe (%)
<b>High Grade Resources (+55% Fe)</b>								
Robertson Range	Measured	23.4	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.7	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.6	58.11	6.56	3.37	0.097	6.15	61.93
	<b>Total</b>	<b>54.6</b>	<b>58.79</b>	<b>5.26</b>	<b>2.94</b>	<b>0.105</b>	<b>6.93</b>	<b>63.18</b>
Davidson Creek	Measured	9.5	58.10	4.31	2.83	0.078	9.12	63.90
	Indicated	91.6	58.70	4.44	2.43	0.082	8.63	64.20
	Inferred	55.0	57.96	4.92	2.67	0.100	8.72	64.20
	<b>Total</b>	<b>156.1</b>	<b>58.40</b>	<b>4.60</b>	<b>2.54</b>	<b>0.088</b>	<b>8.69</b>	<b>64.15</b>
<b>Total (+55% Fe)</b>		<b>210.7</b>	<b>58.50</b>	<b>4.77</b>	<b>2.64</b>	<b>0.092</b>	<b>8.23</b>	<b>63.90</b>
<b>Medium Grade Resources (between 50-55% Fe)</b>								
Robertson Range	Inferred	16.2	53.00	8.51	5.40	0.123	8.85	58.2
Davidson Creek	Inferred	89.4	53.21	8.38	5.12	0.08	9.32	58.7
<b>Total (between 50-55% Fe)</b>		<b>105.6</b>	<b>53.18</b>	<b>8.40</b>	<b>5.17</b>	<b>0.086</b>	<b>9.25</b>	<b>58.6</b>
<b>Total Resources</b>		<b>316.4</b>						

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.

### Davidson Creek (E53/1658) Pilbara Region, WA

In July the company restarted iron ore exploration activity at Davidson Creek.

Results from an 18 hole reverse circulation (RC) drilling program, targeting the Marra Mamba formation within the Mirrin Mirrin Prospect area, displayed anomalous iron mineralisation extending some three kilometres along strike.

On 13 October 2009 the Company announced that recent reconnaissance drilling at Davidson Creek's eastern area had identified prospective Marra Mamba Iron Formation stratigraphy, south east of Tiger Prospect. This new area is called Bandy Bandy Prospect.

A strategic combination of reconnaissance drilling with resource drilling ensured that exploration would continue to test new target areas, as well as continue to expand the resource base. In addition, metallurgical and geotechnical core drilling continued as part of scheduled PFS commitments.





# projects / operations review

On 24 May FerrAus Limited also announced the results from recent infill drilling at Davidson Creek Area, undertaken to support the ongoing Pre Feasibility Study (PFS).

The bulk of the drilling comprised 100 metre infill lines to the existing 200 metre drill line spacing. The drill line density covering this part of the Davidson Creek Area now stands at 100 metres by 50 metres, which is required before consideration can be given to a resource upgrade higher than an Inferred Category level.

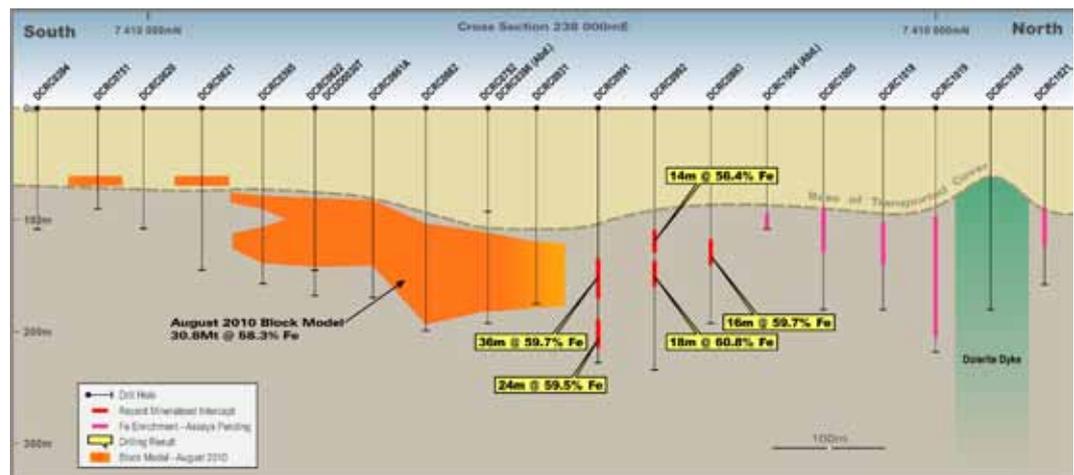
### Mirrin Mirrin

Early in June 2010 and prior to the resource upgrade, FerrAus announced drill hole results at the Mirrin Mirrin Prospect at Davidson Creek.

These results, from exploration holes drilled since March 2010, were outside the defined resource area and indicated that mineralisation is continuous along strike and down dip to the north, with low to medium grade mineralisation to the south interpreted as detrital material.

Mirrin Mirrin Prospect remains the best new area which has the potential to grow the FerrAus resource base and therefore it has been the main focus for exploration drilling.

### Section 238,000mE - Mirrin Mirrin Prospect, Davidson Creek Area



### Murrumunda (E52/1901 Application) Pilbara Region, WA

This area was included in the airborne aeromagnetic survey conducted during the financial year. During May and June 2010, a reconnaissance RC drilling program was implemented across targets on lease E52/1901, identified from this survey and the prospect has been named Keelback.

As the magnetic images for the Keelback Prospect were interpreted as having potential Marra Mamba Iron Formation type signatures 20 holes were drilled by RC drilling methods for a total of 2,581 metres. This drilling intersected significant mafic intrusive and the drill spacing (400m x 100m) will now need to be refined, prior to further drilling in the area.

### Enachedong Manganese Project (E46/614) Pilbara Region, WA

The remote Enachedong Project in the North East Pilbara continues to grow in terms of significance.

Exploration activity has focussed on ground based methodologies, including detailed mapping and sampling to produce some prospective results.

As a result of this activity three separate areas, Omen, Eastwood and Black Stripe, have been identified as prospects.

# projects / operations review

## **Silver Swan North Nickel & Gold Project (EL27/209 and ML's 27/262-265) Kalgoorlie Area, WA**

A reconnaissance expedition to this area was conducted during the second quarter. Exploration efforts focused on soil sampling, rock chip sampling and reconnaissance mapping efforts intended to validate existing historic gold anomalies and generating new targets.

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

### **Announcement Of The Intention To Spin Out Gold Assets**

On 17 March 2010 the Directors announced their intention to spin-out the Lawson Gold Project, formerly the Silver Swan North Project, into a newly formed subsidiary company, Lawson Gold Limited (Lawson Gold).

As part of the spin-out, Lawson Gold intended to conduct an Initial Public Offering through the issue of new shares in Lawson Gold and seek a listing on the Australian Securities Exchange (ASX).

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

Although previous exploration efforts at Silver Swan had focussed predominantly on nickel, the Directors considered that these tenements are prospective for gold mineralisation of the style found at Kanowna Belle.

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

On 25 May FerrAus Limited announced the issue of the Lawson Gold Prospectus, which sought to raise up to \$5 million, through the issue of 25 million shares at 20 cents each. The offer consisted of a Priority Offer and a Public Offer.

Lawson Gold had been established by FerrAus as a gold exploration company predominantly focussed on the discovery of economic gold resources at its Lawson Gold Project located in the Kalgoorlie goldfields.

The Lawson Gold Project is situated in one of the best known gold districts in the world, with several significant gold deposits and mines located nearby, including the PaddingtonGold Mine and Barrick Gold Corporation's Kanowna Belle Gold Mine.

A review of the Project highlighted a number of gold exploration targets combined with a geological setting that was considered to have the potential to host significant gold mineralisation.

Lawson Gold were to acquire the granted tenements under the terms of a Sale Agreement with FerrAus Limited for a total consideration of 1,500,000 ordinary shares in the capital of Lawson Gold.

The Lawson Gold Offer was successfully completed on 26 July 2010. As a result of the Offer, Lawson Gold raised approximately \$4.7 million at \$0.20 per share, well above the minimum raise level of \$3m, which will result in the issue of around 23.4 million shares.

The Offer was well supported by both FerrAus shareholders and new investors, in difficult market conditions.

Upon listing, Lawson Gold had a significant cash balance of more than \$4.3 million, representing a cash backing of more than 17 cents per share.



# directors' report

 for the year ended 30 June 2010.

## 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:

<b>Mr John Nyvlt</b>	Chairman	Appointed 07/12/05	
<b>Mr Michael Amundsen</b>	Managing Director	Appointed 01/07/09	Resigned 30/07/10
<b>Mr David Turvey</b>	Non-Executive Director	Appointed 07/12/05	Resigned 15/12/09
<b>Mr Robert Greenslade</b>	Non-Executive Director	Appointed 10/11/03	
<b>Mr Guoping Liu</b>	Non-Executive Director	Appointed 15/12/09	
<b>Mr James Wall</b>	Non-Executive Director	Appointed 09/11/07	
<b>Mr Joe Singer</b>	Non-Executive Director	Appointed 03/04/09	
<b>Mr James Li</b>	Alternate Director for Mr Guoping Liu	Appointed 25/03/10	
<b>Mr Bryan Oliver</b>	Executive Director	Appointed 06/09/10	

### Names, qualifications, experience and special responsibilities

#### John Nyvlt

**Non-Executive, Chairman** (Bachelor of Science - Honours)

Mr Nyvlt is responsible for Penfold Limited's business development and acquisitions. 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, North Broken Hill and Pasmenco.

#### Michael Amundsen

**Managing Director** (B. Bus, Grad Dip Management, MAICD, MAusIMM)

Mr Amundsen's extensive international experience includes 28 years with BHP Billiton, primarily in the iron ore and coal business groups and 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 Billiton included nine years based in Perth.

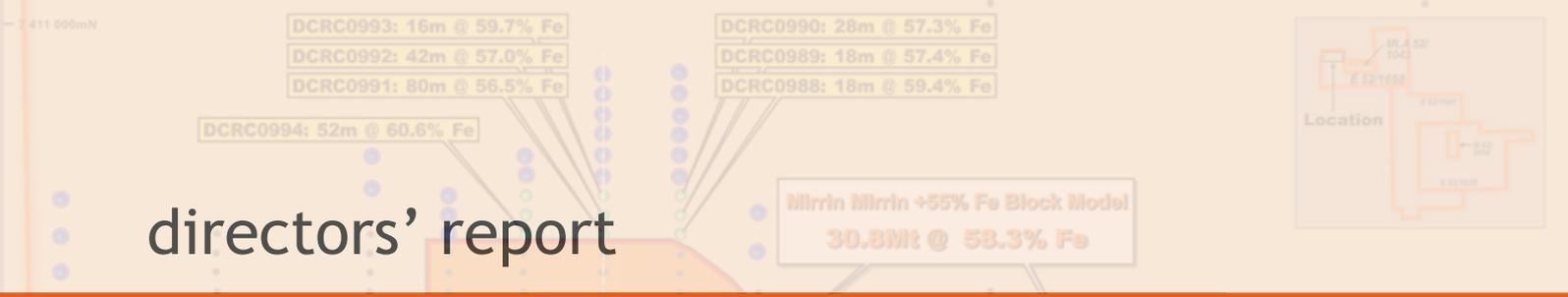
Mr Amundsen's last role with BHP Billiton was Vice-President Business Development and Director Business Development in the iron ore business. He was a board member of Samarco (50:50 BHP Billiton and Vale Joint Venture) from 2001 to 2007 and played a lead role in the recent US\$1.2 billion expansion of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

His business development experience includes mine development projects, major M&A transactions, divestments, joint venture agreements, securing early stage exploration properties and formulation of business strategy. Mr Amundsen resigned as a Director on 30 July 2010.

#### Robert Greenslade

**Non Executive Director** (Bachelor of Economics)

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 Asian Pacific corporate and business development activities. Mr Greenslade is also a non-executive director of ASX listed company Oaks Hotel and Resorts Limited and Innovance Limited.



# directors' report

## Guoping Liu

### 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.

## James Wall

### Non-Executive Director (Bachelor of Engineering)

Mr Wall, a civil engineer with a long career in the mining industry. During the late 1980s he was Managing Director of Nicron Resources Limited and in 1991 became Executive Director of Aztec Mining Company Limited. From late 1991 until mid 1997 he was Managing Director of Savage Resources Limited during which time its market capitalisation on ASX increased by 40 times to over \$600 million. Under his management, 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. He is a Fellow of the Australasian Institute of Mining and Metallurgy.

## Joe Singer

### Non-Executive Director (Bachelor of Science and Engineering, MBA, International Business and Finance)

Mr Singer is the founding Director of Penfold Limited (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, Marc Rich & Co and Glencore. 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 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 and Spanish.

## James Li

### 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, and an Alternate Director of Yilgarn Infrastructure Limited which was involved the Oakajee Project in the Mid-West of Western Australia.

## Bryan Oliver

### Executive Director (Associateship in Civil Engineering, Graduate Stanford Executive Program)

Mr Oliver, who joined FerrAus Limited in early September 2010, 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

## 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 John Nyvlt	9,023,797 <sup>(1)</sup>	1,462,500	1,114,290 <sup>(1)</sup>
Mr Mike Amundsen	100,000	-	-
Mr Robert Greenslade	1,540,650 <sup>(1)</sup>	-	-
Mr Guoping Liu	-	-	-
Mr James Wall	50,400 <sup>(1)</sup>	-	400,000 <sup>(1)</sup>
Mr Joe Singer	14,732,673 <sup>(1)</sup>	2,193,825 <sup>(1)</sup>	1,671,420 <sup>(1)</sup>
Mr James Li	-	-	-
<b>Total</b>	<b>25,447,520</b>	<b>3,656,325</b>	<b>3,185,710</b>

<sup>(1)</sup> Held by directors and entities in which directors have a relevant interest.

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.

# directors' report

The Group details below 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. 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](http://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.
- 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.



# directors' report

## 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 Executive Director, five Non Executive Directors and one alternate Director. Directors' are expected to bring independent views and judgment to the Board's deliberations.

- Mr John Nyvlt Non-Executive Chairman
- Mr Robert Greenslade Non-Executive Director
- Mr Guoping Liu Non-Executive Director
- Mr James Wall Non-Executive Director
- Mr Joe Singer Non-Executive Director
- Mr James Li Alternate Director for Mr Guoping Liu
- Mr Bryan Oliver 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.

### 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.

Mr Wall is considered an independent Director as he has no other material relationship or association with the Group other than his Directorship. Mr Oliver is the Executive Director. Messrs Nyvlt and Singer hold significant parcels of shares in the Company, Messrs Liu and Li are representatives of Union Park Company Limited (UPC) a wholly owned subsidiary of China Railway Materials Commercial Corporation (CRM) which also have a substantial holding in the Company. Mr Greenslade has consultancy agreements with the Company, and therefore they are not considered independent.

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.

### Role of the Chairman

The role of the Chairman is to provide leadership to the Board and facilitate the efficient organisation and conduct of the Boards functioning. Mr John Nyvlt, the Chairman of the Group does not also perform the role of the Managing Director, in accordance with recommendation 2.3 of the Corporate Governance Council, however the Chairman is not considered 'independent' as defined by ASX Corporate Governance Principles and recommendation 2.2.

# directors' report

## **Nomination, retirement and appointment of Director's**

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. 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.

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.



# directors' report

## Securities Trading Policy

Effective from 1 January 2011, the Group is required to adopt and disclose a securities trading policy under ASX Listing Rules. A securities trading policy was previously a recommendation of the Corporate Governance Council, however the Group has chosen to early-adopt the amendments in accordance with the addition to the ASX Listing Rules. The Group has established a policy concerning trading in Group securities by directors, senior executives and employees, however the plan has not yet been publicly disclosed and therefore has not complied with recommendation 3.2 or 3.3 of the second edition of the Corporate Governance Council principles. The Board take ultimate responsibility for these matters.

The Company's constitution permits designated persons to acquire securities in the Company, however Company policy prohibits designated persons from dealing in the Company's securities at any time whilst in possession of price sensitive information and for 24 hours after:

- Any major announcements;
- The release of the Group's quarterly, half yearly and annual financial results to the Australian Securities Exchange; and
- The Annual General Meeting.

Directors must advise the Chairman of the Board before buying or selling securities in the Group. All such transactions are reported to the Board. In accordance with the provisions of the Corporations Act and the Listing Rules of the Australian Securities Exchange, the Company advises ASX of any transaction conducted by Directors in the securities of the Company.

## Diversity Policy

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. The Company is committed to supporting diversity, including consideration of gender, age, ethnicity and cultural background. The Board is ultimately responsible for reviewing the achievement of this policy. The Company recognises that through consideration of diversity and the best available talent, it will assist in promoting a working environment to maximise achievement of the corporate goals of the organisation.

The Company continues to strive towards achieving objectives established towards increasing gender diversity. At the end of the reporting period, the Company employed 31 staff, of which 10 were female and the Board of Directors consisted of seven male members.

The Company is highly aware of the positive impacts that diversity may bring to an organization. The Company continues to assess all staff and Board appointments on their merits with consideration to diversity a driver in decision making. The Group has not yet developed or disclosed a formal diversity and policy and therefore has not complied with the updated recommendations 3.2 and 3.3 of the Corporate Governance Council effective from 1 January 2011.

## 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.

# directors' report

## Audit Committee

The audit, risk and compliance committee comprises of Mr Wall, Non-Executive Directors and Mr Stephens the Company Secretary.

### 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
- 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 who are 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.

### 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 Consolidated 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.



# directors' 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.

## **Principle 7: Recognise and manage risk**

The Board has identified the significant areas of potential business and legal risk of FerrAus Limited and controlled entities. 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 Company Secretary**

The Managing Director and the Company Secretary 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 Directors 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

# directors' report

- To commence and 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.

## OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$8,289,921 [2009: \$2,918,373].

## OPERATIONS OVERVIEW

During the year the principle activity of FerrAus Limited was exploration of its wholly owned leases in the East Pilbara Region of Western Australia and to progress feasibility studies into developing its operations.

The loss before income tax expense increased by \$5.17 million year on year. This is due primarily to:

- the write down of the Lawson Gold assets (\$2.72 million) resulting from an independent valuation of the Silver Swan North project; and
- expenditure for studies on the development of the port and related infrastructure for the North West Iron Ore Alliance of which FerrAus Limited is a founding member (\$1.73 million). The Company records this interest using the equity method of accounting whereby the Company's share of profit or loss from the joint venture is included in the Group's Statement of Comprehensive Income.

## Milestones

The significant milestones achieved by the Company during this period included:

- On 1 July 2009 Mr Michael Amundsen was appointed as the Managing Director and Chief Executive Officer of the Company.
- On 8 September 2009 an agreement was reached on strategic iron ore focused cooperation between the Company and China Railway Materials Commercial Corporation (CRM).

Under that arrangement, CRM (through its wholly owned subsidiary Union Park Company Limited) took a placement in the Company equal to 12 per cent of the fully diluted enlarged capital structure at the time the transaction was complete. Based on the capital structure of the Company at that time, the investment was approximately \$12.6 million.

The placement to CRM through its wholly owned subsidiary Union Park Company Limited (UPC) was completed on 15 December 2009.

Under the Share Subscription Agreement, UPC was entitled to appoint a representative to the Company's Board and Mr Guoping Liu was appointed as UPC's representative, in the role of a Non-Executive Director.

- In February 2010 the completion of a positive Scoping Study, indicating a potential A\$1.1 billion Net Present Value (NPV) for a project ramping up to 15Mtpa, was announced.



## directors' report

The Scoping Study assumed:

- production ramping up to 15Mtpa;
- a long term fines price of US\$81 cents per dmtu;
- an exchange rate of US\$0.75 to the Australian dollar;
- total operating costs for contract mining, processing, rail and port, ranging from A\$32 to A\$36 per tonne excluding royalties, general/ administration costs; and
- a port service charge, included in the total operating cost mentioned above, covers operating costs and full capital recovery plus interest costs.

- The Company also immediately announced the commencement of a Pre-Feasibility Study (PFS), with the key activities for the PFS including infill drilling to increase resource confidence levels, metallurgical test work, hydrology, environmental studies, process flow design, regulatory approvals and technical marketing.

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

- Consistent with the development of a single process plant the company also introduced "FerrAus Pilbara Project" as the name that is now used to describe all of its three adjacent tenements. Previously, these areas were referred to separately as the Robertson Range Project, the Davidson Creek Project and the Murramunda Project.

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

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

- On 25 May 2010 FerrAus Limited announced the issue of the Lawson Gold Prospectus, which sought to raise up to \$5 million, through the issue of 25 million shares at 20 cents each. The offer consisted of a Priority Offer and a Public Offer.

Lawson Gold aimed to acquire the granted tenements from FerrAus under the terms of a Sale Agreement with FerrAus for a total consideration of 1,500,000 ordinary shares in the capital of Lawson Gold.

- Mr Christopher Hunt was appointed to the position of Chief Financial Officer on 14 June 2010. In mid June the Company announced a 116 per cent increase in its measured and indicated resources taking the resource total for the Project to 297.2 million tonnes.

- On 28 June 2010 FerrAus completed the placement of 25,047,939 fully paid ordinary shares, representing 11.5 per cent of the Company's fully diluted share capital with a wholly owned subsidiary of Wah Nam International Holdings Ltd. The placement provided additional funds to progress both the feasibility studies and exploration program.

# directors' report

## Main Activities

During this financial period the Company reported that total resources of iron ore at the FerrAus Pilbara Project increased 78 per cent from 166.6 million tonnes to 297.2 million tonnes.

The Company considers that there remains significant exploration potential to further increase the resource base to more than 400 million tonnes and the current figure stands at 316 million tonnes.

The robust technical fundamentals of the FerrAus iron ore deposits have been confirmed by the ongoing exploration success, which in turn supports the long-term development plans for multiple open pit mining operations.

The main objective of the Company is to continue to grow the resource base to a globally 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 Iron Ore Project - M52/1034 and E52/1630**

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

### **Davidson Creek Iron Ore Project - M52/1043 and E52/1658**

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

### **Murramunda Project - E52/1901**

This project is located approximately 50 kilometres south east of BHP Billiton’s mining operations and rail infrastructure at Jimblebar, Western Australia.

### **Enachedong 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.

### **Silver Swan North Nickel and Gold Project - M27/262-265 and E27/345**

This project is located approximately 45 kilometres north west of Kalgoorlie, Western Australia.





# directors' report

## Resource Inventory and Exploration Potential

Based on RC drilling and diamond drilling completed during the period to 30 June 2010, the iron ore resource inventory of the FerrAus Pilbara Project is summarised in the table below:

Area	JORC (2004) Resource Category	Million Tonnes	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)	Ca Fe (%)
<b>High Grade Resources (+55% Fe)</b>								
Robertson Range	Measured	23.4	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.7	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.6	58.11	6.56	3.37	0.097	6.15	61.93
	<b>Total</b>	<b>54.6</b>	<b>58.79</b>	<b>5.26</b>	<b>2.94</b>	<b>0.105</b>	<b>6.93</b>	<b>63.18</b>
Davidson Creek	Measured	9.5	58.10	4.31	2.83	0.078	9.12	63.90
	Indicated	91.6	58.70	4.44	2.43	0.082	8.63	64.20
	Inferred	38.7	57.96	4.77	2.82	0.096	8.67	63.49
	<b>Total</b>	<b>139.8</b>	<b>58.46</b>	<b>4.52</b>	<b>2.57</b>	<b>0.086</b>	<b>8.68</b>	<b>63.98</b>
<b>Total (+55% Fe)</b>		<b>194.4</b>	<b>58.55</b>	<b>4.73</b>	<b>2.67</b>	<b>0.091</b>	<b>8.19</b>	<b>63.76</b>
<b>Medium Grade Resources (between 50-55% Fe)</b>								
Robertson Range	Inferred	16.2	53.00	8.51	5.40	0.123	8.85	58.2
Davidson Creek	Inferred	86.5	53.08	8.26	5.31	0.08	9.40	58.6
<b>Total (between 50-55% Fe)</b>		<b>102.7</b>	<b>53.07</b>	<b>8.30</b>	<b>5.33</b>	<b>0.086</b>	<b>9.31</b>	<b>58.5</b>
<b>Total Resources</b>		<b>297.2</b>						

Small discrepancies may occur in the tabulated resources due to the effects of rounding. Calcined Fe grade calculated as follows:  $CaFe = (Fe \times 100) / (100 - LOI)$ . 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

### 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.

# directors' report

## 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.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

- Union Park Company Limited, a wholly owned subsidiary of China Railway Materials Commercial Corporation, exercised its right on 19 July 2010 to subscribe for 3,005,753 additional FerrAus shares following the recent share placement to Wah Nam International Australia Pty Ltd. The placement will raise \$2,584,948 before costs.

Pursuant to the Share Subscription Agreement dated 7 September 2009 between the Company and Union Park Company Limited (UPC), the Company granted UPC the right, but not the obligation, in respect of each future issue of shares by the Company (Share Issue) to subscribe for up to an additional number of shares in the Company that is equal to 12% of the number of shares issued under the Share Issue at the same issue price as those shares were issued or, in the case of shares issued on conversion of convertible securities or upon exercise of any options, at the volume weighted average sale prices of shares sold on ASX during the 10 ASX trading days preceding the date the Company notifies UPC of the Share Issue (Right).

UPC is a Hong Kong incorporated company and wholly-owned subsidiary of China Railway Materials Commercial Corporation (CRM), a company incorporated in People's Republic of China.

The Right is subject to certain conditions, including UPC remaining a wholly owned subsidiary of CRM, UPC having fully exercised the Right on each previous occasion it was available, UPC not disposing of any Company shares subscribed by it on any previous operation of the Right and the parties obtaining all necessary regulatory and shareholder approvals in a timely manner and not later than 90 days after exercise of the Right (including any necessary Australian foreign investment approvals and all necessary Chinese regulatory approvals).

ASX has granted a waiver of ASX Listing Rule 6.18 in relation to the Right.



## directors' report

That waiver is granted on the following conditions:

1. The Right lapses if UPC's holding in the Company falls below 5%;
2. The Right lapses if the strategic relationship between the Company and CRM ceases or changes in a such a way that it effectively ceases;
3. The Right may only be transferred to an entity in the wholly owned group of CRM;
4. Any securities issued under the Right are offered to UPC for cash consideration that is either no more favourable than cash consideration offered by third parties (in the case of issues of securities to third parties for cash consideration) or equivalent in value to non-cash consideration offered by third parties (in the case of issues of securities to third parties for non-cash consideration);
5. The number of securities that may be issued to UPC under the Right in the case of any diluting event must not be greater than the number required in order for UPC to increase its holding immediately before that diluting event; and
6. The Company discloses a summary of the Right to persons who may subscribe for securities under a prospectus, and undertakes to include in each annual report a summary of the Right.

UPC exercised the Right in full in respect of the recent Share Issue to Wah Nam International Australia Pty Ltd. The proposed issue of such shares to UPC was approved by the Company's shareholders at the Extraordinary General Meeting of Shareholders held on 17 September 2010, but remains subject to UPC obtaining all necessary regulatory approvals.

- The completion of the Lawson Gold Offer was announced on 26 July 2010, successfully raising approximately \$4.7 million at \$0.20 per share, which resulted in the issue of 23.4 million shares. Lawson Gold commenced trading on the Australian Securities Exchange on 5 August 2010.
- On 30 July 2010 the company announced the resignation of Mr Michael Amundsen as the Managing Director of the Company. Mr Amundsen will continue with the Company in the position of Chief Executive Officer for a two month period with the intention of providing a handover to the new Managing Director.
- An announcement was made on 5 August 2010 that the resource total for the FerrAus Pilbara Project had reached 316.4 million tonnes, mainly as a result of the doubling of the +55% Fe inferred resource at the Mirrin Mirrin Prospect, within the Davidson Creek Area.
- On 6 September 2010 the Company announced the appointment of Mr Bryan Oliver as an Executive Director. Mr Oliver has more than 30 years experience as a senior executive in the iron ore industry for organisations within Australia and internationally with Midwest Corporation, Robe River Mining and Iron Ore Company of Canada.

### **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.

# directors' report

## 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.

## 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 2010.

## OCCUPATIONAL HEALTH, SAFETY AND WELFARE

FerrAus remains determined to maintain the focus on continuously improving its safety performance, through systematic programs that minimise the risk to the wellbeing of employees and contractors. In the reporting period the Company recorded two Lost Time Injuries and has taken comprehensive action to ensure that the circumstances that led to these injuries cannot occur in the future.

The Occupational Health Safety and Welfare Policy is regularly reviewed to ensure that high standards, which reflect best practice for injury and accident prevention, are maintained.

## 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 \$15,902 (31/10/2009 - 31/10/2010). 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 2008	Net Issued/ (Exercised/Lapsed) during Year	Balance at 30 June 2009
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
28/11/2006	27/11/2009	\$0.50	2,725,000	(2,725,000)	-
23/04/2007	23/10/2009	\$0.50	400,000	(400,000)	-
08/11/2007	07/11/2012	\$1.35	400,000	-	400,000
28/04/2008	27/04/2012	\$1.00	600,000	(100,000)	500,000
28/04/2008	27/04/2011	\$1.00	300,000	-	300,000
08/08/2008	21/12/2011	\$1.15	1,200,000	-	1,200,000
20/08/2008	19/08/2011	\$1.15	75,000	(75,000)	-
12/10/2009	13/10/2003	\$0.75	-	300,000	300,000
01/11/2009	02/11/2013	\$1.00	-	50,000	50,000
21/11/2009	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
			<b>8,900,000</b>	<b>(1,375,000)</b>	<b>7,525,000</b>

### Shares issued as a result of the exercise of Options

- 400,000 Options issued on 23 April 2007 were exercised on 23 October 2009 at an exercise price of \$0.50 to acquire 400,000 fully paid ordinary shares in the Company.
- 275,000 Options issued on 28 November 2006 were exercised on 23 October 2009 at an exercise price of \$0.50 to acquire 275,000 fully paid ordinary shares in the Company.
- 800,000 Options issued on 28 November 2006 were exercised on 9 November 2009 at an exercise price of \$0.50 to acquire 800,000 fully paid ordinary shares in the Company.
- 200,000 Options issued on 28 November 2006 were exercised on 16 November 2009 at an exercise price of \$0.50 to acquire 200,000 fully paid ordinary shares in the Company.
- 1,450,000 Options issued on 28 November 2006 were exercised on 25 November 2009 at an exercise price of \$0.50 to acquire 1,450,000 fully paid ordinary shares in the Company.

### Lapsing of Options

During the financial year 175,000 Options lapsed due to vesting conditions not being met.

### New Options issued

- 300,000 Options were issued on 12 October 2009 under the Company's Share Option Plan with exercise price of \$0.75 expiring on 13 October 2013.
- 50,000 Options were issued on 1 November 2009 under the Company's Share Option Plan with exercise price of \$1.00 expiring on 2 November 2013.
- 75,000 Options were issued on 1 November 2009 under the Company's Share Option Plan with exercise price of \$1.25 expiring on 2 November 2013.

# directors' report

- 500,000 Options were issued on 18 January 2010 to Mr Michael Amundsen as approved by the Company's shareholders at a General Meeting held on 18 January 2010 with exercise price of \$0.75, vesting on 18 January 2011 and expiring on 17 January 2013.
- 500,000 Options were issued on 18 January 2010 to Mr Michael Amundsen as approved by the Company's shareholders at a General Meeting held on 18 January 2010 with exercise price of \$1.00, vesting on 18 January 2011 and expiring on 17 January 2013.
- 500,000 Options were issued on 18 January 2010 to Mr Michael Amundsen as approved by the Company's shareholders at a General Meeting held on 18 January 2010 with exercise price of \$1.25, vesting on 18 January 2011 and expiring on 17 January 2013.





# directors' report

## 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.

### Employee Contracts

The employment conditions of the Managing Director, Michael Amundsen, are formalised in a contract of employment. Mr Amundsen commenced employment on 1 July 2009 and his base salary, inclusive of superannuation, is \$327,000 per annum. The Company or Mr Amundsen may terminate the employment contract without cause by providing two (2) 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 event of a change of control of the Company within 24 months from the commencement of the contract, a termination payment equal to 12 months salary would be payable on behalf of the Company. In the instance of serious misconduct the Company can terminate employment at any time.

Subject to certain KPIs agreed to by the Board and Mr Amundsen, a short term bonus of AUD\$150,000 may be payable if the Company executes a binding term sheet for rail haulage with a reputable third party. Additionally, subject to obtaining shareholder approval, Mr Amundsen may be issued with options to acquire ordinary shares as a long term incentive bonus plan. Such options may or may not replace the agreed short term bonus.

Mr Amundsen resigned his position on 30 July 2010. The short term bonus is not payable upon termination.

The employment conditions of the Project Director, John Berry, are formalised in a contract of employment. Mr Berry commenced employment on 23 April 2007 and his base salary, inclusive of superannuation, is \$300,000 per annum. The Company or Mr Berry may terminate the employment contract without cause by providing two (2) 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.

The employment conditions of the Chief Financial Officer, Christopher Hunt, are formalised in a contract of employment. Mr Hunt commenced employment on 14 June 2010 and his base salary, inclusive of superannuation, is \$275,000 per annum. The Company or Mr Hunt may terminate the employment contract without cause by providing one (1) month written notice or making payment in lieu of notice, based on the annual salary component. Termination payments are generally not payable on

# directors' report

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 2010 and 30 June 2009 - audited

	Short Term Benefits	Post Employment	Share-based Payments	Total
	Salary, Fees & Bonuses	Superannuation	Value of Options	\$
<b>John Nyvlt**</b>				
2010	120,000	10,800	-	130,800
2009	120,000	10,800	-	130,800
<b>Michael Amundsen</b>				
2010	300,000	27,000	403,035	730,035
2009	-	-	-	-
<b>David Turvey</b>				
2010	32,419	-	-	32,419
2009	380,490	105,899	146,187	632,576
<b>Robert Greenslade***</b>				
2010	60,000	-	-	60,000
2009	70,000	-	-	70,000
<b>Guoping Liu</b>				
2010	-	-	-	-
2009	-	-	-	-
<b>James Wall</b>				
2010	67,393	-	-	67,393
2009	62,220	-	103,858	166,078
<b>Joe Singer**</b>				
2010	53,750	-	-	53,750
2009	157,000	-	-	157,000
<b>James Li</b>				
2010	-	-	-	-
2009	-	-	-	-
<b>Donald Stephens*</b>				
2010	-	-	-	-
2009	-	-	-	-
<b>John Berry</b>				
2010	250,000	50,000	35,370	335,370
2009	295,124	54,308	95,254	444,686
<b>Christopher Hunt</b>				
2010	12,615	1,135	-	13,750
2009	-	-	-	-
<b>Total</b>				
2010	896,177	88,935	438,405	1,423,518
2009	1,084,834	171,007	345,299	1,601,140

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

\*HLB Mann Judd (SA) Pty Limited, a company in which Mr Donald Stephens has an interest, has received professional fees for accounting, taxation and secretarial services provided during the year totalling \$150,364 (2009: \$108,384). Amount payable to HLB Mann Judd (SA) as at 30 June 2010 is \$10,607.

\*\*Penfold Marketing Pty Limited of which John Nyvlt is a Director received rental payments, administration fees and professional service fees of \$77,365 (2009: \$211,187). The amount payable to Penfold Marketing Pty Limited as at 30 June 2010 is \$7,458. Penfold Limited of which Joe Singer is a Director received capital raising fees, including disbursements, of \$400,718. The amount payable to Penfold Limited for additional capital raising fees as at 30 June 2010 is \$323,118.

\*\*\*Gryphon Partners of which Robert Greenslade is a Partner, received fees of \$313,136 (2009: \$71,438) inclusive of Mr Greenslade's director's fee. Amount payable to Gryphon Partners as at 30 June 2010 is \$134,852.

# directors' report

**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		Value per option at grant date	Exercise Price	Total Fair value	Expensed during the year	% of Remuneration
			Exercise Date	Expiry Date					
M Amundsen	18/01/2010	500,000	18/01/2011	17/01/2013	0.290	\$ 0.75	322,500	144,904	20%
M Amundsen	18/01/2010	500,000	18/01/2011	17/01/2013	0.267	\$ 1.00	297,500	133,671	18%
M Amundsen	18/01/2010	500,000	18/01/2011	17/01/2013	0.249	\$ 1.25	277,000	124,460	17%
J Berry	12/10/2009	200,000	13/10/2010	13/10/2013	0.248	\$ 0.75	49,600	35,370	11%
<b>Total</b>		<b>1,700,000</b>					<b>946,600</b>	<b>438,405</b>	

**Table 3: Option holdings of Key Management Personnel- audited**

30 June 2010	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	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	-	-	-	-	-	-	-
<b>Total</b>	<b>6,750,000</b>	<b>1,700,000</b>	<b>(2,400,000)</b>	<b>-</b>	<b>6,050,000</b>	<b>4,350,000</b>	<b>1,700,000</b>

30 June 2009	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Exercisable at end of period	Not exercisable at end of period
J Nyvlt	1,914,290	-	-	-	1,914,290	1,914,290	-
M Amundsen	-	-	-	-	-	-	-
D Turvey	1,714,290	-	-	(400,000)	1,314,290	1,314,290	-
R Greenslade	400,000	-	-	-	400,000	400,000	-
J Wall	400,000	-	-	-	400,000	400,000	-
J Singer	1,671,420	-	-	-	1,671,420	1,671,420	-
D Stephens	400,000	-	-	-	400,000	400,000	-
J Berry	650,000	-	-	-	650,000	587,500	62,500
A Marron	450,000	-	-	-	450,000	387,500	62,500
F O'Connor	150,000	-	-	(150,000)	-	-	-
<b>Total</b>	<b>7,750,000</b>	<b>-</b>	<b>-</b>	<b>(550,000)</b>	<b>7,200,000</b>	<b>7,075,000</b>	<b>125,000</b>



# directors' report

**Table 4: Key Management Personnel Shareholdings- audited**  
Directors

30 June 2010	Balance at 1 July 2009	On Exercise of Options	Net Change Other	Balance 30 June 2010
J Nyvlt*	8,223,797	800,000	-	9,023,797
M Amundsen	-	-	100,000	100,000
D Turvey*	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	-	-	-	-
<b>Total</b>	<b>26,102,208</b>	<b>2,000,000</b>	<b>(450,610)</b>	<b>27,651,598</b>

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 2009	Balance at 1 July 2008	On Exercise of Options	Net Change Other	Balance 30 June 2009
J Nyvlt*	8,223,797	-	-	8,223,797
D Turvey*	1,954,688	-	-	1,954,688
R Greenslade*	1,140,650	-	-	1,140,650
J Wall*	50,400	-	-	50,400
J Singer*	14,732,673	-	-	14,732,673
<b>Total</b>	<b>26,102,208</b>	<b>-</b>	<b>-</b>	<b>26,102,208</b>

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

#### Executives

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

30 June 2009	Balance at 1 July 2008	On Exercise of Options	Net Change Other	Balance 30 June 2009
J Berry	59,900	-	-	59,900
A Marron	-	-	-	-
F O'Connor	-	-	-	-
<b>Total</b>	<b>59,900</b>	<b>-</b>	<b>-</b>	<b>59,900</b>

#### 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 eligible to attend	Number attended	Number eligible to attend	Number attended
Number of meetings held	6	6	2	2
Mr John Nyvlt	6	6	-	-
Mr Michael Amundsen	6	6	-	-
Mr David Turvey	4	4	-	-
Mr Robert Greenslade	6	6	-	-
Mr James Wall	6	6	2	2
Mr Joe Singer	6	6	-	-
Mr James Li	2	2	-	-
Mr Donald Stephens	6	6	2	2

# directors' report

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

James Wall	Chairman
Robert Greenslade	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.

## AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Grant Thornton South Australian Partnership, 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 2010 has been received and can be found on page 40.

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



Mr John Nyvlt  
Chairman

Dated this 29 day of September 2010



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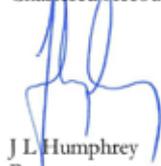
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**AUDITOR'S INDEPENDENCE DECLARATION  
TO THE DIRECTORS OF FERRAUS LIMITED**

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 2010, 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  
South Australian Partnership  
Chartered Accountants



J L Humphrey  
Partner

Adelaide, 29 September 2010

# financial statements

## Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
Revenue	3 (a)	905,957	1,264,284
Impairment of non-current assets	3 (d)	(2,715,116)	-
Consultancy fees		(1,022,015)	(573,931)
Share of loss of joint venture	18	(1,730,750)	-
Employee benefits expense	3 (b)	(1,601,526)	(2,092,637)
Depreciation expense		(180,806)	(273,439)
Administration expenses	3 (c)	(1,980,276)	(1,475,819)
<b>Loss before income tax expense</b>		<b>(8,324,532)</b>	<b>(3,151,542)</b>
Income tax benefit	4	34,611	233,169
<b>Loss for the year</b>		<b>(8,289,921)</b>	<b>(2,918,373)</b>
<b>Loss attributable to members of the parent entity</b>		<b>(8,289,921)</b>	<b>(2,918,373)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss</b>		<b>(8,289,921)</b>	<b>(2,918,373)</b>
<b>Earnings per share:</b>		<i>Cents</i>	<i>Cents</i>
Basic loss per share	5	(4.99)	(2.05)
Diluted loss per share	5	(4.99)	(2.05)



# financial statements

## Statement of Financial Position

AS AT 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	29,612,090	14,568,574
Trade and other receivables	7	1,411,256	193,741
Other	8	16,954	13,389
<b>TOTAL CURRENT ASSETS</b>		<b>31,040,300</b>	<b>14,775,704</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	1,967,775	2,087,457
Exploration and evaluation assets	10	55,239,513	41,544,076
<b>TOTAL NON-CURRENT ASSETS</b>		<b>57,207,288</b>	<b>43,631,533</b>
<b>TOTAL ASSETS</b>		<b>88,247,588</b>	<b>58,407,237</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	3,217,925	698,439
Provisions	13	132,699	126,361
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,350,624</b>	<b>824,800</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	11,173	4,732
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,173</b>	<b>4,732</b>
<b>TOTAL LIABILITIES</b>		<b>3,361,797</b>	<b>829,532</b>
<b>NET ASSETS</b>		<b>84,885,791</b>	<b>57,577,705</b>
<b>EQUITY</b>			
Issued Capital	14	98,595,731	63,271,371
Reserves	15	2,976,392	2,702,745
Accumulated Losses		(16,686,332)	(8,396,411)
<b>TOTAL EQUITY</b>		<b>84,885,791</b>	<b>57,577,705</b>

# financial statements

## Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated			Total
	Issued Capital	Accumulated Losses	Share Option Reserve	
	\$	\$	\$	
<b>Balance at 1 July 2008</b>	44,892,322	(5,478,038)	1,383,814	40,798,098
Total comprehensive loss for the year	-	(2,918,373)	-	(2,918,373)
Issued shares via rights issue to fund working capital on 14/07/2008	935,637	-	-	935,637
Issued shares to fund working capital on 14/07/2008	17,417,776	-	-	17,417,776
Issued shares via rights issue to fund working capital on 25/08/2008	130,654	-	-	130,654
Fair value of options issued	-	-	1,318,931	1,318,931
Transaction costs (net of tax)	(105,017)	-	-	(105,017)
<b>Balance at 30 June 2009</b>	<b>63,271,371</b>	<b>(8,396,411)</b>	<b>2,702,745</b>	<b>57,577,705</b>
<b>Balance at 1 July 2009</b>	63,271,371	(8,396,411)	2,702,745	57,577,705
Total comprehensive loss for the year	-	(8,289,921)	-	(8,289,921)
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)
<b>Balance at 30 June 2010</b>	<b>98,595,731</b>	<b>(16,686,332)</b>	<b>2,976,392</b>	<b>84,885,791</b>



# financial statements

## Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
		2010 \$	2009 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		159,595	91,592
Payments to suppliers and employees		(4,817,601)	(1,778,382)
Interest received		726,185	1,181,439
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>6</b>	<b>(3,931,821)</b>	<b>(505,351)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property plant and equipment		(60,953)	(403,489)
Payments for joint venture contributions		(1,622,491)	-
Payments for exploration activities		(14,161,763)	(19,817,620)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(15,845,207)</b>	<b>(20,221,109)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		35,721,093	18,484,066
Transaction costs of issue of shares		(900,548)	(105,020)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		<b>34,820,545</b>	<b>18,379,046</b>
Net increase/(decrease) in cash and cash equivalents		15,043,516	(2,347,414)
Cash at the beginning of the reporting period		14,568,574	16,915,988
<b>CASH AT THE END OF THE REPORTING PERIOD</b>	<b>6</b>	<b>29,612,090</b>	<b>14,568,574</b>

*The accompanying notes form part of these financial statements*

# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 1. SUMMARY 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. 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.

##### *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.



# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### *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.

#### **e. 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 one (1) year or less.

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

#### **f. 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.

#### **g. 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

# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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.

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.

#### **h. 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 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



# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

from, or payable to, the taxation authority.

**i. 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 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 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, 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.

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

**j. Interests in Joint Ventures**

The Group has a joint venture interest in the North West Iron Ore Alliance 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.

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**k. Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs are determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to the basis that the restoration will be completed within one year of abandoning the site.

**l. 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.

**m. 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.

**n. 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



# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

government bonds with terms to maturity that match the expected timing of cash flows.

**o. 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 one 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.

**p. 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.

**q. Comparative Figures**

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

**r. 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.

**s. 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.

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**t. 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.

***Key Estimates – Exploration and evaluation***

The group's policy for exploration and evaluation is discussed in note 1(l). 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 exploration and evaluation expenditure, management concludes that the capitalised expenditure is unlikely to be recovered by future sale or exploration, then the relevant capitalised amount will be written off through the Statement of Comprehensive Income.

**u. 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.

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 is 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.



# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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.

##### *v. Financial Liabilities*

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

##### **v. Adoption of New and Revised Accounting Standards**

During the current year the Consolidated group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations that became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact that adoption of these standards and interpretations has had on the financial statements.

# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### **AASB 3: Business Combinations**

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes only apply to business combinations first recognised after 1 July 2009.

#### **Recognition and measurement impact**

Recognition of acquisition costs - The revised standard requires that all acquisition costs are expensed in the period in which they occur. Previously these costs were capitalised as part of the cost of the business combination.

Measurement of contingent consideration - The revised standard requires that contingent consideration associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of expected payment. Any subsequent changes in the fair value or probability of settlement are recognised in the statement of comprehensive income, except to the extent that they relate to conditions that existed at the date of acquisition and that are identified during any "Measurement period." In this case the cost of acquisition is adjusted. The previous version of the standard allowed such changes to be recognised as a cost of the combination impacting goodwill.

#### **AASB 8: Operating Segments**

In February 2007, the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. Consequently, some of the required operating segment disclosures have changed. In addition, there is a possible impact on the impairment testing of goodwill allocated to cash generating units (CGUs) of the entity. Set out below is an overview of the key changes and the impact on the Consolidated group's financial statements.

Identification and measurement of segments - AASB 8 requires a "management approach" to the identification, measurement and disclosure of operating segments. This approach requires that segments are identified on the basis of internal reports that are regularly reviewed by management, for the purpose of allocating resources and assessing performance.

Unlike AASB 114 this could identify segments that primarily or exclusively sell to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered. The adoption of the management approach to segment reporting has identified reportable segments largely consistent with the prior year.

#### **AASB 101: Presentation of Financial Statements**

In September 2007, the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. An overview of the key impacts on the Consolidated group's financial statements is set out below.

Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements and the change of the term "minority interests" to "non-controlling interests."



# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

**Reporting changes in equity** - The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be recognised in the statement of changes in equity, with all other changes in equity to be recognised in a new statement of comprehensive income. Previously, all changes in equity were recognised in the statement of changes in equity.

**Statement of comprehensive income** - The revised standard requires that all income and expenses are presented in either a single statement of comprehensive income or in two statements, one being a separate income statement as well as a new statement of comprehensive income. Previously, only an income statement was required. The Consolidated group has adopted the two statement approach and the financial statements now include a statement of comprehensive income as well as a separate income statement.

**Other comprehensive income** - The revised standard introduces the concept of "other comprehensive income" which comprises income and expenses that are not recognised in profit or loss as required by Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

#### **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretation that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

#### ***AASB 9: Financial Instruments and AASB 2009-11:***

Amendments to Australian Accounting Standards arising from AASB9 [AASB 1, 3,4,5,7,101,102,108,112,118,121,127,128,131,132,136,139,1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- Simplifying the requirements of embedded derivatives;
- Removing the tainting rules associated with held to-maturity assets;
- Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- Allowing an irrevocable election on initial recognition to present gains and losses on investment in equity instruments that are not held for trading in other comprehensive income.

# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- Reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
  - a) the objective of the entity's business model for managing the financial assets; and
  - b) the characteristics of the contractual cash flows.

***AASB 2009-8: Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2]*** (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

***AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]*** (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

***AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretation 2, 4, 16, 1039 & 1052]*** (applicable for annual reporting periods commencing on or after 1 January 2001).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also mends AASB 8 to require entities to exercise judgment in assessing whether a government and entities know to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.

These amendments are not expected to impact the Group.



# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

***AASB 2009-13: Amendments to Australia Accounting Standards arising from Interpretation 19 [AASB1]*** (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provision in Interpretation 19. This standard is not expected to impact the Group.

***AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14]*** (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

## 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.

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 3. REVENUE AND EXPENSES

	Consolidated	
	2010	2009
	\$	\$
<b>(a) Revenue</b>		
Fuel sales	-	78,302
Bank interest received or receivable	746,362	1,172,693
Other income	159,595	13,289
	905,957	1,264,284
<b>(b) Employee Benefit Expenses</b>		
Wages, salaries, directors fees and other remuneration expenses	1,094,229	773,706
Share-based payments expense	507,297	1,318,931
	1,601,526	2,092,637
<b>(c) Administration Expenses</b>		
Accounting fees	88,168	150,730
Legal costs	321,454	215,865
Occupancy costs	254,276	200,499
Insurance	39,028	37,207
ASX fees	69,105	73,003
Travel & accommodation	117,976	185,396
Service Agreement	60,966	115,521
Audit fees	31,000	36,000
Other expenses	998,303	461,597
	1,980,276	1,475,819
<b>(d) Impairment expense</b>		
Write down of exploration and evaluation assets to recoverable amount	2,715,116	-
	2,715,116	-

The impairment expense is as a result of an independent valuation report of the Silver Swan North project.



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## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 4. INCOME TAX

	Consolidated	
	2010	2009
	\$	\$
<b>INCOME TAX</b>		
The major components of income tax expense are:		
<b>Income Statement</b>		
<i>Current income tax</i>		
Current income tax charge/(benefit)	270,164	45,007
R&D Tax offset	(304,775)	(278,176)
Income tax expense/(benefit) reported in the income statement	(34,611)	(233,169)
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before income tax	(8,324,532)	(3,151,542)
At the Group's statutory income tax rate of 30% (2009: 30%)	(2,497,360)	(945,463)
Immediate write off of capital expenditure	(4,583,120)	(4,779,312)
Expenditure not allowable for income tax purposes	1,489,783	350,327
Other	(163,625)	(109,592)
Tax losses not recognised due to not meeting recognition criteria	5,754,322	5,484,040
R&D Tax offset	(304,775)	(278,176)
Tax portion of share issue costs	270,164	45,007
	(34,611)	(233,169)

The Group has tax losses (after accounting for deferred tax liabilities) arising in Australia of \$63,160,815 (2009: \$43,979,742) 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 2010, there is no recognised or unrecognised deferred income tax liability (2009: \$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.

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 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:

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Net loss attributable to ordinary equity holders of the parent	<u>(8,289,921)</u>	<u>(2,918,373)</u>
	<b>2010</b>	<b>2009</b>
Weighted average number of ordinary shares for basic earnings per share	<u>166,265,234</u>	<u>142,392,875</u>

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 2010.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.



# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
<b>6. CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	531,322	47,582
Short-term deposits	29,080,768	14,520,992
	29,612,090	14,568,574

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 5.47% (2009: 3.65%)

### Reconciliation of net loss after tax to net cash flows from operations

Net loss	(8,289,921)	(2,918,373)
<i>Adjustments for non-cash items:</i>		
Income tax	270,164	-
Depreciation	180,806	273,439
Share options expensed	507,297	1,318,931
Impairment of non-current assets	2,715,116	-
Share of loss of joint venture	1,730,750	-
<i>Changes in operating assets and liabilities</i>		
(Increase)/decrease in inventories	-	17,942
(Increase)/decrease in trade and other receivables	(1,240,194)	966,366
(Increase) in prepayments	(3,565)	(5,307)
Increase/(Decrease) in trade and other payables	66,684	(81,625)
Increase/(Decrease) in employee entitlements	131,042	(76,724)
Net cash from operating activities	(3,931,821)	(505,351)

### Loan Facilities

The subsidiary of the Company, Australian Manganese Pty Ltd has a loan facility (bank guarantee) amounting to \$2,270,175 of which \$2,233,000 is being utilised.

## 7. TRADE & OTHER RECEIVABLES

	Consolidated	
	2010	2009
	\$	\$
Trade receivables	29,866	8,620
Interest receivable	69,038	48,860
Sundry receivables	7,226	2,000
Goods & Services Tax receivable	895,966	134,261
Tax credits receivable	409,160	-
	1,411,256	193,741

At 30 June 2010 the Consolidated Group did not have any receivables which were outside of normal trading terms.

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	\$	\$
<b>8. OTHER CURRENT ASSETS</b>		
Prepayments	16,954	13,389
	<u>16,954</u>	<u>13,389</u>

## 9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Plant & equipment	Total
<b>Year ended 30 June 2010</b>		
At 1 July 2009, net of accumulated depreciation and impairment	2,087,457	2,087,457
Additions	61,124	61,124
Depreciation charge for the year	(180,806)	(180,806)
At 30 June 2010, net of accumulated depreciation and impairment	<u>1,967,775</u>	<u>1,967,775</u>
<b>At 1 July 2009</b>		
Cost	2,434,304	2,434,304
Accumulated depreciation and impairment	(346,847)	(346,847)
Net carrying amount	<u>2,087,457</u>	<u>2,087,457</u>
<b>At 30 June 2010</b>		
Cost	2,495,258	2,495,258
Accumulated depreciation and impairment	(527,483)	(527,483)
Net carrying amount	<u>1,967,775</u>	<u>1,967,775</u>



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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated	
	Plant & equipment	Total
<b>Year ended 30 June 2009</b>		
At 1 July 2008, net of accumulated depreciation and impairment	1,957,408	1,957,408
Additions	403,500	403,500
Depreciation charge for the year	(273,451)	(273,451)
At 30 June 2009, net of accumulated depreciation and impairment	2,087,457	2,087,457
<b>At 1 July 2008</b>		
Cost	2,030,827	2,030,827
Accumulated depreciation and impairment	(73,419)	(73,419)
Net carrying amount	1,957,408	1,957,408
<b>At 30 June 2009</b>		
Cost	2,434,304	2,434,304
Accumulated depreciation and impairment	(346,847)	(346,847)
Net carrying amount	2,087,457	2,087,457

### 10. EXPLORATION AND EVALUATION ASSETS

	Consolidated	
	2010 \$	2009 \$
Balance at beginning of financial year	41,544,076	24,312,163
Capitalised exploration costs	16,410,553	17,231,913
Impairment of capitalised exploration costs	(2,715,116)	-
Total	55,239,513	41,544,076

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Included in capitalised exploration costs is \$424,472 on tenements owned by Lawson Gold Limited that the Company will recoup upon the successful listing of Lawson Gold Limited.

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 11. SHARE-BASED PAYMENTS

The Company has established the Employee Share Option Plan (ESOP) 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 3 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).



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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

	2010 Number of options	2010 Exercise Price	2009 Number of options	2009 Exercise Price
Outstanding at the beginning of the year	8,900,000	0.61	8,125,000	0.50
Granted during the year	300,000	0.75	225,000	1.15
Granted during the year	50,000	1.00	1,200,000	1.15
Granted during the year	75,000	1.25	-	-
Granted during the year	500,000	0.75	-	-
Granted during the year	500,000	1.00	-	-
Granted during the year	500,000	1.25	-	-
Exercised during the year	(3,125,000)	0.50	-	-
Lapsed during the year	(175,000)	1.06	(650,000)	0.25
Outstanding at the end of the year	7,525,000	0.72	8,900,000	0.61
Exercisable at the end of the year	5,600,000	0.63	8,825,000	0.59

The outstanding balance as at 30 June 2010 is represented by:

- A total of 3,000,000 options exercisable any time until 17 March 2011 with a strike price of \$0.25 and a fair value per option at grant date of \$0.22.
- A total of 200,000 options issued on 8 June 2006, vesting on 7 June 2007 and exercisable any time until 7 June 2011 with a strike price of \$0.40 and a fair value per option at grant date of \$0.16.
- A total of 400,000 options issued on 8 November 2007 and exercisable at any time after 9 November 2008 and until 8 November 2012 with a strike price of \$1.35 and a fair value of \$0.437.
- A total of 300,000 options issued on 28 April 2008 and exercisable any time after 29 April 2009 and until 28 April 2011 with a strike price of \$1.00 and a fair value of \$0.384.
- A total of 500,000 options issued on 28 April 2008 and exercisable any time 27 April 2009 and until 27 April 2012 with a strike price of \$1.00 and a fair value of \$0.446.
- 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 300,000 options issued on 12 October 2009 and exercisable any time after 13 October 2010 and until 13 October 2013 with a strike price of \$0.75 and a fair value of \$0.248.
- A total of 50,000 options issued on 1 November 2009 and exercisable any time after 2 November 2010 and 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 after 2 November 2010 and until 2 November 2013 with a strike price of \$1.25 and a fair value of \$0.135.
- A total of 500,000 options issued on 18 January 2010 and exercisable any time after 18 January 2011 and until 17 January 2013 with a strike price of \$0.75 and a fair value of \$0.645.

# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

- A total of 500,000 options issued on 18 January 2010 and exercisable any time after 18 January 2011 and until 17 January 2013 with a strike price of \$1.00 and a fair value of \$0.595.
- A total of 500,000 options issued on 18 January 2010 and exercisable any time after 18 January 2011 and until 17 January 2013 with a strike price of \$1.25 and a fair value of \$0.554.

#### *Contractual life of options*

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 1.52 years.

#### *Exercise price of options*

The range of exercise prices for options outstanding at the end of the year was \$0.25 - \$1.35.

The weighted average share price of options exercised during the period was \$0.75.

#### *Fair value of options*

The weighted average fair value of options granted during the year was \$0.51.

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 the year 30 June 2010:

	<b>2010</b>	<b>2009</b>
Historical volatility (%)	99%	80%
Risk-free interest rate (%)	5%	3%
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

	<b>Consolidated</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,908,667	449,777
Other payables	1,200,999	248,662
North West Iron Ore Alliance liability	108,259	-
	<b>3,217,925</b>	<b>698,439</b>



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## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 13. PROVISIONS

	Consolidated	
	2010	2009
	\$	\$
<b>PROVISIONS</b>		
<b>Current</b>		
Opening Balance	126,361	65,892
Annual leave provision	6,338	60,469
Closing Balance	132,699	126,361
<b>Non-current</b>		
Opening Balance	4,732	5,639
Long Service Leave provision	6,441	(907)
Closing Balance	11,173	4,732
<b>Total</b>	<b>143,872</b>	<b>131,093</b>

### 14. ISSUED CAPITAL

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Shares on issue	98,595,731	63,271,371	103,629,802	68,305,442
	98,595,731	63,271,371	103,629,802	68,305,442

	2010		2009	
	Number	\$	Number	\$
<b>202,695,137 fully paid ordinary shares (2009: 151,581,534)</b>				
Balance at beginning of financial year	151,581,534	63,271,371	135,508,433	44,892,322
Issued shares to fund working capital on 15/12/2009	22,940,664	12,617,365	813,597	935,637
Issued shares to fund working capital on 28/06/2010	25,047,939	21,541,228	15,145,892	17,417,776
Options exercised	3,125,000	1,562,500	113,612	130,653
Fair value of options exercised	-	233,650	-	-
Transaction costs on shares issued (net of tax)	-	(630,383)	-	(105,017)
Balance at end of financial year	202,695,137	98,595,731	151,581,534	63,271,371

	2010		2009	
	Number	\$	Number	\$
<b>7,500,000 fully paid class B performance shares</b>				
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).

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## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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.

#### 15. SHARE OPTION RESERVE

- a) 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 2010:

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of the year	2,702,745	1,383,814
Options expensed during period	507,297	1,318,931
Fair value of options exercised during the period	(233,650)	-
<b>Total Option Reserve</b>	<b>2,976,392</b>	<b>2,702,745</b>

During the year 1,500,000 options (exercisable between \$0.75 and \$1.25, with an expiry date of 17 January 2013) were issued to directors; and 425,000 options (exercisable between \$0.75 and \$1.25, with expiry dates of between 13 October 2013 and 2 November 2013) were issued to Key Management Personnel and other staff. The total expense relating to these options was \$507,297, 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) Table of Share Option movement for the Group as at 30 June 2010:

	Number of Options	Classification	Exercise Price	Fair value recognised in period	Total Option Value
<b>Opening Balance</b>				<b>2,702,745</b>	
28 April 2008	700,000	Employees	\$1.00	25,127	462,100
20 August 2008	225,000	Employees	\$1.15	13,255	80,121
12 October 2009	300,000	Employees	\$0.75	53,056	74,400
1 November 2009	50,000	Employees	\$1.00	6,157	9,350
1 November 2009	75,000	Employees	\$1.25	6,667	10,125
18 January 2010	500,000	Directors	\$0.75	144,904	322,500
18 January 2010	500,000	Directors	\$1.00	133,671	297,500
18 January 2010	500,000	Directors	\$1.25	124,460	277,000
Options exercised during the period	(3,125,000)			(233,650)	
<b>Closing Balance at 30 June 2010</b>	<b>(275,000)</b>			<b>2,976,392</b>	<b>1,533,096</b>



# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 16. COMMITMENTS AND CONTINGENCIES

#### Exploration leases

In order to maintain current rights of tenure to exploration tenements the Group will be required to spend in the year ending 30 June 2011 amounts of approximately \$489,945 (2009: \$756,500). These obligations are expected to be fulfilled in the normal course of operations.

	Consolidated	
	2010	2009
	\$	\$
<u>Operating leases</u>		
Not longer than 1 year	202,605	95,850
Longer than 1 year and not longer than 5 years	210,166	151,763
	<u>412,771</u>	<u>247,613</u>
<u>Hire purchase commitments</u>		
Not longer than 1 year	21,007	3,992
Longer than 1 year and not longer than 5 years	41,697	10,379
	<u>62,704</u>	<u>14,371</u>

### 17. AUDITORS REMUNERATION

	Consolidated	
	2010	2009
	\$	\$
Audit or review of financial report	31,000	36,000

### 18. INTEREST IN JOINT VENTURE

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

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## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	<b>Consolidated</b>
	<b>2010</b>
	<b>\$</b>
<i>Share of joint venture Statement of Financial Position:</i>	
Current assets	406,254
Non-current assets	4,853
	<u>411,107</u>
Current liabilities	(411,106)
Non-current liabilities	-
	<u>(411,106)</u>
Net assets	<u>1</u>
 <i>Reconciliation of movement in carrying amount of investment in joint ventures:</i>	
Balance at beginning of period	-
Contributions to joint venture	1,622,491
Share of net profit/(loss) after income tax	(1,730,750)
	<u>(108,259)</u>
 <i>Carrying amounts of joint ventures</i>	
North West Iron Ore Alliance	<u>(108,259)</u>
	<u>(108,259)</u>

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

### 19. CONTROLLED ENTITIES

Name of entity	Country of incorporation	Ownership interest	
		2010 %	2009 %
<u>Parent entity</u>			
FerrAus Ltd	Australia		
<u>Subsidiary</u>			
Australian Manganese Pty Ltd	Australia	100	100
Lawson Gold Limited	Australia	100	N/A

The cost to acquire Australian Manganese Pty Limited totalled \$6,523,374.

Lawson Gold Limited was incorporated on 2 February 2010. The Company intends to sell its gold tenements to Lawson Gold Limited which then plans to conduct an initial public offering and subsequently list on the ASX.



# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 20. PARENT COMPANY INFORMATION

Parent entity	2010 \$	2009 \$
<b>Assets</b>		
Current assets	29,201,120	14,167,199
Non-current assets	58,982,901	43,786,474
Impairment of investment in subsidiaries	(4,174,132)	-
<b>Total assets</b>	<b>84,009,889</b>	<b>57,953,673</b>
<b>Liabilities</b>		
Current liabilities	1,195,658	546,384
Non-current liabilities	11,173	4,732
<b>Total liabilities</b>	<b>1,206,831</b>	<b>551,116</b>
<b>Equity</b>		
Issued capital	103,629,802	68,305,442
Retained loss	(23,803,136)	(13,605,630)
<b>Reserves</b>		
Share option reserve	2,976,392	2,702,745
<b>Total reserves</b>	<b>2,976,392</b>	<b>2,702,745</b>
<b>Financial performance</b>		
Loss for the year	(6,023,375)	(3,093,521)
Impairment of investment in subsidiaries	(4,174,132)	-
<b>Total comprehensive income</b>	<b>(10,197,507)</b>	<b>(3,093,521)</b>
<b>Guarantees in relation to the debts of subsidiaries</b>		
Guarantee provided under the deed of cross guarantee	-	-
<b>Contingent liabilities</b>		
Operating leases	412,771	247,613
Hire purchase commitments	31,386	14,371
	<b>444,157</b>	<b>261,984</b>
<b>Contractual Commitments</b>		
Contractual capital commitments for the acquisition of property, plant or equipment	-	-

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 21. 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	
	2010	2009
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	29,612,090	14,568,574
Trade and other receivables	1,411,256	193,741
<b>FINANCIAL LIABILITIES</b>		
Trade and other payables	3,217,925	698,439

#### 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 \$148,061 (2009: \$72,840), which is attributable to the Group's exposure to interest rates on its variable bank deposits.



# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 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 consolidated 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:

# financial statements

## Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

### 22. RELATED PARTY DISCLOSURE

#### Payments to related parties

HLB Mann Judd (SA) Pty Limited, a company in which Mr Donald Stephens has an interest, has received professional fees for accounting, taxation and secretarial services provided during the year totalling \$150,364 (2009: \$108,384). Donald Stephens, the Company Secretary who resigned on 30 July 2010, is a consultant with HLB Mann Judd (SA) Pty Limited. Amount payable to HLB Mann Judd (SA) as at 30 June 2010 is \$10,607.

Penfold Marketing Pty Limited of which John Nyvlt is a Director received rental payments, administration fees and professional service fees of \$77,365 (2009: \$211,187). The amount payable to Penfold Marketing Pty Limited as at 30 June 2010 is \$7,458. Penfold Limited of which Joe Singer is a Director received capital raising fees, including disbursements, of \$400,718. The amount payable to Penfold Limited for additional capital raising fees as at 30 June 2010 is \$323,118.

Gryphon Partners of which Robert Greenslade is a Partner, received fees of \$313,136 (2009: \$71,438) inclusive of Mr Greenslade's director's fee. Amount payable to Gryphon Partners as at 30 June 2010 is \$134,852.

Details of Key Management Personnel's interests in shares and options of the Company and their remuneration can be found on pages 25 to 30 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 2010, such loans totalled \$51,644,457 (2009: \$35,626,956) and are repayable on demand.



# financial statements

## Notes to the Financial Statements

### FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

#### 23. AFTER BALANCE DATE EVENTS

- Union Park Company Limited, a wholly owned subsidiary of China Railway Materials Commercial Corporation, exercised its right on 19 July 2010 to subscribe for 3,005,753 additional FerrAus shares following the recent share placement to Wah Nam International Australia Pty Ltd. The placement will raise \$2,584,948 before costs. The resolution for the issue and allotment of additional shares to Union Park Company Limited was approved at the Extraordinary General Meeting on 17 September 2010.

The completion of the Lawson Gold Offer was announced on 26 July 2010, successfully raising approximately \$4.7 million at \$0.20 per share, which resulted in the issue of 23.4 million shares. Lawson Gold commenced trading on the Australian Securities Exchange on 5 August 2010.

- On 30 July 2010 the company announced the resignation of Mr Michael Amundsen as the Managing Director of the Company. Mr Amundsen will continue with the Company in the position of Chief Executive Officer for a two month period with the intention of providing a handover to the new Managing Director.
- An announcement was made on 5 August 2010 that the resource total for the FerrAus Pilbara Project had reached 316.4 million tonnes, mainly as a result of the doubling of the +55% Fe inferred resource at the Mirrin Mirrin Prospect, within the Davidson Creek Area.
- On 6 September 2010 the Company announced the appointment of Mr Bryan Oliver as an Executive Director. Mr Oliver has more than 30 years experience as a senior executive in the iron ore industry for organisations within Australia and internationally with Midwest Corporation, Robe River Mining and Iron Ore Company of Canada.

# financial statements

## Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 41 to 74, 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 2010 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 Company Secretary 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 John Nyvlt  
Chairman

29 September 2010



# financial statements



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## **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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. 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.

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# financial statements



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FERRAUS LIMITED Cont**

### **Auditor's responsibility Cont**

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 entity'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 entity'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 2010 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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 34 to 38 of the directors' report for the year ended 30 June 2010. 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.



# financial statements



**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF FERRAUS LIMITED Cont**

**Auditor's opinion on the remuneration report**

In our opinion, the Remuneration Report of FerrAus Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON  
South Australian Partnership  
Chartered Accountants

A handwritten signature in blue ink, appearing to read "J.L. Humphrey".

J.L. Humphrey  
Partner

Adelaide, 29 September 2010

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 15 October 2010.

### Use of cash and cash equivalents

The Company has used all cash and cash equivalents for the purpose of carrying out its stated business objectives.

### Distribution of equity securities

#### Ordinary share capital

- 205,700,890 fully paid ordinary shares are held by 2,467 individual shareholders. Of these fully paid ordinary shares, there are no restrictions.

All issued ordinary shares carry one vote per share.

#### Class B performance shares

- 7,500,000 Class B performance shares are held by 4 individual shareholders and are not quoted on the ASX.

#### Options

- 7,525,000 unlisted options are held by 14 individual option holders.

The number of shareholders, by size of holding, in each class are:

	Fully paid ordinary shares	Unquoted Options
1 - 1,000	305	-
1,001 - 5,000	824	-
5,001 - 10,000	540	-
10,001 - 100,000	717	2
100,001 and over	81	12
	<b>2,467</b>	<b>14</b>
Holding less than a marketable parcel	<b>134</b>	-

### Substantial shareholders

#### Ordinary shareholders

	Number	Fully paid Percentage (%)
Joe Singer	1,306,900	0.64
Penfold Limited	13,425,773	6.53
Equant Resources Pty Ltd	1,493,140	0.73
John Nyvlt	9,023,797	4.38
<b>Sub-total *</b>	<b>25,249,610</b>	<b>12.28</b>
Union Park Company Limited	25,946,417	12.61
Wah Nam International Australia Limited	25,047,939	12.18
	<b>50,994,356</b>	<b>24.79</b>

\* In accordance with the Corporations Act 2001, the shareholders listed above holding ordinary shares totaling 25,249,610 are all associates of each other.



## ASX ADDITIONAL INFORMATION

### Holder of unquoted options with an interest greater than 20% of class

	Unquoted Options	
	Number	Percentage (%)
Penfold Limited	1,671,420	22.21
	<b>1,671,420</b>	<b>22.21</b>

### Twenty largest holders of quoted equity securities

	Fully Paid Ordinary Shares	
	Number	Percentage (%)
Union Park Company Limited	25,946,417	12.61
Wah Nam International Australia Limited	25,047,939	12.18
JP Morgan Nominees Australia Limited	18,532,623	9.01
Holdex Nominees Pty Ltd	15,271,709	7.42
China Western Mining (Hong Kong) Co Ltd	15,145,892	7.36
Penfold Limited	13,425,773	6.53
HSBC Custody Nominees Australia Limited	12,148,363	5.91
John Anthony Nyvlt	7,002,797	3.40
ABN AMRO Clearing Sydney Nominees Pty Ltd	5,454,056	2.65
National Nominees Limited	5,352,044	2.60
Citicorp Nominees Pty Limited	4,673,502	2.27
John J F and Marie T Playoust	4,085,000	1.99
John Nyvlt	2,021,000	0.98
Gryphon Partners Pty Ltd	1,509,150	0.73
Equant Resources Pty Ltd	1,493,140	0.73
HSBC Custody Nominees Australia Limited-GSCO	1,317,384	0.64
Joe Singer	1,306,900	0.64
Bell-Allen Holdings Pty Ltd	1,284,330	0.62
UBS Wealth Management Australia Nominees Pty Ltd	1,081,300	0.53
J P Morgan Nominees Australia Limited	980,352	0.48
	<b>163,079,671</b>	<b>79.28</b>

### List of mining tenements

Project	Tenement	Location	Area (sq km)	Registered holder/ applicant	Interest in tenement
Robertson Range	E52/1630	East Pilbara, Western Australia	217	Australian Managanese Pty Ltd	100%
Davidson Creek	E52/1658	East Pilbara, Western Australia	141	Australian Managanese Pty Ltd	100%
Enachedong	E46/614	East Pilbara, Western Australia	205	Australian Managanese Pty Ltd	100%
Murramunda	E52/1901	East Pilbara, Western Australia	205	Australian Managanese Pty Ltd	100%
Robertson Range	M52/1034	East Pilbara, Western Australia	10	Australian Managanese Pty Ltd	100%
Davidson Creek	M52/1043	East Pilbara, Western Australia	10	Australian Managanese Pty Ltd	100%







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