2009

annual report

FerrAus LIMITED

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

contents

corporate information

This financial report covers both FerrAus Limited (ABN 86 097 422 529) as an individual entity and the consolidated Group comprising FerrAus Limited and its subsidiary. The Group's functional and presentation currency is Australian Dollars.

A description of the Group's operations and principal activities is included in the review of operations and activities in the Directors' Report.

Directors

Mr John Nyvlt	(Chairman)
Mr Michael Amundsen	(Managing Director)
Mr Joe Singer	(Non-Executive Director)
Mr James Wall	(Non-Executive Director)
Mr Robert Greenslade	(Non-Executive Director)
Mr David Turvey	(Non-Executive Director)


John Nyvlt


Michael Amundsen


Joe Singer


James Wall


Robert Greenslade


David Turvey

Company Secretary

Mr Donald Stephens

Registered Office

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Share Registry

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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 One
67 Greenhill Road
WAYVILLE SA 5034

chairman's letter

Dear Shareholder

I am very pleased to present the 2009 Annual Report, particularly as it is written at a time when there is renewed market optimism, in the outlook for global iron ore demand and in those companies that are working towards establishing new production capacity for direct shipping ore.

Along with many other organisations, FerrAus felt the impact of the global economic downturn and suffered an attendant depreciation in its share price. Your Board responded to this challenging environment through the prudent management of the Company's expenditures and its capital, while making significant progress towards achieving the objective of becoming an iron ore producer.

Long-Term Demand

The economic disruption over the last year has underscored the global shift in economic and financial influence to China, as well as to other parts of East Asia, the Middle East, India and Russia. Each of these regions has a long-term need for economic development and infrastructure building and consequently, increasing consumption of iron and steel, based on increasing urbanisation and growing populations.

Supporting this is a trend for the steel mills of the world to increase the diversity of supply for steel making raw materials. Several regions of the world and Australia in particular, have been the target of a number of significant multinational investments in new iron ore projects that are seen to be independent of the resource majors. This means that companies that can provide significant amounts of good grade direct shipping iron ore in the Pilbara Region, are well placed to find support from customers.

Positive Relationships

FerrAus continues to enjoy a longstanding relationship with its major shareholder Penfold Limited (Penfold), which assists FerrAus with analysis of iron ore markets and with relationships with industry participants, particularly those based in Asia. In what was a very positive development, Mr Joe Singer, who is a founder and Director of Penfold, agreed to become a Non Executive Director of FerrAus in April 2009.

The large public Chinese company, Western Mining Co Ltd (WMC), became a major shareholder in July 2008. WMC is a top tier Chinese integrated base metals mining and smelting company that has assisted FerrAus with its relationships in China.

In September 2009, FerrAus announced that it had reached a strategic cooperation agreement and proposed share placement with a subsidiary of China Railway Materials Commercial Corporation (CRM). Shareholders will be asked to approve the proposed transaction at this year's AGM.

Indigenous Community Agreement

chairman's letter

CRM is a large scale Chinese state owned enterprise. Its major business is to provide materials for the construction and operation of China's railway systems. It has a substantial business in international trade, particularly in steel and logistics.

Subject to regulatory and shareholder approval, FerrAus will make a placement to CRM's subsidiary to take a 12 per cent holding in the Company, calculated on a fully diluted basis. The placement consideration will be approximately $12.6 million.

From an external perspective the investment in FerrAus by a major Chinese mining and smelting group, together with a subsequent agreement on investment by a major Chinese infrastructure and trading group, emphasises the value of this Company and its Pilbara iron ore assets.

The Board considers that the strategic co-operation with CRM is a landmark step towards the objective of establishing local infrastructure to transport FerrAus iron ore to market.

This infrastructure would unlock the immense value contained in the substantial direct shipping hematite resources owned by FerrAus and potentially, those of other East Pilbara iron ore juniors.

Significant and Growing Resource Base

Drilling of the Company's iron ore targets was suspended in November 2008 in response to the uncertainties presented by the global financial crisis. Despite this, the iron ore resources reported by FerrAus more than trippled during the reporting period to 166.6 million tonnes.

The various deposits are located geographically close to each other, have generally been drilled at a relatively close spacing and are of good quality. Also, the Fe content averages 58.6 per cent with resource tonnes calculated at a 55 per cent Fe cut off grade. The FerrAus East Pilbara tenements remain prospective for further discovery of iron ore. The main objective is to generate further targets for follow up drilling and FerrAus has placed a high priority on evaluating the prospectivity of all targets by mid 2011.

Granting of Consent to Mine

In April 2009, FerrAus reported a significant milestone in development of its iron ore projects in the East Pilbara. The Western Australian Department of Mines and Energy granted the Company the Consent to Mine on its Robertson Range tenement located within the Jigalong Aboriginal Reserve.

The recommendation and agreement of support for mining by the relevant Indigenous stakeholder groups - the Jigalong Community and the Nyiyaparli Native Title Claimant Group – was a critical factor in achieving that outcome. FerrAus considers that its strong, ongoing and supportive relationship with these two Indigenous groups will stand as a model for future projects within the Jigalong Aboriginal Reserve.

FerrAus subsequently received approval of its Mining Proposal for iron ore production of 2 million tonnes per year.

Production Studies

The resources announced by FerrAus to date, together with a pipeline of drilling results and analysis in process, provide the rationale for the Company to consider a base development option for the long term production of 10 million tonnes per annum of Direct Shipping grade iron ore. This development anticipates a likely outcome that FerrAus ore will be transported to Port Hedland under a haulage agreement with one of the Pilbara rail infrastructure owners.

Infrastructure Access - Port and Rail

As many shareholders are aware, FerrAus is a founding member of the North West Iron Ore Alliance. The NWIOA, was formed in 2007 to represent the interests of a group of emerging iron ore companies in the fundamental process that will provide a new iron ore supply capacity for customers to access iron ore from the Pilbara.

chairman's letter

It has been working with communities in the region, Government, infrastructure providers, existing producers and other stakeholders to promote the development of a vibrant junior iron ore industry that has the potential to create thousands of jobs.

A strong, cooperative relationship has been forged between FerrAus and the other founding members and in August 2008 the Alliance received a reservation of two new multi-user berths, with a ship loading capacity of 50 million tonnes per annum, at Port Hedland.

In September 2009, the NWIOA commissioned an engineering prefeasibility study for the two berths and this is expected to be completed by the end of the calendar year. The NWIOA is also continuing its efforts to highlight the need to resolve the rail impasse and is urging the State Government to take the decisive action that will ensure that open access to the existing rail infrastructure is offered to the Pilbara Region's emerging iron ore developers.

Management

A key management change has been the appointment, effective 1 July 2009, of Mr Mike Amundsen as the Company's Managing Director and Chief Executive Officer. Mike's extensive international business experience includes 28 years with BHP Billiton, primarily in its iron ore and coal business groups. He is a seasoned and experienced senior iron ore executive and he is well placed to lead FerrAus forward.

To better facilitate communication with industry bodies and government, to progress project permitting, access to rail and port infrastructure and opportunities to participate in the consolidation of the Pilbara junior iron ore sector, the location of the Company's Principal Office was subsequently transferred to Perth from Adelaide.

On behalf of all shareholders I would like to take this opportunity to record the Company's appreciation of the impressive contribution made to the success of FerrAus by Mr David Turvey, in the role of Managing Director. David, who stepped down from that role on 1 June 2009 and moved to a position of Non-Executive Director, continues to be one of the driving forces behind FerrAus and his guidance, involving a wide range of activities, is highly valued.

I also take this opportunity to thank my fellow Board members for their support during a challenging yet productive year, as well as expressing my appreciation to Mike Amundsen and his team for focusing on the next key steps to achieve success. For those shareholders who are unable to attend the Annual General Meeting in Sydney on 27 November 2009, access to a recording of the Managing Director's Report, will be placed on the web site (www.ferraus.com) shortly after the meeting. I invite all shareholders to visit our website to access the latest information about FerrAus Limited. You are also welcome to register your e-mail address so that you will receive regular notifications and updates on the Company's progress.

Finally, we look forward to your ongoing support as FerrAus continues its exciting transition from iron ore explorer and project developer, to that of a Pilbara-based iron ore miner.

John A Nyvlt
Chairman
26 October 2009

managing director's report

As this is my first report as Managing Director of FerrAus Limited I must begin by thanking my predecessor, David Turvey, for ensuring my transition into this role was seamless and establishing the solid foundation on which our dedicated team can continue to build and grow. Since joining this organisation my first impression of FerrAus as having the potential of a substantial high quality resource, has only been reinforced.

FerrAus now has the opportunity to capitalise on the increasing stability of financial markets, having been tested during the last months of the 2008 and first six months of the 2009 calendar year.

We have begun to experience the return to normal conditions and we are now entering a period of renewed enthusiasm and excitement.

There is a growing view that new iron ore developments will challenge the future specifications of products as new sources increase as a proportion of the total supply. We are receiving considerable interest from customers for FerrAus to become a new supplier of iron ore.

Operations

FerrAus Limited continued the exploration of its wholly owned leases in the East Pilbara Region of Western Australia during the 2009 financial year.

A key objective of the Company is to continue to grow its resource base to a globally significant size (greater than 500 million tonnes) through exploration and consolidation with other iron ore prospects, to support an efficient viable infrastructure investment.

In an impressive result FerrAus reported that resources of direct shipping iron ore (DSO) at our East Pilbara projects had increased in size, quality and classification. There remains significant upside exploration potential to further increase the resource base.

Resource upgrades have established a high conversion rate from inferred resources to indicated and measured resource categories (in the order of 70-80 per cent). This improvement in resource classification underscores the robust technical fundamentals of the FerrAus iron ore deposits and supports development plans for large scale open pit mining operations.

One drilling rig has been constantly active since July 2009 and more than 12,500 metres of drilling had been completed by the end of September and a further 11,000 metres is scheduled to be completed by the end of December. As a result of reconnaissance drilling we recently announced the discovery of an additional six kilometres strike extent of Marra Mamba formation in the Davidson Creek Project area.

In early October 2009 a high density aeromagnetic survey over the entire FerrAus tenement area was completed and this will be an important tool for the identification of new targets. While FerrAus is fortunate to have flat topography over its areas that allows for easier development, new resource targets will be under cover.

managing director's report

These activities were designed to contribute to FerrAus achieving our target to identify 230 million tonnes of resource by mid 2010.

The evolution of FerrAus from exploration to production will bring many opportunities for the members of the local Indigenous communities and wherever possible, the Company stands ready to assist in realising those opportunities.

Port and Rail Infrastructure

FerrAus was pleased to welcome the appointment of new NWIOA Chairman, Ian Campbell.

Mr Campbell is already making an important contribution in highlighting the need for the associated rail and port infrastructure as well as services necessary to support the development of the junior iron ore sector.

Fair and reasonable rail haulage service agreements for both providers and users will be in the interests of all stakeholders and underpin Australia as a competitive source of supply.

It is therefore critical that governments move quickly to ensure that the Pilbara becomes a competitive, major and diverse iron ore supply source for the benefit of all. We acknowledge the strong public support from the Western Australian Premier in addressing this issue. FerrAus will continue to progress discussions with infrastructure owners with an aim to reach a resolution of this matter.

Momentum Building

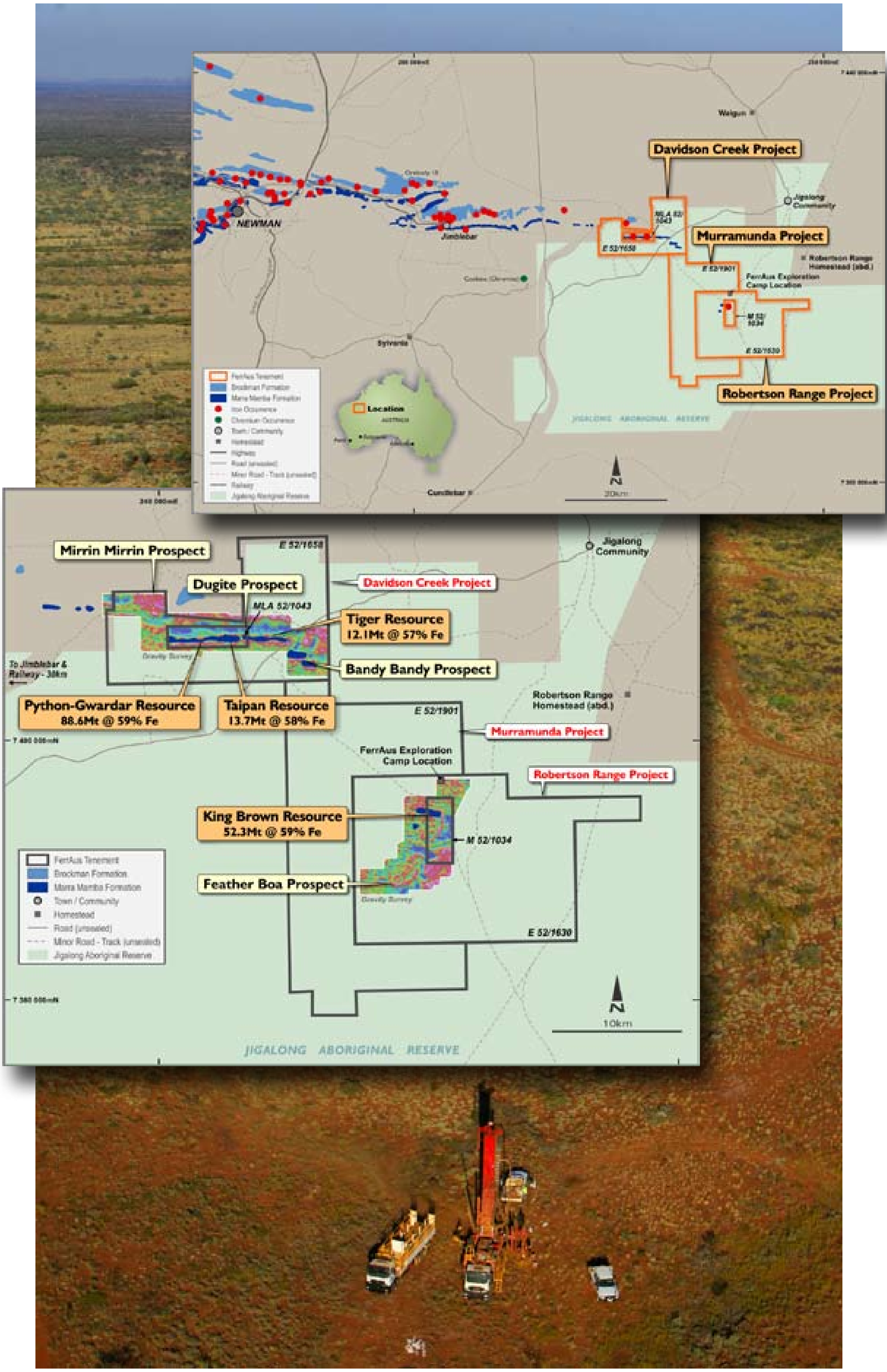
With our cash position at 30 June 2009 of $14.5 million and the anticipated cash injection from our new strategic alliance partner CRM of approximately $12 million in December, we will be in a strong position to fund our programs throughout 2010.

I wish to acknowledge John Berry, Project Director, and Peter Brookes, Exploration Manager and their teams for the significant progress we are making in building a substantial resource base in a safe and environmentally sensitive manner. As part of building our presence in Perth, we have recently appointed Gareth Widger as our Investor Relations Manager.

With your continued encouragement, support and building on the momentum of recent developments, in the next 12 months I expect to see considerable progress toward FerrAus' objective of becoming a new iron ore supplier.

Mike Amundsen
Managing Director and Chief Executive Officer

projects / operations review



projects / operations review

The results achieved during and subsequent to the reporting period from the exploration programs at Robertson Range and Davidson Creek, have expanded the Company's resource base, incorporating Inferred, Indicated and Measured resource categories to: 166.6 million tonnes @ 58.6% Fe.

Davidson Creek Iron Ore Project – MLA52/1043 and E52 / 1658

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

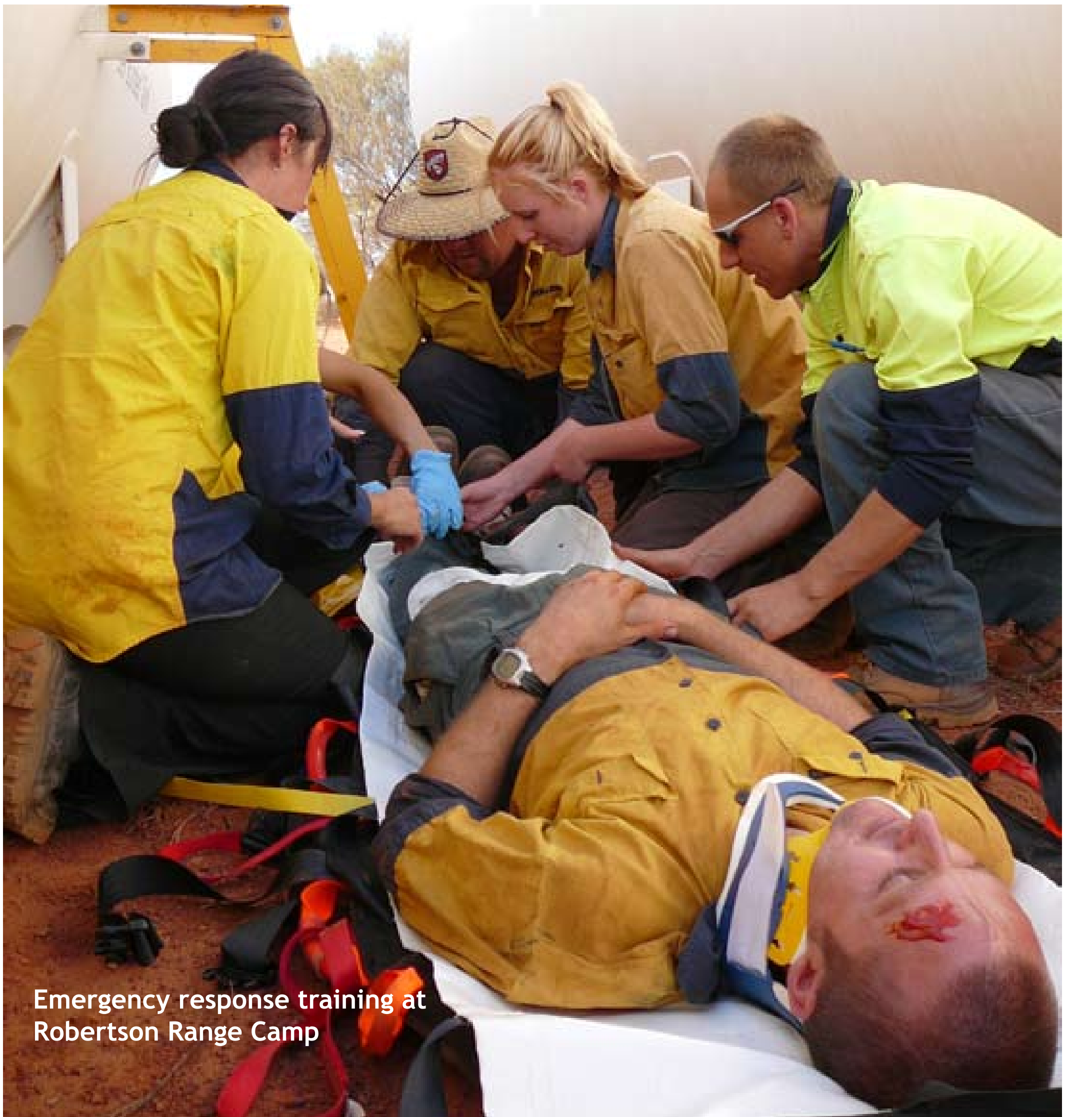
Principal exploration activities undertaken during the reporting period include:

- RC drilling – 240 drill holes for 27,502 metres
- Diamond drilling – 5 drill holes for 1,488 metres

The major effort in resource drilling on this project has resulted in a significant overall increase in resources from 7.4 million tonnes to 114.4 million tonnes of inferred resources, during the reporting period. This represents an impressive 107 million tonne or 15 fold increase in the identified resources.

The complete mineralisation trend within the Davidson Creek Project has not been fully tested however, three strike kilometres were identified at the Mirrin Mirrin Prospect in August 2009 and a further three strike kilometres have recently been identified south east of Tiger Resource.

Follow up drilling of this latest discovery, the newly named "Bandy Bandy Prospect" is scheduled to commence in December 2009.



Emergency response training at Robertson Range Camp

projects / operations review

Robertson Range Iron Ore Project - M52/1034 and E52/1630

This project is located approximately 25 kilometres to the south east of the Davidson Creek Project.

Principal exploration activities undertaken during the reporting period include:

- RC drilling – 143 drill holes for 15,747 metres
- Diamond drilling – 5 drill holes for 341.5 metres

An important step towards development was the upgrade of resource classification, from 34.1 million tonnes of indicated resources and 10.9 million tonnes of inferred resources, to 23.8 million tonnes of measured resources, 20.2 million tonnes of indicated resources and 8.2 million tonnes of inferred resources (52.3million tonnes @ 59 per cent Fe), during the reporting period.

Areas to the South of the King Brown Resource are yet to be fully explored.

Reverse Circulation Percussion Drilling operations

Murramunda Project - E 52/1901

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

In April 2009 an Exploration License was granted for this project which is situated between the Robertson Range and Davidson Creek tenements or exploration licences. Similar to Davidson Creek and Robertson Range the majority of the tenement is covered with transported alluvial sands with little out crop structures.

The completion of a recent aeromagnetic survey over this granted tenement will define iron ore targets which will be tested during the next 12 months.

Iron enrichment at Robertson Range

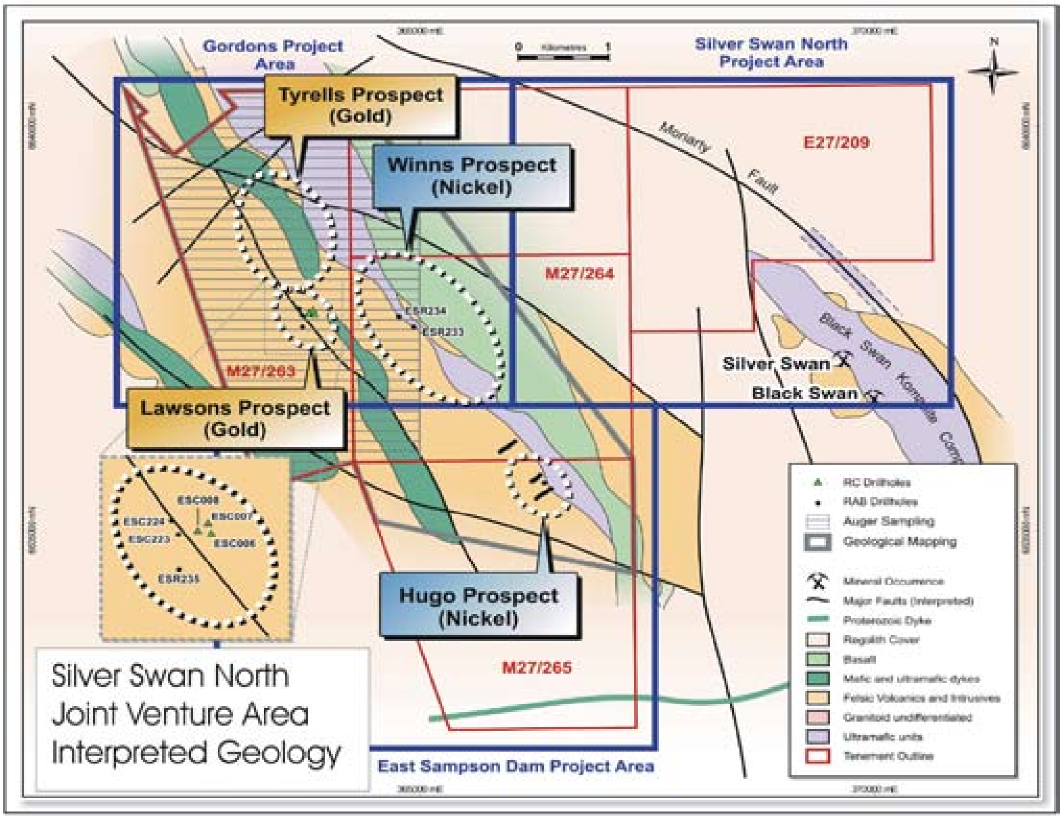
projects / operations review

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

Effective 30 June 2009, ownership of the Silver Swan North nickel and gold project reverted 100 per cent to FerrAus Limited, following the withdrawal from the original joint venture by Mithril Resources Limited and BHP Billiton Nickel West.

This project, located approximately 45 kilometres north west of Kalgoorlie, will now be the focus of a more comprehensive assessment by FerrAus of the gold potential, including a review of previous high grade gold intersections.

While remaining committed and focussed on iron ore and development in the East Pilbara region of WA, FerrAus does not intend to ignore the gold exploration potential of the Silver Swan North project.



Enachedong Manganese Project - E46 / 614

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

During this period a limited exploration program at the Enachedong Manganese Project, noted elevated, but non-economic levels of manganese, in drilling and rock chip samples.

This confirmed the prospectivity for manganese mineralization and the necessity for significant further work in the tenement area.

Resource Inventory

Based on ongoing RC drilling and diamond drilling completed during 2008 and 2009, the iron ore resource inventory of the FerrAus tenement areas in the East Pilbara is summarised in the tables below:

Project	JORC (2004) Resource Category	Tonnes Mt	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
Robertson Range	Measured	23.8	58.88	4.61	2.73	0.106	7.75
	Indicated	20.2	59.16	5.32	2.91	0.099	6.42
	Inferred	8.2	58.65	6.06	2.98	0.096	6.27
	Total	**52.3**	**58.95**	**5.12**	**2.84**	**0.102**	**7.00**
Davidson Creek	Indicated	23.0	58.43	4.16	2.62	0.080	9.01
	Inferred	91.4	58.40	4.62	2.60	0.087	8.58
	Total	**114.4**	**58.40**	**4.53**	**2.60**	**0.085**	**8.66**
Total Resources		**166.6**	**58.57**	**4.71**	**2.67**	**0.093**	**8.14**

Small discrepancies may occur in the tabulated resources due to the effects of rounding.

Prospect	JORC (2004) Resource Category	Tonnes Mt	Fe (%)	SiO2 (%)	Al2O3 (%)	P (%)	LOI (%)
King Brown	Measured	23.8	58.88	4.61	2.73	0.106	7.75
	Indicated	20.2	59.16	5.32	2.91	0.099	6.42
	Inferred	8.2	58.65	6.06	2.98	0.096	6.27
	Total	**52.3**	**58.95**	**5.12**	**2.84**	**0.102**	**7.00**
Gwardar-Python	Indicated	13.7	58.8	3.91	2.47	0.080	8.87
	Inferred	74.9	58.69	4.48	2.42	0.087	8.58
	Total	**88.6**	**58.71**	**4.39**	**2.44**	**0.086**	**8.71**
Taipan	Indicated	9.3	57.9	4.55	2.86	0.081	9.23
	Inferred	4.4	56.79	5.14	3.53	0.076	9.27
	Total	**13.7**	**57.54**	**4.73**	**3.23**	**0.079**	**9.38**
Tiger	Inferred	12.1	57.16	5.32	3.45	0.094	8.30
	Total	**12.1**	**57.16**	**5.32**	**3.45**	**0.094**	**8.30**

Small discrepancies may occur in the tabulated resources due to the effects of rounding.

Competent Person Statement

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 a member of the Australian Institute of Geoscientists (AIG) and who is a full time employee of FerrAus Ltd. 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

Your directors submit their report for the year ended 30 June 2009.

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, Non-Executive Director	Appointed 07/12/05
Mr Michael Amundsen	Managing Director	Appointed 01/07/09
Mr David Turvey	Non-Executive Director	Appointed 07/12/05
Mr Robert Greenslade	Non-Executive Director	Appointed 10/11/03
Mr James Wall	Non-Executive Director	Appointed 09/11/07
Mr Joe Singer	Non-Executive Director	Appointed 03/04/09

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

Managing Director (B. Bus, Grad Dip Management, MAICD, MAusIMM)
Mr Amundsen's extensive international experience includes 28 years with BHP Billiton, primarily in the iron ore and coal business groups and in a number of senior roles covering business development, finance and marketing. He is a seasoned and experienced senior iron ore executive whose long career with BHP Billiton included nine years based in Perth.

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

His business development experience includes mine development projects, major M&A transactions, divestments, joint venture agreements, securing early stage exploration properties and formulation of business strategy.

David Turvey

Non-Executive Director (Bachelor of Science – Honours)
Mr Turvey is a geologist and founding director of Equant Resources Pty Limited, a resource consulting company that provides technical evaluation and business development studies of global mineral projects. Prior to 1998, Mr Turvey worked with companies including Normandy Mining, Chevron Corporation and CSR Limited managing successful mineral exploration programs and business development teams. His 25 years experience in the mineral industry has included seven years in expatriate management roles in South East Asia.

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.

James Wall

Non-Executive Director (Bachelor of Engineering)

Mr Wall, a civil engineer with a long career in the mining industry. During the late 1980s he was Managing Director of Nicron Resources Limited and in 1991 became Executive Director of Aztec Mining Company Limited. From late 1991 until mid 1997 he was Managing Director of Savage Resources Limited during which time its market capitalisation on ASX increased by 40 times to over $600 million. Under his management, Savage Resources was transformed from a loss making company into a profitable mining company with substantial operating assets in coal, copper/gold and zinc in Australia and zinc in the USA. He is a Fellow of the Australasian Institute of Mining and Metallurgy.

Joe Singer

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

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

COMPANY SECRETARY

Donald Stephens

BA(Acc), FCA

Mr Stephens is a Chartered Accountant and corporate adviser with more than 20 years experience in the accounting industry, including 14 years as a partner of HLB Mann Judd, a firm of Chartered Accountants. He is a non executive director of Mithril Resources Limited and Papyrus Australia Limited and is company secretary to Minotaur Exploration Limited, Toro Energy Limited and Petratherm Limited. He holds other public company secretary positions and directorships with private companies and provides corporate advisory services to a wide range of organisations. He is a member of the Company's audit committee.

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	8,223,797 (1)	1,462,500	1,914,290 (1)
Mr Mike Amundsen	-	-	-
Mr David Turvey	1,673,438 (1)	281,250	1,314,290 (1)
Mr Robert Greenslade	1,140,650 (1)	-	400,000 (1)
Mr James Wall	50,400 (1)	-	400,000 (1)
Mr Joe Singer	14,732,673 (1)	2,193,825 (1)	1,671,420 (1)
Total	**25,820,958**	**3,937,575**	**5,700,000**

(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.

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.

Principle 1: Lay solid foundations for management and oversight Board Responsibilities

The Board are accountable to the Shareholders for the performance of the Group and have 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.

Principle 2: Structure the board to add value

Size and composition of the Board
At the date of this statement the board consists of five non executive directors and one executive director. Director's are expected to bring independent views and judgment to the Board's deliberations.

• Mr John Nyvlt	Non-Executive Chairman
• Mr Michael Amundsen	Managing Director
• Mr David Turvey	Non-Executive Director
• Mr Robert Greenslade	Non-Executive Director
• Mr James Wall	Non-Executive Director
• Mr Joe Singer	Non-Executive Director

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

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 Amundsen is the Managing Director, Messrs Nyvlt and Singer hold significant parcels of shares in the Company, and Messrs Turvey and Greenslade have consultancy agreements with the Company, and therefore they are not considered independent.

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 Committee's

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

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

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

Principle 3: Promote ethical and responsible decision making

Code of Conduct

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

Securities Trading Policy

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.

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees, however has not publicly disclosed this information and therefore has not complied with recommendation 3.2 of the Corporate Governance Council. The Board take ultimate responsibility for these matters.

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 Wall, Non-Executive Directors and Mr Stephens the Company Secretary.

The committee's primary responsibilities are to:

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

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

Principle 5: Make timely and balanced disclosure

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

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

Principle 6: Respect the rights of shareholders

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

Information is communicated to Shareholders through:

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

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

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

Principle 7: Recognise and manage risk

The Board has identified the significant areas of potential business and legal risk of FerrAus Limited and controlled entities. The identification, monitoring and, where appropriate, the reduction of significant risk to the Group is the responsibility of the Board. The Board has also established an Audit Committee which addresses the risk of the Group.

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

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

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 $300,000. This amount cannot be increased without the approval of the Group's shareholders.

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

DIVIDENDS

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

PRINCIPAL ACTIVITIES

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

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

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

directors' report

OPERATING RESULTS

The consolidated loss of the Group for the financial year after providing for income tax amounted to $2,918,373 [2008: $3,056,636].

OPERATIONS OVERVIEW

During the year the principle activity of FerrAus Limited continued to be the exploration of its wholly owned leases in the East Pilbara Region of Western Australia.

Milestones

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

- A Share Subscription Agreement, in July 2008, where 1,000 shares less than 10 per cent of the FerrAus expanded share capital at the time were issued to Western Mining Co Ltd (WMC).
- The August 2008 announcement that two new multi-user berths in the Port Hedland Inner Harbour were reserved for the members of the North West Iron Ore Alliance (of which FerrAus is a founding member) and other potential junior producers.
- The announcement, in October 2008, of an initial resource, estimated at 71 million tonnes (at a grading of 58.8 per cent Fe), for the Gwardar and Python prospects at its Davidson Creek Project.
- Ongoing exploration success with the announcement of increases to iron ore resources at both its Davidson Creek and Robertson Range Prospect, to achieve a total of more than 150million tonnes (at a grading of 58.7 per cent Fe), in December 2008.
- The March 2009 announcement that continuous iron mineralisation had been identified over a strike length of 800 metres at the Tiger Prospect on the Davidson Creek Project, as well as other positive exploration results from the Robertson Range Project.
- The 1 April 2009 announcement that Mr David Turvey, would step aside as Managing Director of the Company effective from 1 June 2009 and move to a Board position as a Non-Executive Director. The Board advised that it was commencing a national search for a replacement for Mr Turvey.
- An announcement, on 17 April 2009, informed the market of a further upgrade to the total iron ore resource inventory, within the FerrAus licence area, to take the total to 164.4 million tonnes (at a grading of 58.6 per cent).
- The granting of a consent to mine on the FerrAus tenements within Jigalong Aboriginal Reserve, by the Western Australian Government, following a recommendation and agreement of support for mining by the relevant Indigenous stakeholders – the Jigalong Community and Nyiyaparli Native Title Claimant Group - also in April 2009.
- A reclassification of the resources at the Davidson Creek Project in June 2009 resulted in an increase in the iron ore resource inventory to 166.6 million tonnes (at a grading of 58.6% Fe).
- The announcement, also in June 2009, that FerrAus would restart regional iron ore exploration, evaluating additional targets in order to continue to build its robust resource inventory.
- Effective 30 June 2009, ownership of the Silver Swan North nickel and gold project reverted 100 per cent to FerrAus Limited following the withdrawal from the original joint venture by Mithril Resources Limited and BHP Billiton Nickel West.

- On 1 July 2009, the Company announced that Mr Michael Amundsen had been appointed as the Managing Director of the Company.
- FerrAus also announced that drilling results had located Marra Mamba stratigraphy, hosting iron mineralisation under cover, along the Mirrin Mirrin Prospect trend, on 27 August 2009.
- Less than two weeks later, on 8 September 2009, the Company announced that an agreement had been reached on strategic iron ore focused cooperation between the Company and China Railway Materials Commercial Corporation (CRM).

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

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

Main Activities

During this financial period the Company reported that resources of direct shipping iron ore (DSO) at FerrAus East Pilbara projects increased in size, quality and classification. During the 12 months, the iron ore resource base increased ~318 per cent from 52.3 million tonnes to the current figure of 166.6 million tonnes at a grading of 58.6 per cent Fe.

The Company considers that there remains significant exploration potential to further increase the resource base to 300-400 million tonnes.
This improvement in resource classification confirms the robust technical fundamentals of the FerrAus iron ore deposits and supports 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

Robertson Range Iron Ore Project - M52/1034 and E52/1630
This project is located approximately 60 kilometres south east of BHP Billiton's mining operations and rail infrastructure at Jimblebar, Western Australia.

Davidson Creek Iron Ore Project - M52/1043 and E52 / 1658
This project is located approximately 35 kilometres east of BHP Billiton's mining operations and rail infrastructure at Jimblebar, Western Australia.

Murramunda Project - E 52/1901
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 Pamary 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 2008, the iron ore resource inventory of the FerrAus tenement areas in the East Pilbara is summarised in the table below:

RESOURCE	Mineral Resources# (million tonnes Mt) 1-2		
	Measured (Mt)	Indicated (Mt)	Inferred (Mt)
Davidson Creek Iron Ore Project			
Gwardar & Python[1]		13.7 @ 58.8% Fe	74.9 @ 58.7% Fe
Taipan[1]		9.3 @ 57.9% Fe	4.4 @ 56.8% Fe
Tiger[2]		-	12.1 @ 57.2% Fe
Robertson Range Iron Ore Project			
Main Zone & South West Zone[2]	23.8 @ 58.9% Fe	20.2 @ 59.2% Fe	8.2 @ 58.7% Fe
Subtotal	**23.8 @ 58.9% Fe**	**43.2 @ 58.8% Fe**	**99.6 @ 58.4% Fe**
TOTAL	**166.6 Mt @ 58.6% Fe**		
# Estimate in accordance with AusIMM JORC Code 2004 per ASX announcements dated: 1. 3/6/2009, 2. 17/4/2009			

FORWARD-LOOKING STATEMENTS

This document or presentation may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning FerrAus Limited's planned exploration program, commencement of exporting of iron ore and other statements that are not historical facts. When used in this presentation, the words such as "could", "target", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements.

Although FerrAus Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results and outcomes will be consistent with these forward-looking statements.

QUALIFICATION STATEMENTS

Mr David Turvey BSc (Hons), MAusIMM, who is a Non-Executive Director of FerrAus Limited, has over 24 years experience in mineral exploration and resource project evaluation. He has more than five years relevant experience in the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "AusIMM Australasian Code for Reporting of Exploration Results". Mr Turvey consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

FerrAus Limited has not yet reported Mineral Resources from exploration of unnamed gravity targets on its Davidson Creek or Robertson Range iron ore project. While the company remains optimistic it will report resources in the future, any discussion in relation to exploration potential or targets or potential iron mineralisation is only conceptual in nature and it is uncertain if further exploration will result in determination of a Mineral Resource.

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 Ltd. 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.

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.

AFTER BALANCE DATE EVENTS

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

  Under the arrangement, CRM (through its wholly owned subsidiary Union Park Company Limited) is to take a placement in the Company equal to 12% of the fully diluted enlarged capital structure at the time the transaction is complete. Based on the current capital structure of the Company, the investment would be approximately $12.6 million.

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

directors' report

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

- On 14 July 2008 the Company raised $17,417,776 from the issue of 15,145,892 fully paid ordinary shares. The placement to Western Mining Co. Ltd (WMC) was equivalent to 1,000 shares less than 10% of the Company's expanded share capital at the time of the issue. The transaction was subject to three precedent conditions, all of which were satisfied and announced to the ASX:
  - Chinese regulatory approvals;
  - FIRB approval; and
  - Shareholder approval- by way of Extraordinary General Meeting
- On 14 July 2008, the Company raised $935,637 through the issue of 813,597 fully paid ordinary shares as a result of a short-fall in the non-renounceable rights issue.
- On 25 August 2008, the Company raised $130,654 through the issue of 113,612 fully paid ordinary shares as a result of a short-fall in the non-renounceable rights issue.
- On 3 April 2009, the Company appointed of Mr Joe Singer to the Board in the capacity of Non-Executive Director.
- On 1 June 2009, Mr David Turvey stepped down from the role of Managing Director of the Company to assume the position of Non-Executive Director.

Other than the changes in capital noted above there have been no other 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 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 2009.

SHARE OPTIONS

Unissued Shares

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

Issue Date	Expiry Date	Exercise Price	Balance at 1 July 2008	Net Issued/ (Exercised/Lapsed) during Year	Balance at 30 June 2009
07/12/2005	06/12/2008	$0.25	400,000	(400,000)	-
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	700,000	(100,000)	600,000
28/04/2008	27/04/2011	$1.00	300,000	-	300,000
08/08/2008	21/12/2011	$1.15	-	1,200,000	1,200,000
20/08/2008	19/08/2011	$1.15	-	75,000	75,000
			8,125,000	**775,000**	**8,900,000**

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

To the extent permitted by law, the Company has indemnified (fully insured) each director and the secretary of the Company for a premium of $16,511 (31/10/2008 - 31/10/2009). 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 Company 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 Company.

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and other Key Management Personnel of FerrAus Limited.

The required s300A remuneration and entitlement information is provided below.

Key Management Remuneration Policy

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 $300,000. 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 (effective 1 July 2009). 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.

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 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.

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 scheme. 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.

Remuneration Report- audited

Table 1: Key Management Personnel remuneration for the year ended 30 June 2009 and 30 June 2008- audited

	Short Term Benefits	Post Employment	Share-based Payments	Total
	Salary, Fees & Bonuses	Superannuation	Value of Options	$
John Nyvlt**				
2009	120,000	10,800	-	**130,800**
2008	80,122	7,211	24,491	**111,824**
Michael Amundsen				
2009	-	-	-	**-**
2008	-	-	-	**-**
David Turvey				
2009	380,490	105,899	146,187	**632,576**
2008	350,130	20,262	54,405	**424,797**
Robert Greenslade				
2009	70,000	-	-	**70,000**
2008	40.000	-	12,246	**52,246**
Jim Wall				
2009	62,220	-	103,858	**120,000**
2008	26,667	-	187,742	**80,122**
Joe Singer				
2009	157,000	-	-	**157,000**
2008	-	-	-	**-**
Patrick Davin				
2009	-	-	-	**-**
2008	36,294	-	-	**36,294**
John Berry				
2009	295,124	54,308	95,254	**444,686**
2008	251,835	18,165	74,344	**344,344**
Donald Stephens*				
2009	-	-	-	**-**
2008	-	-	6,123	**6,123**
Anthony Marron				
2009	110,000	9,000	64,966	**183,966**
2008	85,000	6,750	24,763	**116,513**
Fergus O'Connor				
2009	190,161	10,311	53,417	**253,889**
2008	144,480	7,603	-	**152,083**
Total				
2009	**1,384,995**	**190,318**	**463,681**	**2,038,994**
2008	**1,014,528**	**59,991**	**384,114**	**1,458,633**

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

*HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year totalling $119,249.67 (2008: $107,760). Donald Stephens, the company secretary, is a consultant with HLB Mann Judd (SA) Pty Limited.

**Penfold Marketing Pty Limited of which John Nyvlt is a Director, received rental payments, administration fees and professional service fees for employees of $234,404.73 (2008: $341,209).

***Gryphon Partners of which Robert Greenslade is a Partner, received fees of $71,581 (2008: $78,581.37) inclusive of Mr Greenslade's director's fee.

Table 2: Options issued 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 remu-neration**
J Nyvlt	28/11/2006	800,000	27/11/2007	27/11/2009	0.074	$0.50	59,200	-	0%
R Greenslade	28/11/2006	400,000	27/11/2007	27/11/2009	0.074	$0.50	29,600	-	0%
D Turvey	28/11/2006	800,000	27/11/2007	27/11/2009	0.074	$0.50	59,200	-	0%
D Stephens	28/11/2006	200,000	27/11/2007	27/11/2009	0.074	$0.50	14,800	-	0%
A Marron	28/11/2006	275,000	27/11/2007	27/11/2009	0.074	$0.50	20,350	-	0%
J Berry	23/04/2007	400,000	23/10/2006	28/10/2009	0.080	$0.50	32,000	-	0%
J Wall	8/11/2007	400,000	9/11/2008	8/11/2012	0.729	$1.35	291,600	103,858	63%
A Marron	28/04/2008	100,000	27/04/2009	27/04/2012	0.660	$1.00	66,000	38,626	21%
A Marron	20/08/2008	75,000	19/08/2009	19/08/2012	0.415	$1.15	31,125	26,705	15%
J Berry	28/04/2008	250,000	27/04/2009	27/04/2012	0.660	$1.00	165,000	95,254	21%
D Turvey	28/04/2008	300,000	29/04/2009	28/04/2011	0.587	$1.00	176,100	146,187	23%
F O'Connor	20/08/2008	150,000	19/08/2009	19/08/2012	0.415	$1.15	62,000	53,416	21%
Total		**4,150,000**					**1,007,226**	**464,047**	

Table 3: Option holdings of Key Management Personnel - audited

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
M Amundsen	-	-	-	-	-	-	-
D Turvey	1,714,290	-	-	(400,000)	1,314,290	1,314,290	-
J Nyvlt	1,914,290	-	-	-	1,914,290	1,914,290	-
D Stephens	400,000	-	-	-	400,000	400,000	-
J Wall	400,000	-	-	-	400,000	400,000	-
R Greenslade	400,000	-	-	-	400,000	400,000	-
A Singer	1,671,420	-	-	-	1,671,420	1,671,420	-
A Marron	450,000	-	-	-	450,000	387,500	75,000
F O'Connor	150,000	-	-	(150,000)	-	-	-
J Berry	650,000	-	-	-	650,000	587,500	-
Total	**7,750,000**	**-**	**-**	**(550,000)**	**7,200,000**	**7,075,000**	**75,000**

30 June 2008	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
D Turvey	1,414,290	300,000	-	-	1,714,290	1,414,290	-
J Nyvlt	1,914,290	-	-	-	1,914,290	1,914,290	-
D Stephens	400,000	-	-	-	400,000	400,000	-
J Wall	-	400,000	-	-	400,000	-	400,000
R Greenslade	400,000	-	-	-	400,000	400,000	-
A Singer	1,671,420	-	-	-	1,671,420	1,671,420	-
A Marron	275,000	175,000	-	-	450,000	318,750	131,250
F O'Connor	-	150,000	-	-	150,000	37,500	112,500
J Berry	400,000	250,000	-	-	650,000	462,500	187,500
Total	**6,475,000**	**1,275,000**	**-**	**-**	**7,750,000**	**6,618,750**	**831,250**

Table 4: Key Management Personnel Shareholding - audited

Directors

30 June 2009	**Balance at 1 July 08**	**On Exercise of Options**	**Net Change Other**	**Balance 30 June 09**
J Nyvlt*	9,686,297	-	-	9,686,297
M Amundsen	-	-	-	-
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	**27,564,708**	**-**	**-**	**27,564,708**

Executives

J Berry	59,900	-	-	59,900
A Marron	-	-	-	-
F O'Connor	-	-	-	-
Total	**59,900**	**-**	**-**	**59,900**

directors' report

Table 4: Key Management Personnel Shareholding - audited

Directors

30 June 2008	Balance at 1 July 07	On Exercise of Options	Net Change Other	Balance 30 June 08
J Nyvlt*	9,750,000	-	(63,703)	9,686,297
D Turvey*	1,875,000	-	79,688	1,954,688
R Greenslade*	2,316,333	-	(1,175,683)	1,140,650
J Wall*	-	-	50,400	50,400
Total	**13,941,333**	**-**	**(1,109,298)**	**12,832,035**

Executives

J Berry	-	-	59,900	59,900
A Marron	-	-	-	-
F O'Connor	-	-	-	-
Total	-	-	59,900	59,900

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

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	7	2

	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Mr John Nyvlt	7	7	-	-
Mr Michael Amundsen	-	-	-	-
Mr David Turvey	7	7	-	-
Mr Robert Greenslade	7	7	-	-
Mr James Wall	7	7	2	2
Mr Joe Singer	2	2	-	-
Mr Donald Stephens	7	5	2	2

The company has an audit committee consisting of the following key personnel:
James Wall Non-Executive Director
Donald Stephens Company secretary

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 2009 has been received and can be found on page 36.

Signed in accordance with a resolution of the board of directors.

Mr Michael Amundsen
Managing Director

Dated this 30 day of September 2009

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 2009, 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

S J Gray
Partner

Signed at Wayville on this 30th day of September 2009

Income Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
	Note	2009 $	2008 $	2009 $	2008 $
Revenue	3 (a)	1,264,284	712,974	3,532,965	1,679,338
Impairment of non-current assets		-	-	-	(4,161,126)
Consultancy fees		(573,931)	(392,709)	(565,069)	(387,459)
Employee benefits expense	3 (b)	(2,092,637)	(1,751,356)	(4,441,990)	(2,658,192)
Depreciation expense		(273,439)	(63,227)	(87,522)	(22,341)
Administration expenses	3 (c)	(1,475,819)	(1,206,488)	(1,422,602)	(1,341,196)
Loss before income tax expense		(3,151,542)	(2,700,806)	(2,984,218)	(6,890,976)
Income tax expense/(benefit)	4	233,169	(355,830)	(109,303)	(355,830)
Loss for the period		(2,918,373)	(3,056,636)	(3,093,521)	(7,246,806)
Loss attributable to members of the parent entity		(2,918,373)	(3,056,636)	(3,093,521)	(7,246,806)

Earnings per share:		*Cents*	*Cents*
Basic loss per share	5	(2.05)	(3.65)
Diluted loss per share	5	(2.05)	(3.65)

The accompanying notes form part of these financial statements

Balance Sheet

AS AT 30 JUNE 2009

		Consolidated		Parent	
		2009	2008	2009	2008
	Note	$	$	$	$
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	6	14,568,574	16,915,988	14,055,651	16,510,127
Trade and other receivables	7	234,515	1,201,470	98,159	138,080
Inventories		-	17,941	-	-
Other	8	13,389	8,081	13,389	8,081
TOTAL CURRENT ASSETS		14,816,478	18,143,480	14,167,199	16,656,288
NON-CURRENT ASSETS					
Other receivable	20	-	-	35,626,956	17,200,865
Other financial assets	18	-	-	6,523,374	6,523,374
Property, plant and equipment	9	2,087,457	1,957,408	97,827	74,037
Exploration and evaluation assets	10	41,544,076	24,312,163	1,538,317	1,487,367
TOTAL NON-CURRENT ASSETS		43,631,533	26,269,571	43,786,474	25,285,643
TOTAL ASSETS		58,448,011	44,413,051	57,953,673	41,941,931
LIABILITIES					
CURRENT LIABILITIES					
Trade and other payables	12	674,753	3,342,677	355,563	871,557
Provisions	13	190,821	266,637	190,821	266,637
TOTAL CURRENT LIABILITIES		865,574	3,609,314	546,384	1,138,194
NON-CURRENT LIABILITIES					
Provisions	13	4,732	5,639	4,732	5,639
TOTAL NON-CURRENT LIABILITIES		4,732	5,639	4,732	5,639
TOTAL LIABILITIES		870,306	3,614,953	551,116	1,143,833
NET ASSETS		57,577,705	40,798,098	57,402,557	40,798,098
EQUITY					
Issued Capital	14	63,271,371	44,892,322	68,305,442	49,926,393
Reserves	15	2,702,745	1,383,814	2,702,745	1,383,814
Accumulated Losses		(8,396,411)	(5,478,038)	(13,605,630)	(10,512,109)
TOTAL EQUITY		57,577,705	40,798,098	57,402,557	40,798,098

The accompanying notes form part of these financial statements

Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Note	Consolidated				Parent			
		Issued Capital	Accumlated Losses	Share Option Reserves	Total	Issued Capital	Accumulated Losses	Share Option Reserves	Total
		$	$	$	$	$	$	$	$
Balance at 1 July 2007		20,744,015	(2,421,402)	990,004	19,312,617	25,778,086	(3,265,303)	990,004	23,502,787
Loss attributable to members of the entity		-	(3,056,636)	-	(3,056,636)	-	(7,246,806)	-	(7,246,806)
Issued shares to fund working capital on 25/01/2008		8,050,000	-	-	8,050,000	8,050,000	-	-	8,050,000
Issued shares to fund working capital on 29/01/2008		1,950,000	-	-	1,950,000	1,950,000	-	-	1,950,000
Issued shares to fund working capital on 20/05/2008		7,762,500	-	-	7,762,500	7,762,500	-	-	7,762,500
Issued shares via rights issue to fund working capital on 18/06/2008		6,141,841	-	-	6,141,841	6,141,841	-	-	6,141,841
Options exercised		959,375	-	-	959,375	959,375	-	-	959,375
Fair value of options exercised		114,860	-	(114,860)	-	114,860	-	(114,860)	-
Fair value of options issued		-	-	508,670	508,670	-	-	508,670	508,670
Transaction costs (net of tax)		(830,269)	-	-	(830,269)	(830,269)	-	-	(830,269)
Balance at 30 June 2008		44,892,322	(5,478,038)	1,383,814	40,798,098	49,926,393	(10,512,109)	1,383,814	40,798,098

	Note	Consolidated				Parent			
		Issued Capital	Accumlated Losses	Share Option Reserves	Total	Issued Capital	Accumulated Losses	Share Option Reserves	Total
		$	$	$	$	$	$	$	$
Balance at 1 July 2008		44,892,322	(5,478,038)	1,383,814	40,798,098	49,926,393	(10,512,109)	1,383,814	40,798,098
Loss attributable to members of the		-	(2,918,373)	-	(2,918,373)	-	(3,093,521)	-	(3,093,521)
Issued shares via rights issue to fund working capital on 14/07/2008		935,637	-	-	935,637	935,637	-	-	935,637
Issued shares to fund working capital on 14/07/2008		17,417,776	-	-	17,417,776	17,417,776	-	-	17,417,776
Issued shares via rights isssue to fund working capital on 25/08/2008		130,654	-	-	130,654	130,654	-	-	130,654
Fair value of options issued		-	-	1,318,931	1,318,931	-	-	1,318,931	1,318,931
Transaction costs (net of tax)		(105,017)	-	-	(105,017)	(105,017)	-	-	(105,017)
Balance at 30 June 2009		63,271,371	(8,396,411)	2,702,745	57,577,705	68,305,442	(13,605,630)	2,702,745	57,402,557

The accompanying notes form part of these financial statements

Cash Flow Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

		Consolidated		Parent	
		2009	2008	2009	2008
	Note	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		91,592	146,019	3,747	15,465
Payments to suppliers and employees		(1,778,382)	(3,431,534)	(3,405,333)	(1,746,938)
Interest received		1,181,439	509,348	1,156,416	501,271
NET CASH USED IN OPERATING ACTIVITIES	6	(505,351)	(2,776,167)	(2,245,170)	(1,230,202)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property plant and equipment		(403,489)	(2,006,647)	(111,313)	(93,626)
Proceeds/(payments) from transactions with subsidiaries		-	-	(18,426,091)	(16,988,230)
Payments for exploration activities		(19,817,620)	(13,327,859)	(50,950)	(27,447)
NET CASH USED IN INVESTING ACTIVITIES		(20,221,109)	(15,334,506)	(18,588,354)	(17,109,303)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		18,484,066	24,863,715	18,484,066	24,863,715
Transaction costs of issue of shares		(105,020)	(1,186,098)	(105,017)	(1,186,098)
Repayment of borrowings		-	(317,270)		(309,442)
NET CASH PROVIDED BY FINANCING ACTIVITIES		18,379,046	23,360,347	18,379,049	23,368,175
Net increase/(decrease) in cash and cash equivalents		(2,347,414)	5,249,674	(2,454,475)	5,028,670
Cash at the beginning of the reporting period		16,915,988	11,666,314	16,510,126	11,481,456
CASH AT THE END OF THE REPORTING PERIOD	6	14,568,574	16,915,988	14,055,651	16,510,126

The accompanying notes form part of these financial statements

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has been prepared on a 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.

b. Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures the financial statements and notes comply with 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. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

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

Interest income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial asset.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 Cash Flow Statement, 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. Inventories

Inventories are valued at the lower of cost or net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

h. Income tax

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

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 sheet 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 sheet 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 sheet 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 2009

i. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised 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 balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

j. Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

Depreciation is calculated on a straight-line over the estimated useful life of the assets. The depreciation rates which are applied consistently are:

Plant & equipment 10 – 67%

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

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 income statement in a combination of functional expense items.

k. Interest in jointly controlled operation

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather that establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that is controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and the sale of goods or services by the jointly controlled operation.

l. Exploration and Evaluation Expenditure

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

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

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

m. Trade and other payables

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

n. Provisions

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

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

o. Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

p. Share-based payment transactions

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

There is currently 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 income statement, 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

q. 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.

r. 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.

s. Significant accounting judgements, estimates and assumptions

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

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

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

Key Estimates — Exploration and evaluation

The group's policy for exploration and evaluation is discussed in note 2(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 income statement.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

t. New accounting standards and interpretations not yet adopted

Certain new accounting standards, amendments to standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The following standards and amendments are available for early adoption but have not been applied by the consolidated entity in these financial statements:

AASB 8 Operating Segments (effective from 1 January 2009)
This standard will require the entity to adopt the "management approach" to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures that used in preparing the income statement and balance sheet in which case reconciliations of certain items will be required.

Revised AASB 132 Borrowing Costs and AASB 2007-6 Amendments (effective from 1 January 2009)
The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.

The application of these standards will not affect the amounts recognised in the financial statements.

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 profit or loss 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 profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 profit or loss in the period in which they arise.

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

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

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

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

2. SEGMENT INFORMATION

Industry & Geographical Segment

The Group operates in the mining exploration sector solely within Australia.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

3. REVENUE AND EXPENSES

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
REVENUE AND EXPENSES				
(a) Revenue				
Fuel sales	78,302	130,553	-	-
Bank interest received or receivable	1,172,693	566,955	1,153,809	552,358
Internal service charge	-	-	2,375,411	1,111,514
Other income	13,289	15,466	3,747	15,466
	1,264,284	712,974	3,532,965	1,679,338
(b) Employee Benefit Expenses				
Wages, salaries, directors fees and other remuneration expenses	773,706	1,242,686	3,123,059	2,149,522
Share-based payments expense	1,318,931	508,670	1,318,931	508,670
	2,092,637	1,751,356	4,441,990	2,658,192
(c) Administration Expenses				
Accounting fees	150,730	95,662	149,310	92,236
Legal costs	215,865	25,953	215,865	25,953
Occupancy costs	200,499	27,078	200,499	27,078
Insurance	37,207	28,567	37,207	28,567
ASX fees	73,003	45,071	73,003	45,071
Travel & accommodation	185,396	143,826	170,776	143,626
Service Agreement	115,521	263,651	115,521	263,651
Audit fees	36,000	31,636	36,000	31,636
Other expenses	461,597	198,622	424,420	199,886
	1,475,819	860,066	1,422,602	857,703

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

4. INCOME TAX

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Prima facie tax on loss before income tax at 30% (2008: 30%)	(945,463)	(810,242)	(895,265)	(2,067,293)
Increase/decrease in income tax benefit due to:				
- Other deductible items	(109,592)	(122,704)	(109,592)	(122,704)
- Non deductible items	395,679	152,601	395,679	152,601
	(659,375)	(780,345)	(609,178)	(2,037,396)
Deferred tax asset not brought to account	550,072	424,515	499,875	1,681,566
Income tax benefit	342,472	-	-	-
Income tax expense/(benefit)	233,169	(355,830)	(109,303)	(355,830)
Unused tax losses for which no deferred tax asset have been recognised	(6,888,082)	(4,904,963)	(7,648,841)	(5,490,574)
Potential tax benefit	(2,066,425)	(1,471,489)	(2,294,652)	(1,647,172)

The Group has tax losses arising in Australia of $6,888,082 (2008: $4,904,963) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

At 30 June 2009, there is no recognised or unrecognised deferred income tax liability (2008: $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 2009

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	
	2009	2008
	$	$
Net loss attributable to ordinary equity holders of the parent	(2,918,373)	(3,056,636)
	2009	2008
Weighted average number of ordinary shares for basic earnings per share	142,392,875	83,652,135

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 taking into account in 2009.

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 2009

6. CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
CASH AND CASH EQUIVALENTS				
Cash at bank and in hand	47,582	499,031	36,911	325,905
Short-term deposits	14,520,992	16,416,957	14,018,740	16,184,222
	14,568,574	16,915,988	14,055,651	16,510,127

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 3.65%

	Consolidated 2009 $	Consolidated 2008 $	Parent 2009 $	Parent 2008 $
Reconciliation of net loss after tax to net cash flows from operations				
Net loss	(2,918,373)	(3,056,636)	(3,093,521)	(7,246,806)
Adjustments for non-cash items:				
Income tax	-	355,830	-	355,830
Depreciation	273,439	63,227	87,522	22,341
Share options expensed	1,318,931	508,670	1,318,931	508,670
Impairment of non-current assets	-		-	4,161,126
Changes in operating assets and liabilities				
(Increase)/decrease in inventories	17,942	(17,942)	-	-
(Increase)/decrease in trade and other receivables	966,366	(979,875)	39,330	6,650
(Increase)/decrease in prepayments	(5,307)	11,724	(5,307)	11,724
(Decrease)/increase in trade and other payables	(81,625)	152,260	(515,401)	763,688
(Decrease)/increase in employee entitlements	(76,724)	186,575	(76,724)	186,575
Net cash from operating activities	(505,351)	(2,776,167)	(2,245,170)	(1,230,201)

Loan Facilities:
The subsidiary of the Company, Australian Manganese Pty Ltd has a loan facility (bank guarantee) amounting to $1,052,718, of which $217,718 is being utilised.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
7. TRADE & OTHER RECIEVABLES				
Trade receivables	8,620	5,414	-	5,414
Interest receivable	48,860	57,607	48,480	51,087
Sundry receivables	2,000	260,495	2,000	2,593
Goods & Services Tax receivable	175,035	877,954	47,680	78,986
	234,515	1,201,470	98,159	138,080

At 30 June 2009 the Consolidated Group did not have any receivables which were outside of normal trading terms.

	Consolidated		Parent	
	2009	2008	2009	2008
8. OTHER CURRENT ASSETS				
Prepayments	13,389	8,081	13,389	8,081
	13,389	8,081	13,389	8,081

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	Plant & equipment	Total	Plant & equipment	Total
Year ended 30 June 2009				
At 1 July 2008, net of accumulated depreciation and impairment	1,957,408	1,957,408	74,037	74,037
Additions	403,500	403,500	111,313	111,313
Depreciation charge for the year	(273,451)	(273,451)	(87,522)	(87,522)
At 30 June 2009, net of accumulated depreciation and impairment	2,087,457	2,087,457	97,828	97,828
At 1 July 2008				
Cost	2,030,827	2,030,827	106,156	106,156
Accumulated depreciation and impairment	(73,419)	(73,419)	(32,119)	(32,119)
Net carrying amount	1,957,408	1,957,408	74,037	74,037
At 30 June 2009				
Cost	2,434,304	2,434,304	217,467	217,467
Accumulated depreciation and impairment	(346,847)	(346,847)	(119,640)	(119,640)
Net carrying amount	2,087,457	2,087,457	97,827	97,827

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

	Consolidated		Parent	
	Plant & equipment	Total	Plant & equipment	Total
Year ended 30 June 2008				
At 1 July 2007, net of accumulated depreciation and impairment	13,987	13,987	2,752	2,752
Additions	2,006,648	2,006,648	93,626	93,626
Depreciation charge for the year	(63,227)	(63,227)	(22,341)	(22,341)
At 30 June 2008, net of accumulated depreciation and impairment	1,957,408	1,957,408	74,037	74,037
At 1 July 2007				
Cost	24,169	24,169	12,530	12,530
Accumulated depreciation and impairment	(10,182)	(10,182)	(9,778)	(9,778)
Net carrying amount	13,987	13,987	2,752	2,752
At 30 June 2008				
Cost	2,030,827	2,030,827	106,156	106,156
Accumulated depreciation and impairment	(73,419)	(73,419)	(32,119)	(32,119)
Net carrying amount	1,957,408	1,957,408	74,037	74,037

10. EXPLORATION AND EVALUATION ASSETS

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Balance at beginning of financial year	24,312,163	8,556,228	1,487,367	1,483,920
Capitalised exploration costs	17,231,913	15,755,935	50,950	3,447
Total	41,544,076	24,312,163	1,538,317	1,487,367

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 eli gible 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 free. 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 oc currence, 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 Com pany'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 income statement 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 2009

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

	2009 Number of options	2009 Weighted Average Exercise Price	2008 Number of options	2008 Weighted Average Exercise Price
Outstanding at the beginning of the year	8,125,000	0.50	8,375,000	0.26
Granted during the year	225,000	1.15	700,000	1.00
Granted during the year	1,200,000	1.15	400,000	1.3500
Granted during the year			300,000	1.00
Exercised during the year	-	-	(1,250,000)	0.61
Exercised during the year	-	-	(400,000)	0.50
Lapsed during the year	(650,000)	0.25	-	-
Outstanding at the end of the year	8,900,000	0.61	8,125,000	0.50
Exercisable at the end of the year	8,825,000	0.59	6,900,000	0.39

The outstanding balance as at 30 June 2009 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 2,725,000 options issued on 28 November 2006, vesting on 27 November 2007 and exercisable any time until 27 November 2009 with a strike price of $0.50 and a fair value of $0.074.
- A total of 400,000 options issued on 24 April 2007, vesting on 23 October 2007 and exercisable any time until 23 October 2009 with a strike price of $0.50 and a fair value of $0.080.
- 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 600,000 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 2011with a strike price of $1.15 and a fair value of $0.601.
- A total of 75,000 options issued on 20 August 2008 and exercisable any time after 19 August 2009 and until 19 August 2012 with a strike price of $1.15 and a fair value of $0.415.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Contractual life of options

The weighted average remaining contractual life for the share options outstanding as at 30 June 2009 is 1.60 years.

Exercise price of options

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

Fair value of options

The weighted average fair value of options granted during the year was $0.572.

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 2009:

	2009	2008
Historical volatility (%)	80%	80%
Risk-free interest rate (%)	3%	7%
Expected life of option (years)	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		Parent	
	2009	2008	2009	2008
	$	$	$	$
Trade payables	449,777	1,836,267	177,364	50,753
Other payables	184,202	1,403,729	138,358	730,120
Goods & Services Tax payable	40,774	102,681	39,841	90,684
	674,753	3,342,677	355,563	871,557

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

13. PROVISIONS

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
PROVISIONS				
Current				
Opening Balance	266,637	35,887	266,637	35,887
Annual leave provision	60,469	30,005	60,469	30,005
Superannuation provisions	(91,535)	128,421	(91,535)	128,421
PAYG provision	(44,750)	72,324	(44,750)	72,324
Closing Balance	190,821	266,637	190,821	266,637
Non-current				
Opening Balance	5,639	2,056	5,639	2,056
Long Service Leave provision	(907)	3,583	(907)	3,583
Closing Balance	4,732	5,639	4,732	5,639
Total	**195,553**	**272,276**	**195,553**	**272,276**

14. ISSUED CAPITAL

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Shares	63,271,371	44,892,322	68,305,442	49,926,393
	63,271,371	44,892,322	68,305,442	49,926,393

	2009		2009	
151,581,534 fully paid ordinary shares (2008: 135,508,433)	**Number**	**$**	**Number**	**$**
Balance at beginning of financial year	102,333,570	44,119,822	135,508,433	49,153,893
Issued shares via rights issue (short fall) to fund working capital on 14/07/2008	813,597	935,637	813,597	935,637
Issued shares to fund working capital on 14/07/2008	15,145,892	17,417,776	15,145,892	17,417,776
Issued shares via rights isssue (short fall) to fund working capital on 25/08/08	113,612	130,653	113,612	130,653
Transaction costs on shares issued	-	(105,017)	-	(105,017)
Balance at end of financial year	118,406,671	62,498,871	151,581,534	67,532,942

	2009		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).

Details of class B performance shares can be found at page 18 in the Directors' Report

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

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 2009:

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Balance at beginning of the year	1,383,814	990,004	1,383,814	990,004
Options expensed during period	1,318,931	508,670	1,318,931	508,670
Reversal of fair value of optioins exercised during the period	-	(114,860)	-	(114,860)
Total Option Reserve	**2,702,745**	**1,383,814**	**2,702,745**	**1,383,814**

During the year 1,200,000 options (exercisable at $1.15, with an expiry date of 31 December 2011) were issued to consultants; and 225,000 options (exercisable at $1.15 with an expiry date of 19 August 2011) were issued to Key Management Personnel. The total fair value of these options was $814,576, of which $801,321 was expensed in the current financial year being the fair value of options as determined by the Black-Scholes pricing model (refer to note 1(p)).

b) Table of Share Option movement for the Group as at 30 June 2009:

	Number of Options	Classification	Exercise Price	Fair value recognised in period	Total Option Value
Opening Balance				**1,383,814**	
8 November 2007	400,000	Directors	$1.35	103,858	231,250
28 April 2008	700,000	Employees	$1.00	267,566	462,100
28 April 2008	300,000	Directors	$1.00	146,187	176,100
8 August 2008	225,000	Employees	$1.15	80,120	93,376
20 August 2008	1,200,000	Consultants	$1.15	721,200	721,200
Closing Balance at 30 June 2009				**2,702,745**	**1,684,026**

Notes to the Financial Statements

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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 2010 amounts of approximately $756,500 (2008: $501,500). These obligations are expected to be fulfilled in the normal course of operations.

	Consolidated		Parent	
	2009 $	2008 $	2009 $	2008 $
Operating leases				
Not longer than 1 year	95,850	95,850	95,850	95,850
Longer than 1 year and not longer than 5 years	151,763	247,613	151,763	247,613
	247,613	343,463	247,613	343,463
Hire purchase commitments				
Not longer than 1 year	3,992	3,992	3,992	3,992
Longer than 1 year and not longer than 5 years	10,379	14,371	10,379	14,371
	28,742	18,363	14,371	18,363

Notes to the Financial Statements

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17. AUDITORS REMUNERATION

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
Audit or review of financial report	36,000	35,000	36,000	35,000

18. CONTROLLED ENTITIES

	Country of incorporation	Ownership interest	
		2009	2008
Name of entity		%	%
Parent entity			
FerrAus Ltd	Australia		
Subsidiary			
Australian Manganese Pty Ltd	Australia	100	100

The cost to acquire Australian Manganese Pty Limited totalled $6,523,374 (2008: $6,523,374).

Available-for-sale financial assets comprise investments in the ordinary issued capital of Australian Manganese Pty Ltd. There are no fixed returns or fixed maturity date attached to these investments.

The fair value of the unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, the unlisted investment is reflected at cost.

19. 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 and fund operating costs.

Categories of financial instruments

	Consolidated		Parent	
	2009	2008	2009	2008
	$	$	$	$
FINANCIAL ASSETS				
Cash and cash equivalents	14,568,574	16,915,988	14,055,651	16,510,127
Trade and other receivables	234,515	1,201,470	98,159	138,080
FINANCIAL LIABILITIES				
Trade and other payables	674,753	3,342,677	355,563	871,557

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

19. FINANCIAL INSTRUMENTS continued

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 $72,840Error! Not a valid link. which is attributable to the Group's exposure to interest rates on its variable bank deposits.

Liquidity risk management
Ultimate responsibility for liquidity risk management rests with the board of directors, who have 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 2009					
FINANCIAL ASSETS					
Floating rate					
Cash assets	14,568,574	-	-	-	14,568,574
Receivables	-	-	-	234,515	234,515
Weighted average effective interest rate	**3.65%**	-	-	-	-
Total Financial Assets	14,568,574	-	-	234,515	14,803,089
FINANCIAL LIABILITIES					
Fixed rate					
Trade and other payables	-	-	-	674,753	674,753
Weighted average effective interest rate	-	-	-	-	-
Total Financial Liabilities	-	-	-	674,753	674,753

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Interest rate risk (continued)

PARENT

	< 1 year	> 1 - < 5 years	> 5 years	Non-Interest Bearing	Total
	$	$	$	$	$
Year ended 30 June 2009					
FINANCIAL ASSETS					
Floating rate					
Cash assets	14,055,651	-	-	-	14,055,651
Receivables	-	-	-	98,159	98,159
Weighted average effective interest rate	3.12%	-	-	-	-
Total Financial Assets	14,055,651	-	-	98,159	14,153,810
FINANCIAL LIABILITIES					
Fixed rate					
Trade and other payables	-	-	-	355,563	355,563
Weighted average effective interest rate	-	-	-	-	-
Total Financial Liabilities	-	-	-	355,563	355,563

CONSOLIDATED

	< 1 year	> 1 - < 5 years	> 5 years	Non-Interest Bearing	Total
	$	$	$	$	$
Year ended 30 June 2008					
FINANCIAL ASSETS					
Floating rate					
Cash assets	16,915,988	-	-	-	16,915,988
Receivables	-	-	-	1,201,470	1,201,470
Weighted average effective interest rate	7.05%	-	-	-	-
Total Financial Assets	16,915,988	-	-	1,201,470	18,117,458
FINANCIAL LIABILITIES					
Fixed rate					
Trade and other payables	-	-	-	3,342,677	3,342,677
Weighted average effective interest rate	-	-	-	-	-
Total Financial Liabilities	-	-	-	3,342,677	3,342,677

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Interest rate risk (continued)

PARENT

	< 1 year	> 1 - < 5 years	> 5 years	Non-Interest Bearing	Total
	$	$	$	$	$
Year ended 30 June 2008					
FINANCIAL ASSETS					
Floating rate					
Cash assets	16,510,127	-	-	-	16,510,127
Receivables	-	-	-	138,080	138,080
Weighted average effective interest rate	7.13%	-	-	-	-
Total Financial Assets	16,510,127	-	-	138,080	16,648,207
FINANCIAL LIABILITIES					
Fixed rate					
Trade and other payables	-	-	-	871,557	871,557
Weighted average effective interest rate	-	-	-	-	-
Total Financial Liabilities	-	-	-	871,557	871,557

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

20. RELATED PARTY DISCLOSURE

Payments to related parties

HLB Mann Judd (SA) Pty Limited has received professional fees for accounting, taxation and secretarial services provided during the year totalling $119,249.67 (2008: $107,760). Donald Stephens, the company secretary, is a consultant with HLB Mann Judd (SA) Pty Limited.

Penfold Marketing Pty Limited of which John Nyvlt is a Director, received rental payments, administration fees and professional service fees for employees of $234,404.73 (2008: $341,209).

Gryphon Partners of which Robert Greenslade is a Partner, received fees of $71,581 (2008: $78,581.37) inclusive of Mr Greenslade’s director’s fee.

Details of Key Management Personnel’s interests in shares and options of the Company and their remuneration can be found on pages 19 to 24 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 2009, such loans totalled $35,626,956 (2008: $17,200,865) and are repayable on demand.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

21. AFTER BALANCE DATE EVENTS

- On 1 July 2009 the Company announced that Mr Michael Amundsen had been appointed as the Managing Director of the Company.

- On 8 September 2009, the Company announced that an agreement had been reached on strategic iron ore focused cooperation between the Company and China Railway Materials Commercial Corporation (CRM).

  Under the arrangement, CRM (through its wholly owned subsidiary Union Park Company Limited) is to take a placement in the Company equal to 12% of the fully diluted enlarged capital structure at the time the transaction is complete. Based on the current capital structure of the Company, the investment would be approximately $12.6 million.

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 37 to 66, 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 2009 and of the performance for the year ended on that date of the company and consolidated group;

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 five a true and fair view;

3. the audited remuneration disclosures set out on pages 30 to 34 of the Directors' Report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

4. 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 Michael Amundsen
Managing Director

30 September 2009

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2009

Grant Thornton

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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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 is 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. In Note 1, the directors also state, 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. These Auditing Standards require that we 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.

Directors' Declaration

Grant Thornton

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 opinions.

Independence

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of FerrAus is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their 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 Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. 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.

INDEPENDENT AUDITOR'S REPORT

Grant Thornton

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

Auditor's opinion

In our opinion the Remuneration Report of FerrAus for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON
South Australian Partnership
Chartered Accountants

S J Gray
Partner

Signed at Wayville on this 30th day of September 2009

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 7 October 2009.

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

Distribution of equity securities
Ordinary share capital

- 151,581,534 fully paid ordinary shares are held by 3,098 individual shareholders. Of these fully paid ordinary share, there a no restrictions.

All issued ordinary shares carry one vote per share.

Class B performance shares

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

Options

- 8,900,000 unlisted options are held by 15 individual option holders.

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

	Fully paid ordinary shares	Unquoted Options
1 - 1,000	285	-
1,001 - 5,000	1,078	-
5,001 - 10,000	700	-
10,001 - 100,000	933	3
100,001 and over	102	12
	3,098	**15**
Holding less than a marketable parcel	**132**	**-**

Substantial shareholders

Ordinary shareholders	**Fully paid Number**	**Percentage**
Joe Singer	1,306,900	0.86%
Penfold Limited	13,425,773	8.86%
Equant Resources Pty Ltd	1,673,438	1.10%
John Nyvlt	8,223,797	5.43%
Sub-total *	**24,629,908**	**16.25%**
ANZ Nominees Limited	22,036,685	14.54%
China Western Mining (Hong Kong)	15,145,892	9.99%
	56,915,321	**24.53%**

* In accordance with the Corporations Act 2001, the shareholders listed above holding ordinary shares totaling 24,629,908 are all associates of each other.

ASX ADDITIONAL INFORMATION

Holders of unquoted options with an interest greater than 20% of class

	Unquoted Options	
	Number	**Percentage**
John Nyvlt	1,914,290	21.51%
	1,914,290	**21.51%**

Twenty largest holders of quoted equity securities

	Fully Paid Ordinary Shares	
	Number	**Percentage**
ANZ Nominees Limited	22,036,685	14.54%
China Western Mining (Hong Kong)	15,145,892	9.99%
Penfold Limited	13,425,773	8.86%
National Nominees Limited	7,072,074	4.67%
John Nyvlt	6,202,797	4.09%
HSBC Custody Nominees Australia Limited	5,734,130	3.78%
Fortis Clearing Nominees Pty Ltd	5,316,767	3.51%
HSBC Custody Nominees Australia Limited	5,259,573	3.47%
Invia Custodians Pty Ltd	5,200,000	3.43%
John Nyvlt	2,021,000	1.33%
Equant Resources Limited	1,593,750	1.05%
Citicorp Nominees Pty Ltd	1,332,635	0.88%
Joe Singer	1,306,900	0.86%
Bell-Allen Holdings Pty Ltd	1,284,330	0.85%
Gryphon Partners Pty Ltd	1,109,150	0.73%
Susan & Martin Lee	870,000	0.57%
J P Morgan Nominees Australia Nominees Ltd	781,726	0.52%
Saturn Investments Limited	768,525	0.51%
Gascorp Australia Pty Ltd	750,000	0.49%
Mt William Pastoral Pty Ltd	620,000	0.41%
	97,831,707	**64.54%**

List of mining tenements

Project	Tenement	Location	Area (sq km)	Registered holder/applicant	Interest in tenement
Robertson Range	E52/1630	East Pilbara, Western Australia	217	FRS	100%
Davidson Creek	E52/1658	East Pilbara, Western Australia	141	FRS	100%
Enachedong	E46/614	East Pilbara, Western Australia	205	FRS	100%
Murramunda	E52/1901	East Pilbara, Western Australia	205	FRS	100%
Silver Swan North	EL27/209 & MLs 27/262-265	Kalgoorlie Area, Western Australia	39.17	FRS	100%