FerrAus Limited

ABN 86 097 422 529

Financial Report

for the year ended 30 June 2010

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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

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

Directors' Report

Your directors submit their 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:

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

Michael Amundsen
CEO (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.

Directors' Report

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.

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

Directors' Report

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 first foreign Director of a Shanghai listed Chinese mining company. Mr Singer is trained as a civil engineer and graduated from the University of Chicago with a MBA in 1986. Through his work experiences and travels he has gained some fluency in Chinese, Japanese, Spanish and English.

James Li
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 [(1)]	1,462,500	1,114,290 [(1)]
Mr Mike Amundsen	100,000 [(1)]	-	-
Mr Robert Greenslade	1,540,650 [(1)]	-	-
Mr Guoping Liu	-	-	-
Mr James Wall	50,400 [(1)]	-	400,000 [(1)]
Mr Joe Singer	14,732,673 [(1)]	2,193,825 [(1)]	1,671,420 [(1)]
Mr James Li	-	-	-
Total	**25,447,520**	**3,656,325**	**3,185,710**

[(1)] 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.

Directors' Report

CORPORATE GOVERNANCE STATEMENT

Introduction

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

The 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*.

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.

Directors' Report

Performance evaluation of Senior Management

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

Principle 2: Structure the Board to add value

Size and composition of the Board

At the date of this statement the Board consists of, one 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.

Directors' Report

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.

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.

Directors' Report

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

Principle 3: Promote ethical and responsible decision making

Code of Conduct

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

Securities Trading Policy

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.

Directors' Report

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.

Audit Committee

The audit, risk and compliance committee comprises of Mr James Wall (Chairman) and Mr Robert Greenslade (Non-Executive Director).

The committee's primary responsibilities are to:

- oversee the existence and maintenance of internal controls and accounting systems;
- oversee the management of risk within the Group;
- oversee the financial reporting process;
- review the annual and half-year financial reports and recommend them for approval by the Board of Directors;
- nominate external auditors;
- review the performance of the external auditors and existing audit arrangements; and
- ensure compliance with laws, regulations and other statutory or professional requirements, and the Group's governance policies.

Directors' Report

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

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.

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.

Directors' Report

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.

Directors' Report

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

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

- To continue to conduct mineral exploration of areas held and to also seek out new areas with potential mineralisation;
- To evaluate the exploration results from surface sampling, drilling, geological mapping and geophysical surveys carried out during the year; and
- To 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).

Directors' Report

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.

  The Scoping Study assumed:
  - production ramping up to 15Mtpa;
  - a long term fines price of US81 cents per dmtu;
  - an exchange rate of A$0.75 to the US dollar;
  - total operating costs for contract mining, processing, rail and port, ranging from A$32 to A$36 per tonne excluding royalties, general/administration costs; and
  - a port service charge, included in the total operating cost mentioned above, covers operating costs and full capital recovery plus interest costs.

- The 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.

Directors' Report

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.

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.

Directors' Report

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 this period, the iron ore resource inventory of the FerrAus Pilbara Project is summarised in the table below:

Area	JORC (2004) Resource Category	Million Tonnes	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)	Ca Fe (%)
High Grade Resources (+55% Fe)								
Robertson Range	Measured	23.4	58.93	4.54	2.71	0.109	7.69	63.84
	Indicated	20.7	58.98	5.40	2.99	0.104	6.48	63.07
	Inferred	10.6	58.11	6.56	3.37	0.097	6.15	61.93
	Total	**54.6**	**58.79**	**5.26**	**2.94**	**0.105**	**6.93**	**63.18**
Davidson Creek	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
	Total	**139.8**	**58.46**	**4.52**	**2.57**	**0.086**	**8.68**	**63.98**
Total (+55% Fe)		**194.4**	**58.55**	**4.73**	**2.67**	**0.091**	**8.19**	**63.76**
Medium Grade Resources (between 50-55% Fe)								
Robertson Range	Inferred	16.2	53.00	8.51	5.40	0.123	8.85	58.2
Davidson Creek	Inferred	86.5	53.08	8.26	5.31	0.08	9.40	58.6
Total (between 50-55% Fe)		**102.7**	**53.07**	**8.30**	**5.33**	**0.086**	**9.31**	**58.5**
Total Resources		**297.2**						

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

FORWARD LOOKING and EXPLORATION TARGET STATEMENTS

This release may include forward-looking statements that are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of FerrAus Limited, that could cause actual results to differ materially from such statements. Forward looking statements include, but are not limited to, statements concerning the Company's exploration program, outlook, target sizes, resource and mineralised material estimates. They include statements preceded by words such as "potential", "target", "scheduled", "planned", "estimate", "possible", "future", "prospective", and similar expressions. The term "Direct Shipping Ore (DSO)", "Target", and "Exploration Target", where used in this announcement, should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. Also, FerrAus Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release

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.

Directors' Report

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

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

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Group has indemnified (fully insured) each director and the secretary of the Group for a premium of $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 2009	Net Issued/ (Exercised/ Lapsed) during Year	Balance at 30 June 2010
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	28/04/2011	$1.00	300,000	-	300,000
08/08/2008	31/12/2011	$1.15	1,200,000	-	1,200,000
20/08/2008	19/08/2011	$1.15	75,000	(75,000)	-
12/10/2009	13/10/2013	$0.75	-	300,000	300,000
01/11/2009	02/11/2013	$1.00	-	50,000	50,000
01/11/2009	02/11/2013	$1.25	-	75,000	75,000
18/01/2010	17/01/2013	$0.75	-	500,000	500,000
18/01/2010	17/01/2013	$1.00	-	500,000	500,000
18/01/2010	17/01/2013	$1.25	-	500,000	500,000
			8,900,000	**(1,375,000)**	**7,525,000**

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.

Directors' Report

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.
- 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 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.

Directors' Report

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

Directors' Report

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.

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).

			Exercise Period						
	Grant Date	Grant Number	Exercise Date	Expiry Date	Value per option at grant date	Exercise Price	Total Fair value	Expensed during the year	% of Remun-eration
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%
Total		**1,700,000**					**946,600**	**438,405**	

Directors' Report

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	-	-	-	-	-	-	-
Total	**6,750,000**	**1,700,000**	**(2,400,000)**	**-**	**6,050,000**	**4,350,000**	**1,700,000**

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)	-	-	-
Total	**7,750,000**	**-**	**-**	**(550,000)**	**7,200,000**	**7,075,000**	**125,000**

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	-	-	-	-
Total	**26,102,208**	**2,000,000**	**(450,610)**	**27,651,598**

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).

Directors' Report

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
Total	**26,102,208**	**-**	**-**	**26,102,208**

* 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	-	-	-	-
Total	**59,900**	**400,000**	**(250,000)**	**209,900**

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	-	-	-	-
Total	**59,900**	**-**	**-**	**59,900**

DIRECTORS' MEETINGS

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

	Directors' Meetings	Audit Committee Meetings
Number of meetings held	6	2

	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
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 32.

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

Mr John Nyvlt
Chairman

Dated this 29 day of September 2010

Grant Thornton

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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

Statement of Comprehensive Income
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

		Consolidated	
		2010	2009
	Note	$	$
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)
Loss before income tax expense		(8,324,532)	(3,151,542)
Income tax benefit	4	34,611	233,169
Loss for the year		(8,289,921)	(2,918,373)
Loss attributable to members of the parent entity		(8,289,921)	(2,918,373)
Other comprehensive income		-	-
Total comprehensive loss		(8,289,921)	(2,918,373)
Earnings per share:		*Cents*	*Cents*
Basic loss per share	5	(4.99)	(2.05)
Diluted loss per share	5	(4.99)	(2.05)

The accompanying notes form part of these financial statements

Statement of Financial Position
AS AT 30 JUNE 2010

	Note	Consolidated 2010 $	2009 $
ASSETS			
CURRENT ASSETS			
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
TOTAL CURRENT ASSETS		31,040,300	14,775,704
NON-CURRENT ASSETS			
Property, plant and equipment	**9**	1,967,775	2,087,457
Exploration and evaluation assets	**10**	55,239,513	41,544,076
TOTAL NON-CURRENT ASSETS		57,207,288	43,631,533
TOTAL ASSETS		88,247,588	58,407,237
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**12**	3,217,925	698,439
Provisions	**13**	132,699	126,361
TOTAL CURRENT LIABILITIES		3,350,624	824,800
NON-CURRENT LIABILITIES			
Provisions	**13**	11,173	4,732
TOTAL NON-CURRENT LIABILITIES		11,173	4,732
TOTAL LIABILITIES		3,361,797	829,532
NET ASSETS		84,885,791	57,577,705
EQUITY			
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)
TOTAL EQUITY		84,885,791	57,577,705

The accompanying notes form part of these financial statements

Statement of Changes in Equity
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated			
	Issued Capital	Accumulated Losses	Share Option Reserve	Total
	$	$	$	$
Balance at 1 July 2008	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)
Balance at 30 June 2009	63,271,371	(8,396,411)	2,702,745	57,577,705
Balance at 1 July 2009	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)
Balance at 30 June 2010	98,595,731	(16,686,332)	2,976,392	84,885,791

The accompanying notes form part of these financial statements

Statement of Cash Flows
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
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
NET CASH USED IN OPERATING ACTIVITIES	**6**	(3,931,821)	(505,351)
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
NET CASH USED IN INVESTING ACTIVITIES		(15,845,207)	(20,221,109)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		35,721,093	18,484,066
Transaction costs of issue of shares		(900,548)	(105,020)
NET CASH PROVIDED BY FINANCING ACTIVITIES		34,820,545	18,379,046
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
CASH AT THE END OF THE REPORTING PERIOD	**6**	29,612,090	14,568,574

The accompanying notes form part of these financial statements

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial statements have been prepared on an accruals basis and are based on the historical cost basis using Australian dollars. FerrAus Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The Group's functional and presentation currency is Australian Dollars.

b. Statement of compliance

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

c. Basis of consolidation

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

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

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

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

d. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. All revenue is stated net of the amount of goods and services tax (GST).
The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

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

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 differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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.

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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 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.

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

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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. 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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.

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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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."

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.

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.

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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

3. REVENUE AND EXPENSES

	Consolidated	
	2010	2009
	$	$
(a) Revenue		
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) Employee Benefit Expenses		
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
(c) Administration Expenses		
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
(d) Impairment expense		
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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

4. INCOME TAX

	Consolidated 2010 $	Consolidated 2009 $
INCOME TAX		
The major components of income tax expense are:		
Income Statement		
Current income tax		
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.

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:

	Consolidated	
	2010	2009
	$	$
Net loss attributable to ordinary equity holders of the parent	(8,289,921)	(2,918,373)

	2010	2009
Weighted average number of ordinary shares for basic earnings per share	166,265,234	142,392,875

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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

6. CASH AND CASH EQUIVALENTS

	Consolidated 2010 $	Consolidated 2009 $
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)
Adjustments for non-cash items:		
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	-
Changes in operating assets and liabilities		
(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 $	Consolidated 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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

8. OTHER CURRENT ASSETS

	Consolidated 2010 $	Consolidated 2009 $
Prepayments	16,954	13,389
	16,954	13,389

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	Plant & equipment	Total
Year ended 30 June 2010		
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	1,967,775	1,967,775
At 1 July 2009		
Cost	2,434,304	2,434,304
Accumulated depreciation and impairment	(346,847)	(346,847)
Net carrying amount	2,087,457	2,087,457
At 30 June 2010		
Cost	2,495,258	2,495,258
Accumulated depreciation and impairment	(527,483)	(527,483)
Net carrying amount	1,967,775	1,967,775

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Consolidated	
	Plant & equipment	Total
Year ended 30 June 2009		
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
At 1 July 2008		
Cost	2,030,827	2,030,827
Accumulated depreciation and impairment	(73,419)	(73,419)
Net carrying amount	1,957,408	1,957,408
At 30 June 2009		
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.

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).

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.

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:

	2010	2009
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

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

13. PROVISIONS

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

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	
202,695,137 fully paid ordinary shares (2009: 151,581,534)	Number	$	Number	$
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	
7,500,000 fully paid class B performance shares	Number	$	Number	$
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).

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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 $	Consolidated 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)	-
Total Option Reserve	**2,976,392**	**2,702,745**

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
Opening Balance				**2,702,745**	
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)	
Closing Balance at 30 June 2010	**(275,000)**			**2,976,392**	**1,533,096**

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

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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

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

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 %
Parent entity			
FerrAus Ltd	Australia		
Subsidiary			
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.

Notes to the Financial Statements
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

20. PARENT COMPANY INFORMATION

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

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
	$	$
FINANCIAL ASSETS		
Cash and cash equivalents	29,612,090	14,568,574
Trade and other receivables	1,411,256	193,741
FINANCIAL LIABILITIES		
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.

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:

CONSOLIDATED

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

	< 1 year	> 1 - < 5 years	> 5 years	Non-Interest Bearing	Total
	$	$	$	$	$
Year ended 30 June 2009					
FINANCIAL ASSETS					
Floating rate					
Cash assets	14,568,574	-	-	-	14,568,574
Receivables	-	-	-	193,741	193,741
Weighted average effective interest rate	3.65%	-	-	-	-
Total Financial Assets	14,568,574	-	-	193,741	14,762,315
FINANCIAL LIABILITIES					
Fixed rate					
Trade and other payables	-	-	-	698,439	698,439
Weighted average effective interest rate	-	-	-	-	-
Total Financial Liabilities	-	-	-	698,439	698,439

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

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.

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 2009 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.

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 33 to 68, 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

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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.

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 25 to 30 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.

Grant Thornton

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

J L Humphrey
Partner

Adelaide, 29 September 2010