



**Ferrum Crescent Limited**

A.C.N. 097 532 137

**Annual Report**

For the year ended

30 June 2011

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## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Corporate Directory**

#### **Directors:**

Mr. Ed Nealon  
Mr. Klaus Borowski  
Mr. Grant Button  
Mr. Kofi Morna  
Mr. Ted Droste  
Mr. Robert Hair (appointed 13 July 2011)

#### **Company Secretary:**

Andrew Nealon

#### **Auditor:**

Ernst & Young  
Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000 AUSTRALIA  
Telephone (+61 8) 9429 2222  
Facsimile (+61 8) 9429 2436

#### **Share Registry:**

Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth WA 6000 AUSTRALIA  
Telephone (+61 8) 9323 2000  
Facsimile (+61 8) 9323 2033

#### **Registered and Principal Office**

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331-335 Hay Street  
Subiaco WA 6008 AUSTRALIA  
Telephone (+61 8) 9380 9653  
Facsimile (+61 8) 9481 5044  
Website [www.ferrumcrescent.com](http://www.ferrumcrescent.com)  
Email [info@ferrumcrescent.com](mailto:info@ferrumcrescent.com)

#### **Stock Exchange Listing**

Ferrum Crescent Limited shares are listed on the Australian Stock Exchange (ASX code: FCR) and the London Stock Exchange (AIM code: FCR).

## **Ferrum Crescent Limited**

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### **Directors' Report (continued)**

The directors of Ferrum Crescent Limited ("the Group" or "the Consolidated entity") present their report for the year ended 30 June 2011.

#### **Directors**

Directors have been in office for the full financial year unless otherwise stated.

Mr Adrian Griffin resigned on 1 September 2010

Mr Klaus Borowski was appointed as a director on 1 September 2010

Mr Matodzi Nesongozwi resigned on 28 October 2010

Mr Ed Nealon appointed as Executive Chairman on 1 November 2010

Mr Scott Huntly resigned on 4 March 2011

Dr Fanie Botha was appointed as a director on 28 July 2010 and resigned on 4 March 2011

Mr Grant Button, Mr Kofi Morna and Mr Ted Droste were appointed non-executive directors on 15 October 2010

Mr Robert Hair was appointed as Managing Director 13 July 2011 (subsequent to reporting period)

#### **Company Secretary**

Mr Andrew Nealon

#### **Names, qualifications, experience and special responsibilities**

##### **Directors as at year end and until the date of this report:**

Mr Ed Nealon (*Age 61*) *Executive Chairman*

Mr Nealon is a geologist with some 37 years' experience in the mining and exploration industry. After graduating in 1974, he commenced his career in South Africa with Anglo American Corporation, before moving to Australia in 1980 where he spent two years in exploration with the Rio Tinto Group. He founded his own consulting company in 1983 and has practised in most of the world's major mining centres. He holds a masters degree in Geology and is a member of the Australasian Institute of Mining and Metallurgy. Mr Nealon was the founder of Aquarius Platinum Ltd (ASX:AQP) and is currently Non-Executive Deputy Chairman of Tanzanite One Ltd (AIM:TNZ) and Non-Executive director of Condoto Platinum NL (ASX:CPD). Otherwise, he has not been a director of a listed company in the last three years.

Mr Robert Hair (*Age 58*) *Managing director*

Mr Hair is a lawyer with over 22 years' experience in the resources sector. He has held several roles in the MIM Group and smaller companies and has Australian and extensive international experience in legal, commercial, financial and organizational aspects of exploration, mining and processing operations. He currently consults to various companies in the resources and information technology sectors and is currently a non-executive director of ASX-listed Carpentaria Exploration Limited (ASX:CAP). Mr Hair resigned from his position as company secretary on 13 July 2011.

Mr Klaus Borowski (*Age 71*) *Non-Executive director*

Mr. Borowski is a metallurgical engineer by background, having studied in his home country of Germany. He first arrived in South Africa in 1966, where he was Technical Director of Dunsward Steel until 1979. After a short period in Europe within the steel industry, he returned to South Africa in 1982 and subsequently held several positions in the iron and steel industry in South Africa, including as Managing Director of Krupp South Africa and as Executive Director of IMS. In 1998, Mr Borowski formed Applied Metallurgical Technologies, and, amongst other things, he was on the steering committee of Saldhana Steel. Other than in the case of Ferrum, he has not been a director of a listed company in the last three years. Mr Borowski is Chairman of the Company's Remuneration Committee and a member of the Company's Audit Committee.

## **Ferrum Crescent Limited**

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### **Directors' Report (continued)**

#### **Names, qualifications, experience and special responsibilities (continued)**

##### **Directors as at year end and until the date of this report (continued):**

*Mr Grant Button (Age 49) Non-Executive director*

Mr Button is a qualified accountant and has significant financial and other commercial management and transactional experience. Mr. Button has 18 years' experience at a senior management level in the resources industry. He has acted as an Executive Director, Managing Director, Finance Director, CFO and Company Secretary of a range of publicly listed companies. He is also an Executive Director of Magnum Mining & Exploration Limited, Executive Director of Sylvania Platinum Limited and Non-Executive Chairman of Realm Resources Limited. Mr Button was Non-Executive Chairman of Alamar Resources Limited (ASX:ALG) until his resignation on 11 April 2011. Otherwise, he has not been a director of a listed company in the last three years. Mr Button is Chairman of the Company's Audit Committee and Nomination Committee and a member of the Company's Remuneration Committee.

*Mr Kofi Morna (Age 52) Non-Executive director*

Mr Morna holds a Master of Business Administration degree from the London Business School and a Bachelor of Science degree from Princeton University. He is a Non-Executive director of Aquarius Platinum Limited (ASX:AQP) and is an Executive director of Savannah Resources (Pty) Ltd. He has a broad exposure to the iron ore industry in RSA and is a director of Mkhombi Investments (Pty) Ltd, the Company's BEE partner. Mr Morna is a member of the Nomination Committee of the Company. He has not been a director of a listed company in the last three years.

*Mr Ted Droste (Age 69) Non-Executive director*

Mr Droste is a chemical engineer by background, and after obtaining a BSc in Chemical Engineering in 1962 he worked at African Metals Corporation Limited (now known as Samancor) before joining Sentrachem Limited where he was promoted to the position of Research and Development Manager. After ten years with Sentrachem, he joined the Industrial Development Corporation of South Africa ("IDC") in 1974, in whose employ he remained until he took early retirement in 2001 to start his own business. Mr Droste held a number of positions at the IDC, including that of Senior General Manager – Projects Division. Mr Droste is chairman of Bay Precision and Mining (Pty) Limited. He consults to various companies through his investments holding company, TC Droste Investments (Pty) Ltd. Mr Droste is a member of the Audit Committee, Remuneration Committee and Nomination Committee. Otherwise, he has not been a director of a listed company in the last three years.

##### **Former directors who resigned during the year or since the end of the year:**

*Mr Adrian Griffin (Age 58)*

*Other listed company directorships during the last 3 years:*

Empire Resources Limited (Director since February 2004); Hodges Resources Limited (Director August 2005 – December 2008); Reedy Lagoon Corporation Limited (Director May 2007 – November 2009); and Washington Resources Limited (Director September 2004 – December 2008).

Mr Griffin was Technical Director of Ferrum Crescent Limited until 1 September 2010.

*Mr Scott Huntly (Age 49)*

Mr Huntly, who is a Mining Engineer with over 30 years' experience in the mining industry, principally within South Africa, headed the Company's management until March 2011 when he resigned as Managing Director and took on the role of Strategic Development Manager. He has extensive experience within government in South Africa and working with several exploration and mining companies within South Africa (including Aquarius Platinum Limited and Sylvania Resources Limited), especially during the companies' transition from exploration to development. He has not been a director of a listed company other than Ferrum in the last three years.

## Ferrum Crescent Limited

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### Directors' Report (continued)

#### Names, qualifications, experience and special responsibilities (continued)

##### Former directors who resigned during the year or since the end of the year (continued):

Mr Matodzi Nesongozwi (*Age 35*)

Mr Nesongozwi is a mining engineer by background and was Ferrum Crescent's South African partner in the Turquoise Moon Iron Project. In 2006 he founded Umthombo Resources (Pty) Ltd, which had been an 'idea' for a very long time. With the help of associates that he had made through his experience in the mining industry, Mr Nesongozwi has since led the company in its path to strategic growth. The company is involved in a coal mining joint venture with an established Turkish company, Sumo Coal (Pty) Ltd and has been able to establish itself as an emerging and growing figure in the mining industry when it secured prospecting rights on ten farms for coal in the Mpumalanga Province. Other than in the case of Ferrum, he has not been a director of a listed company in the last three years.

Dr Fanie Botha (*Age 39*)

Dr Fanie Botha is a water resource specialist, with more than 10 years' experience in the South African Government and private sectors. He has been involved in a number of bankable feasibility studies in the past few years and is also involved in implementation of various mining projects, mostly in South Africa. Other than in the case of Ferrum, he has not been a director of a listed company in the last three years.

##### Company secretary at year end and until the date of this report:

Mr Andrew Nealon (*Age 27*)

Mr Nealon was appointed to the position of company secretary in March 2007. Mr Nealon has held similar roles with other mining and exploration companies.

##### Former Company Secretaries who resigned during the year or until the date of this report:

Mr Robert Van Der Laan (*Age 46*)

Mr Van Der Laan is an accountant with many years' experience in the management of financial and risk management systems for public companies. He is responsible to senior management and the Board for the Group's financial controls and management and financial reporting and all other aspects of the Group's financial function. He was appointed as a joint company secretary on 9 September 2010 and resigned on 30 April 2011.

Mr Robert Hair (*Age 58*)

Please refer to summary of experience on page 4 above.

#### 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 the company were:

	Number of ordinary Shares*	Number of listed options	Number of unlisted options
Ed Nealon	1,145,000	-	
Klaus Borowski	-	-	500,000
Kofi Morna**	-	-	500,000
Ted Droste	-	-	500,000
Grant Button	1,436,000	-	
Robert Hair	4,665,310	-	

\* Includes shares and options issued under the Employee share incentive plan.

\*\* Kofi Morna, a Director of the Company, is also a director of Mkhombi AmaMato and Mkhombi Investments. Upon completion of the subscription agreement detailed in the review of operations section and Note 13, Mkhombi AmaMato will own 15.6% or approximately 55,208,419 shares in the Company.

## Ferrum Crescent Limited

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### Directors' Report (continued)

#### Dividends

No dividend has been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

#### Principal activities

The principal activity of the entities within of the Group during the financial year was the exploration for minerals.

#### Overview of operations and activities

Information on the operations and activities of the Group is set out in the review of operations and activities on page 23 of this annual report.

The following table details the net profit / (loss) of the Company from continuing operations after income tax, together with the basic earnings / (loss) per share since the incorporation of the parent:

	2011 \$	2010 \$
Net profit / (loss) from continuing operations after income tax	(8,141,794)	(7,404,546)
Basic earnings / (loss) per share in cents	(3.32)	(5.86)
Share Price in Cents	20	14

The financial position of the Group is presented in the attached Statement of Financial Position.

#### Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Group to the date of this report.

#### Significant events after the balance date

There have not been any matters that have arisen after balance date that have significantly affected, or may significantly affect, the operations and activities of the Group, the results of those operations, or the state of affairs of the Group in future financial periods other than disclosed elsewhere in this annual report.

#### Likely developments and expected results

The Group will continue to carry out its business plans, by:

- exploring, evaluating and, if technically and economically feasible, developing the Moonlight Iron Ore Project in the Limpopo Province, South Africa;
- seeking strategic acquisition opportunities within the exploration and mining industry to enter into advanced projects that will add value to the Group; and
- continuing to meet its statutory commitments relating to its exploration tenements and carrying out exploration of its exploration tenements in accordance with its stated strategy, conserving the Group's cash position to be able to take advantage of value adding opportunities.
- There can be no guarantee either that exploration of the Group's tenements will result in exploration success or that any strategic acquisition considered by the directors to be likely to add value to the Group or will become available to the Group.

## Ferrum Crescent Limited

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### Directors' Report (continued)

#### Environmental regulation and performance

The Group's activities are subject to South African legislation relating to the protection of the environment. The Group is subject to significant environmental legal regulations in respect to its exploration and evaluation activities. There have been no known breaches of these regulations and principles.

#### Indemnification and Insurance of directors and officers

The Company has entered into deeds of access and indemnity with the officers of the Company, indemnifying them against liability incurred, including costs and expenses in successfully defending legal proceedings. The indemnity applies to a liability for costs and expenses incurred by the director or officer acting in their capacity as a director or officer.

Except in the case of a liability for legal costs and expenses, it does not extend to a liability that is:

- (a) owed to the Company or a related body corporate of the Company;
- (b) for a pecuniary penalty order under section 1317G or a compensation order under section 1317H or section 1317HA of the Corporations Act 2001; or
- (c) owed to someone other than the Company or a related body corporate of the Company where the liability did not arise out of conduct in good faith.

Similarly, the indemnity does not extend to liability for legal costs and expenses:

- (d) in defending proceedings in which the officer is found to have a liability described in paragraph (a), (b) or (c);
- (e) in proceedings successfully brought by the Australian Securities and Investments Commission or a liquidator; or
- (f) in connection with proceedings for relief under the Corporations Act 2001 in which the court denies the relief.

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers. The terms of the contract prohibit the disclosure of the details of the insurance contract and premiums paid.

#### Non-audit services

The Company may decide to employ the auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with the Company are important.

Details of the amounts paid or payable to the auditor, Ernst & Young, for audit and non-audit services provided during the year are set out below.

	2011	2010
	\$	\$
Remuneration of the auditor of the Company for:		
-auditing or reviewing the financial report	133,211	68,770
-other services	13,390	10,300
	<u>146,601</u>	<u>79,070</u>

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.



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## Directors' Report (continued)

### Directors' meetings

Meetings of directors held and their attendance during the financial year were as follows:

Name of director:	Directors' meeting held whilst in office	Directors' meetings attended	Audit Committee meetings held	Audit Committee meetings attended	Nomination Committee meetings held	Nomination Committee meetings attended	Remuneration Committee meetings held	Remuneration Committee meetings attended
Ed Nealon	7	7	1	-	-	-	-	-
Scott Huntly <sup>(i)</sup>	6	5	1	1	-	-	-	-
Matodzi Nesongozwi <sup>(ii)</sup>	4	2	1	-	-	-	-	-
Klaus Borowski <sup>(iii)</sup>	5	2	1	-	-	-	-	-
Fanie Botha <sup>(iv)</sup>	5	4	1	1	-	-	-	-
Grant Button <sup>(v)</sup>	7	4	1	-	-	-	-	-
Adrian Griffin <sup>(vi)</sup>	2	2	-	-	-	-	-	-
Kofi Morna <sup>(v)</sup>	3	2	-	-	-	-	-	-
Ted Droste <sup>(v)</sup>	3	3	-	-	-	-	-	-
Robert Hair <sup>(vii)</sup>	-	-	-	-	-	-	-	-

(i) Resigned 4 March 2011.

(ii) Resigned 28 October 2010.

(iii) Appointed 1 September 2010.

(iv) Appointed 28 July 2010, resigned 4 March 2011.

(v) Appointed 15 October 2010

(vi) Resigned 1 September 2010.

(vii) Appointed 13 July 2011, therefore did not attend meetings in his capacity as a director.

The following committees were established on 15 October 2010:

#### Audit Committee

Members: Mr Grant Button (Chairman), Mr Klaus Borowski and Mr Ted Droste.

#### Nomination Committee

Members: Mr Grant Button (Chairman), and Mr Ted Droste and Mr Kofi Morna.

#### Remuneration Committee

Members: Mr Klaus Borowski (Chairman), Mr Grant Button and Mr Ted Droste.

### Remuneration Report (audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purpose of this report, Key Management Personnel (KMP) of the Company and the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, and includes executives of the Company and the Group.

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements
6. Equity instruments disclosures
7. Executive contractual arrangements

## Ferrum Crescent Limited

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### Directors' Report (continued)

#### Remuneration Report (audited) (continued)

##### 1. Individual key management personnel disclosures

###### (i) Directors:

Ed Nealon	Chairman and Executive Director	Appointed 9 March 2010 and 1 November 2010 respectively
Klaus Borowski	Non-Executive Director	Appointed 1 September 2010
Kofi Morna	Non-Executive Director	Appointed 15 October 2010
Ted Droste	Non-Executive Director	Appointed 15 October 2010
Grant Button	Non-executive Director	Appointed 15 October 2010
Robert Hair	Managing Director	Appointed 13 July 2011
Adrian Griffin	Technical Director	Resigned 1 September 2010
Matodzi Nesongozwi	Non-Executive Director	Resigned 28 October 2010
Scott Huntly	Non-Executive Director, Managing Director, Strategic Development Manager	Resigned 4 March 2011 Appointed Strategic development manager 1 March 2011
Fanie Botha	Non-Executive Director, Operations Director	Appointed 28 July 2010 and 1 November 2011 as Operations Director, resigned 4 March 2011.

###### (ii) Executives:

Lindsay Cahill	Mining Services Manager	
Andrew Nealon	Joint Company Secretary	
Robert Van Der Laan	Joint Company Secretary and Chief Financial Officer	Appointed Joint Company Secretary 9 September 2010, resigned 20 May 2011
Vernon Harvey	Chief Operating Officer	Appointed 1 April 2011

There were no other changes to key management personnel after the reporting date and the date the financial report was finalized for issue other than those noted above.

##### 2. Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high caliber executives;
- Link executive rewards to shareholder value; and
- Provide significant portions of executive remuneration "at risk" through participation in incentive plans.

###### Company performance and link to remuneration

As the Company's activities are currently in the exploration phase, the earnings contained within the report do not reflect the Company's performance and cannot be used as a long-term incentive measure. Consideration of the Company's earnings will be more relevant as the Company matures.

At this time, shares and options issued do not have performance criteria attached. The ESIP provides that the Board has the power to impose performance conditions on the issue of the Plan Shares under the ESIP (such as performance hurdles or retention periods). Apart from the vesting conditions, no other performance conditions have been set. The Company believes as the ESIP shares are not issued at less than the current market price there is an inherent performance hurdle on the ESIP shares.

Below is a table showing the Company's performance and EPS over the last 5 financial years. The financial year ending 30 June 2010 reflects the loss to the company for the period 1 March 2009 to 30 June 2010 due to the legal acquisition of Ferrum Metals Ltd, which was treated as a reverse acquisition during that financial year.

## Ferrum Crescent Limited

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### Directors' Report (continued)

#### Remuneration Report (audited) (continued)

##### 2. Remuneration philosophy (continued)

	30 Jun 2007	30 Jun 2008	30 Jun 2009	30 June 2010	30 June 2011
Financial year profit / (loss) - \$	1,677,320	(1,722,682)	(4,971,394)	(7,404,546)	(8,141,794)
EPS / (Loss per share) - cents	3.30	(3.38)	(15.82)	(5.86)	(3.32)
Share price - cents	31.50	14	Unlisted	14	20

##### 3. Board oversight of remuneration

###### Remuneration Committee Responsibilities

A Remuneration Committee was established on 14 January 2010.

The Committee assesses the appropriateness of the nature and amount of remuneration of directors and senior executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

###### Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive and executive director remuneration is separate and distinct.

##### 4. Non-executive director remuneration arrangements

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

The Company's constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors must be determined from time to time by shareholders of the Company in a general meeting. An amount not exceeding the amount determined is then divided between the non-executive directors as agreed. The current aggregate limit of remuneration for non-executive directors is \$250,000 as approved at the 2010 Annual General Meeting of Shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst non-executive directors is reviewed annually. The Board may consider advice from external consultants, as well as the fees paid to non-executive directors of comparable companies, when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the Company. No additional fee is paid for participating in Board Committees.

###### Ferrum Employee Share Incentive Plan (ESIP) and Option Plan (OP)

Non-executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The non-executive directors of the Company may also participate in the share and option plans as described in this report.

The objective of the Ferrum Employee Share and Option Incentive Plans are to ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees. The plans provide an incentive for participants to participate in the future growth of the Group and, upon becoming shareholders in the Company, to participate in the Group's profits and development. There are no performance criteria attached to shares or options given the Company's projects are currently within an exploration phase.

## **Directors' Report (continued)**

### **Remuneration Report (audited) (continued)**

#### **4. Non-executive director remuneration arrangements (continued)**

The aggregate of ESIP shares available for executives across the Group is subject to the approval of the Board of Directors and must not exceed 5% of the total number of shares on issue, except in certain permitted circumstances detailed in the key terms of the ESIP.

The key features of the schemes are set out further under point 5, however the details of share issued to non-executive directors are detailed below.

#### Vesting conditions of shares and options issued to directors

- (a) 500,000 options at \$0.198 per option on 30 November 2010 to Mr Klaus Borowski.  
The options vest immediately and have an exercise period of three years. The options are unlisted and relate to an option to acquire ordinary shares in the Company.
- (b) 500,000 shares at \$0.198 on 30 November 2010 to Mr Grant Button.  
These shares comprise:
  - 166,667 shares at \$0.198 per share which vest over 12 months
  - 166,667 shares at \$0.198 per share which vest over 24 months and;
  - 166,667 shares at \$0.198 per share which vest over 36 months
  - These shares are not tradable until they vest and loans attached to the shares are repaid in full. As at 30 June 2011, 500,000 shares are fully vested. If Mr Button resigns his position the shares will vest immediately and will lapse after one month. As such, there is no service condition attached to the shares.
- (c) 500,000 options at \$0.198 per option on 30 November 2010 to Mr Kofi Morna.  
The options vest immediately and have an exercise period of three years. The options are unlisted and relate to an option to acquire ordinary shares in the Company.
- (d) 500,000 options at \$0.198 per option on 30 November 2010 to Mr Ted Droste  
The options vest immediately and have an exercise period of three years. The options are unlisted and relate to an option to acquire ordinary shares in the Company.
- (e) 500,000 options at \$0.198 per option on 30 November 2010 to Dr Fanie Botha  
The options vest immediately and have an exercise period of three years. The options are unlisted and relate to an option to acquire ordinary shares in the Company.

The remuneration of Non-executive directors for the year ended 30 June 2011 is detailed in Table 1 of this report.

#### **5. Executive remuneration arrangements**

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for Company, business team and individual performance;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive by market standards.

Remuneration consists of fixed annual remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

#### **Fixed annual remuneration**

Fixed remuneration is reviewed annually by the Board of directors. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate external advice on policies and practices. The Board of directors has access to external and independent advice where necessary.

## **Ferrum Crescent Limited**

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### **Directors' Report (continued)**

#### **Remuneration Report (audited) (continued)**

##### **5. Non-executive director remuneration arrangements (continued)**

At this time, the cash component of remuneration paid to Executive directors, the Company Secretaries and other senior managers is not dependent upon the satisfaction of performance conditions given the Company's projects are currently within the exploration phase.

It is current policy that some executives be engaged by way of consultancy agreements with the Company, under which they receive a contract rate based upon the number of hours of service supplied to the Company. There is provision for yearly review and adjustment based on consumer price indices. Such remuneration is hence not dependent upon the achievement of specific performance conditions. This policy is considered to be appropriate for the Company, having regard to the current state of its development.

##### **Variable annual remuneration**

###### **Short term incentives**

There are currently no short term incentive remuneration arrangements.

###### **Long term incentives**

###### Ferrum Employee Share Incentive Plan (ESIP) and Option Plan (OP)

Executive directors are encouraged by the Board to hold shares in the Company (purchased on market and in accordance with the Company's approved policies to ensure there is no insider trading). It is considered good governance for directors of a company to have a stake in that company. The Executive directors of the Company may also participate in the share and option plans as described in this report.

The objective of the Ferrum Employee Share and Option Incentive Plans are to ensure that the Company has appropriate mechanisms in place to continue to attract and retain the services of suitable directors, consultants and employees. The plans provide an incentive for participants to participate in the future growth of the Group and, upon becoming shareholders in the Company, to participate in the Group's profits and development.

###### **Long term incentives (continued)**

The aggregate of ESIP shares available for executives across the Group is subject to the approval of the Board of Directors and must not exceed 5% of the total number of shares on issue, except in certain permitted circumstances detailed in the key terms of the ESIP.

The key features of the schemes are set out below.

###### Vesting conditions of shares and options issued to directors and executives

- (a) 500,000 shares at \$0.265 on 25 September 2007 and 600,000 shares at \$0.198 on 30 November 2010 to Mr Ed Nealon.

These shares comprise:

- 166,667 shares at \$0.265 per share and 200,000 shares at \$0.198 per share which vest over 12 months
- 166,667 shares at \$0.265 per share and 200,000 shares at \$0.198 per share which vest over 24 months and;
- 166,667 shares at \$0.265 per share and 200,000 shares at \$0.198 per share which vest over 36 months

These shares are not tradable until they vest and loans attached to the shares are repaid in full. As at 30 June 2011, 500,000 shares are fully vested. If Mr Nealon resigns his position the shares will vest immediately and will lapse after one month. As such, there is no service condition attached to the shares.

**Directors' Report (continued)**

**Remuneration Report (audited) (continued)**

**5. Executive remuneration arrangements (continued)**

- (b) 500,000 shares at \$0.25 on 29 March 2006 and 500,000 shares at \$0.198 on 30 November 2010 to Mr Robert Hair.

These shares comprise:

- 166,667 shares at \$0.25 per share and 166,667 shares at \$0.198 per share which vest over 12 months
- 166,667 shares at \$0.25 per share and 166,667 shares at \$0.198 per share which vest over 24 months and;
- 166,667 shares at \$0.25 per share and 166,667 shares at \$0.198 per share which vest over 36 months
- These shares are not tradable until they vest and loans attached to the shares are repaid in full. As at 30 June 2011, 500,000 shares are fully vested. If Mr Hair resigns his position the shares will vest immediately and will lapse after one month. As such, there is no service condition attached to the shares.

- (c) 100,000 shares at \$0.25 on 29 March 2006 and 350,000 shares at \$0.198 on 30 November 2010 to Mr Lindsay Cahill

These shares comprise:

- 50,000 shares at \$0.25 per share and 116,667 shares at \$0.198 per share which vest over 12 months
- 50,000 shares at \$0.25 per share and 116,667 shares at \$0.198 per share which vest over 24 months and;
- 50,000 shares at \$0.25 per share and 116,667 shares at \$0.198 per share which vest over 36 months
- These shares are not tradable until they vest and loans attached to the shares are repaid in full. As at 30 June 2011, 500,000 shares are fully vested. If Mr Cahill resigns his position the shares will vest immediately and will lapse after one month. As such, there is no service condition attached to the shares.

- (d) 40,000 shares at \$0.25 on 29 March 2006 and 200,000 shares at \$0.198 on 30 November 2010 to Mr Andrew Nealon

These shares comprise:

- 13,333 shares at \$0.25 per share and 66,667 shares at \$0.198 per share which vest over 12 months
- 13,333 shares at \$0.25 per share and 66,667 shares at \$0.198 per share which vest over 24 months and;
- 13,334 shares at \$0.25 per share and 66,667 shares at \$0.198 per share which vest over 36 months
- These shares are not tradable until they vest and loans attached to the shares are repaid in full. As at 30 June 2011, 500,000 shares are fully vested. If Mr Nealon resigns his position the shares will vest immediately and will lapse after one month. As such, there is no service condition attached to the shares.

- (e) 350,000 shares at \$0.198 on 30 November 2010 to Mr Robert Van Der Laan

These shares comprise:

- 116,667 shares at \$0.25 per share and 166,667 shares at \$0.198 per share which vest over 12 months
- 116,667 shares at \$0.25 per share and 166,667 shares at \$0.198 per share which vest over 24 months and;
- 116,667 shares at \$0.255 per share and 166,667 shares at \$0.198 per share which vest over 36 months

These shares are not tradable until they vest and loans attached to the shares are repaid in full. As at 30 June 2011, 500,000 shares are fully vested.

- (f) 500,000 options at \$0.198 per option on 30 November 2010 to Mr Scott Huntly

The options vest immediately and have an exercise period of three years. The options are unlisted and relate to an option to acquire ordinary shares in the Company.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Directors' Report (continued)**

#### **Remuneration Report (audited) (continued)**

##### **5. Executive remuneration arrangements (continued)**

###### ESIP and OP Limits

Under the ESIP, the Company must not offer shares under the ESIP (Plan Shares) if, at any time of offer, the total number of shares issued under the ESIP (including shares which are proposed to be issued pursuant to offers made under the ESIP) during the 5 year period up to and including the date of offer, exceeds 5% of the total number of shares on issue. For the purposes of calculating the 5% limit, offers made under a disclosure document or Product disclosure Statement, or offers that do not otherwise require a disclosure document or Product Disclosure Document, are excluded.

If, prior to the expiry of an Option, there is a reorganization of the issued share capital of the Company, the number of Shares subject to the Option and/or Exercise Price will be adjusted in the manner required by the ASX listing Rules.

###### Special Conditions

The ESIP provides that the Remuneration Committee has the power to impose special conditions on the issue of Plan Shares under the ESIP (such as performance hurdles or retention periods). Special conditions set by the Remuneration Committee include the determination of the vesting conditions attached to shares issued under the plan. The entitlement of employees to plan shares after the cessation of employment is at the discretion of the Board of Directors. No other special conditions have been set.

###### Loan

The Board may, in its absolute discretion, grant a loan to a participant for the purposes of subscribing for plan shares and options. Loans granted under the plans will be non-recourse (other than against the plan shares or options held by the participant to which the loan relates) and interest free unless otherwise determined by the Board at the time of granting the loan. If the shares or options have vested, the loan will become immediately repayable upon on the first to occur of:

- Cessation of employment;
- The participant selling, transferring, mortgaging, charging or otherwise disposing of or dealing with an interest in the shares or options
- The participant creating or attempting to create a third party interest in the shares or options or;
- The participant becoming bankrupt

If the shares or options have vested, a participant may repay the loan at any time during the term of the loan.

###### Trustee Arrangements

Where the Board provides a loan to assist an eligible employee to participate in the share or option plans, the board may determine that the shares or options acquired be held by a trustee (appointed by the Board) on trust for the benefit of the participant. In such circumstances, and subject to any special conditions imposed on the offer of plan shares or options, the trustee may only transfer the plan shares or options to the participant after the loan has been repaid in full. If the participant fails to repay the loan when it becomes due and payable, then subject to any special conditions, the trustee may sell the relevant shares or options and apply the net proceeds against the outstanding amount of the loan. Any excess proceeds will be remitted to the participant.

###### Dividend and voting rights

The participant who holds shares in the ESIP will be entitled to dividends and to vote at a general meeting of the Company. However, whilst any loan is still outstanding in relation to the acquisition of shares, dividends will be applied on the participants' behalf in repayment of the principal amount outstanding under the plan. Further, whilst shares are held by a trustee, voting rights will be exercised on the participants' behalf by proxy through the trustee.

###### Amendments to the ESIP and OP rules

The Board may amend the ESIP and OP rules from time to time.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Directors' Report (continued)**

#### **Remuneration Report (audited) (continued)**

##### **5. Executive remuneration arrangements (continued)**

###### Hedging of equity awards

The Company does not have a policy which precludes directors and executives from entering into contracts to hedge their exposure to options or shares granted to them as remuneration.

There were no alternations to the terms and conditions of the ESIP shares and OP options awarded as remuneration since their award date.



**Directors' Report (continued)**  
**Remuneration report (audited) (continued)**

Remuneration of key management personnel of the Company and the Consolidated Entity

Table 1: Remuneration for the year ended 30 June 2011

	Directors fees \$	Short-term benefits Consulting & other fees \$	Cash bonus	Post- employment Superannuation \$	Share-based payments		Termination payments \$	Total \$	Performance related %
					Options \$	Shares* \$			
<b>Non-executive directors</b>									
Matodzi Nesongozwi (i)	18,000	-	-	-	-	-	-	18,000	-
Klaus Borowski	27,012	17,500	-	-	46,346	-	-	90,858	-
Fanie Botha (ii)	7,500	126,803	7,395	-	46,346	-	51,634	239,678	-
Grant Button (iii)	24,345	-	-	2,191	-	58,223	-	84,759	-
Kofi Morna (iii)	25,416	-	-	-	46,346	-	-	71,762	-
Ted Droste (iii)	25,416	82,500	-	-	46,346	-	-	154,262	-
<b>Total non-executive directors</b>	<b>127,689</b>	<b>226,803</b>	<b>7,395</b>	<b>2,191</b>	<b>185,384</b>	<b>58,223</b>	<b>51,634</b>	<b>659,319</b>	
<b>Executive directors</b>									
Ed Nealon	37,797	-	-	3,402	-	69,867	-	111,066	-
Scott Huntly (iv)	167,471	81,908	-	-	55,615	-	-	304,994	-
Adrian Griffin (v)	47,992	-	-	3,300	-	-	55,050	106,342	-
Robert Hair (vi)	-	164,364	-	-	-	58,223	-	222,587	-
<b>Other key management personnel</b>									
Lindsay Cahill	-	90,119	-	-	-	40,755	-	130,874	-
Andrew Nealon	-	71,667	-	-	-	23,289	-	94,956	-
Robert Van Der Laan (vii)	-	119,147	-	18,822	-	40,755	35,550	214,274	-
Vernon Harvey (viii)	-	68,880	-	-	-	-	-	68,880	-
<b>Total executives</b>	<b>253,260</b>	<b>596,085</b>	<b>-</b>	<b>25,524</b>	<b>55,615</b>	<b>232,889</b>	<b>90,600</b>	<b>1,253,973</b>	
<b>Totals</b>	<b>380,949</b>	<b>822,888</b>	<b>7,395</b>	<b>27,715</b>	<b>240,999</b>	<b>291,112</b>	<b>142,234</b>	<b>1,913,292</b>	

\*Shares issued under the employee share incentive plan are treated as "in substance" options for the purposes of table 3.

- (i) resigned on 28 October 2010
- (ii) appointed as a director on 28 July 2010 and resigned on 2 March 2011
- (iii) appointed Non-executive directors 15 October 2010
- (iv) resigned on 4 March 2011
- (v) resigned on 1 September 2010
- (vi) appointed as Managing Director 13 July 2011
- (vii) resigned as Company Secretary on 20 May 2011
- (viii) appointed as Chief Operating Officer 1 April 2011

Directors' Report (continued)

Remuneration report (audited) (continued)

Remuneration of key management personnel of the Company and the Consolidated Entity

Table 2: Remuneration for the year ended 30 June 2010

	Short-term benefits		Post-employment	Share-based payments		Termination payments	Total	Performance related
	Salary & fees	Cash bonus	Superannuation	Options	Shares			
	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-executive directors</b>								
Matodzi Nesongozwi (iii)	36,000	-	-	-	-	-	36,000	-
Philip Kirchlechner (viii)	20,000	-	-	-	-	-	20,000	-
Zola Skweyiya (ix)	-	-	-	-	-	-	-	-
Melissa Sturgess (iv)	-	-	-	-	-	-	-	-
Glenn Whiddon (x)	19,243	-	-	-	-	-	19,243	-
<b>Total non-executive directors</b>	<b>75,243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,243</b>	<b>-</b>
<b>Executive directors</b>								
Ed Nealon (i)	-	-	-	-	-	-	-	-
Scott Huntly (ii)	119,918	-	-	-	-	-	119,918	-
Mark Burchnall (iv)	-	-	-	-	-	-	-	-
Gino D'Anna (v)	23,091	-	-	-	-	-	23,091	-
Adrian Griffin (vi)	110,100	-	9,900	-	-	-	120,000	-
Richard Jarvis (vii)	11,855	-	-	-	-	-	11,855	-
Matthew Sutcliffe (xiii)	12,709	-	-	-	-	-	12,709	-
<b>Other key management personnel</b>								
Lindsay Cahill (xi)	51,552	-	-	-	-	-	51,552	-
Robert Hair (iii)	78,000	-	-	-	-	-	78,000	-
Andrew Nealon	14,583	-	-	-	-	-	14,583	-
Robert Van Der Laan (xii)	81,421	-	7,337	-	-	-	88,758	-
Michael Langoulant (vii)	6,097	-	-	-	-	-	6,097	-
<b>Total executives</b>	<b>509,326</b>	<b>-</b>	<b>17,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>526,563</b>	<b>-</b>
<b>Totals</b>	<b>584,569</b>	<b>-</b>	<b>17,237</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>601,806</b>	<b>-</b>

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Directors' Report (continued)**

#### **Remuneration Report (audited) (continued)**

Remuneration of key management personnel of the Company and the Consolidated Entity (continued)

- (i) Appointed 11 January 2010 and 9 March 2010 as Alternate Director to Mr Nesongozwi and Chairman and Non Executive Director, respectively
- (ii) Appointed 11 January 2010 and 9 March 2010 as Non Executive Director and Managing Director, respectively
- (iii) Appointed 11 January 2010
- (iv) Resigned 19 August 2009
- (v) Appointed 28 August 2009, resigned 9 March 2010
- (vi) Appointed 11 January 2010, resigned 1 September 2010
- (vii) Resigned 11 January 2010
- (viii) Appointed 11 January 2010, resigned 3 June 2010
- (ix) Appointed 11 January 2010, resigned 9 March 2010
- (x) Appointed 19 August 2009, resigned 9 March 2010
- (xi) Appointed 9 April 2010
- (xii) Appointed 3 June 2010

No remuneration is performance related for 2010.

Directors' Report (continued)

Remuneration report (audited) (continued)

6 Equity Instruments disclosures

Table 3: Share Options awarded and vested during the year (Consolidated)

30 June 2011	Terms and Conditions for each Grant during the year							Options vested during the year	
	Options awarded during the year No.	Award date	Fair value per option at award date (\$)	Exercise price (\$)	Expiry date	First exercise date	Last exercise date	No.	%
<b>Non-executive directors</b>									
Matodzi Nesongozwi	-	-	-	-	-	-	-	-	-
Klaus Borowski	500,000	30/11/2010	0.093	0.198	07/12/2013	07/12/2010	07/12/2013	500,000	100%
Fanie Botha	500,000	30/11/2010	0.093	0.198	07/12/2013	07/12/2010	07/12/2013	500,000	100%
Grant Button	500,000*	30/11/2010	0.116	0.198	-	-	-	500,000	100%
Kofi Morna	500,000	30/11/2010	0.093	0.198	07/12/2013	07/12/2010	07/12/2013	500,000	100%
Ted Droste	500,000	30/11/2010	0.093	0.198	07/12/2013	07/12/2010	07/12/2013	500,000	100%
<b>Total non-executive directors</b>	<b>2,500,000</b>							<b>2,500,000</b>	
<b>Executive directors</b>									
Ed Nealon	600,000*	30/11/2010	0.116	0.198	-	-	-	600,000	100%
Scott Huntly	600,000	30/11/2010	0.093	0.198	07/12/2013	07/12/2010	07/12/2013	600,000	100%
Adrian Griffin	-	-	-	-	-	-	-	-	-
Robert Hair	500,000*	30/11/2010	0.116	0.198	-	-	-	500,000	100%
<b>Other key management personnel</b>									
Lindsay Cahill	350,000*	30/11/2010	0.116	0.198	-	-	-	350,000	100%
Andrew Nealon	200,000*	30/11/2010	0.116	0.198	-	-	-	200,000	100%
Robert Van Der Laan	350,000*	30/11/2010	0.116	0.198	-	-	-	350,000	100%
Vernon Harvey	-	-	-	-	-	-	-	-	-
<b>Total executives</b>	<b>2,600,000</b>							<b>2,600,000</b>	<b>100%</b>
<b>Totals</b>	<b>5,100,000</b>							<b>5,100,000</b>	<b>100%</b>

\*Share based payments issued under the employee share incentive plan are treated as "in substance" options.

## Ferrum Crescent Limited

A.C.N. 097 532 137

### Directors' Report (continued)

#### Remuneration report (audited) (continued)

##### 6 Equity Instruments disclosures (continued)

Table 4: Value of share options awarded, exercised and lapsed during the year

	Value of options granted during the year \$	Value of options vested during the year \$	Value of options exercised during the year \$	Value of options lapsed during the year \$	Remuneration consisting of options for the year %
<b>Non-executive directors</b>					
Matodzi Nesongozwi (i)	-	-	-	-	-
Klaus Borowski	46,346	46,346	-	-	51.00%
Fanie Botha (ii)	46,346	46,346	-	-	19.34%
Grant Button	58,223	58,223	-	-	68.69%
Kofi Morna	46,346	46,346	-	-	64.58%
Ted Droste	46,346	46,346	-	-	30.04%
<b>Total non-executive directors</b>	<b>243,607</b>	<b>243,607</b>	-	-	
<b>Executive directors</b>					
Ed Nealon	69,867	69,867	-	-	62.90%
Scott Huntly	55,615	55,615	-	-	44.70%
Adrian Griffin	-	-	-	-	-
Robert Hair	58,223	58,223	-	-	26.15%
<b>Other key management personnel</b>					
Lindsay Cahill	40,755	40,755	-	-	31.14%
Andrew Nealon	23,289	23,289	-	-	24.52%
Robert Van Der Laan	40,755	40,755	-	-	19.02%
Vernon Harvey	-	-	-	-	-
<b>Total executives</b>	<b>288,504</b>	<b>288,504</b>	-	-	
<b>Totals</b>	<b>532,111</b>	<b>532,111</b>	-	-	

For details on the valuation of the options, including models and assumptions used, please refer to note 20.

#### 7. Executive contractual arrangements

##### Agreements with Directors

Mr Matodzi Nesongozwi was a non-executive director and resigned on 28 October 2010. On resigning from his role as a non-executive director, the agreement with the Company with respect to that role was simultaneously terminated. Under that agreement, he had been paid consulting fees of \$6,000 per month.

Mr. Klaus Borowski was appointed as a non-executive director on 1 September 2010 and receives fees in relation to his services as a non-executive director for the amount of \$40,000 per annum. In addition to fees that he receives as a non-executive director, the Company and a company associated with Mr Borowski entered into an agreement containing the terms and conditions under which technical and commercial consulting services are provided to the Company. The agreement involves the payment to the company associated with Mr Borowski of an annual fee of \$30,000 and reimbursement of expenses.

Dr Fanie Botha was appointed as a non-executive director on 28 July 2010 and then Operations Director on 1 November 2010 and resigned on 4 March 2011. On resigning from his role as Operations Director, the agreement dated 1 November 2010 with the Company with respect to that role was simultaneously terminated. Under that agreement, Dr Botha had received remuneration of ZAR100,000 per month, which at current exchange rates is equivalent to approximately AUD 15,400 per month. The remuneration was raised to ZAR120,000 (approximately \$18,400) per month effective from 1 January 2011. By mutual agreement, Dr Botha provided supervisory services to the Company following his resignation on 4 March 2011, pending the appointment of an operations manager, and received ZAR360,000 on termination (approximately \$51,000).

Mr. Grant Button was appointed as a non-executive director on 15 October 2010 and receives fees in relation to his services as a non-executive director for the amount of \$40,000 per annum.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Directors' Report (continued)**

#### **Remuneration Report (audited) (continued)**

##### **7. Executive contractual arrangements (continued)**

Mr. Kofi Morna was appointed as a non-executive director on 15 October 2010 and receives fees in relation to his services as a non-executive director for the amount of \$40,000 per annum.

Mr. Ted Droste was appointed as a non-executive director on 15 October 2010 and receives fees in relation to his services as a non-executive director of \$40,000 per annum. In addition to fees that he receives as a non-executive director, the Company and a company associated with Mr Droste entered into an agreement containing the terms and conditions under which technical and commercial consulting services are provided to the Company.

The agreement involves the payment to the Company associated with Mr Droste of an annual fee of \$60,000 and reimbursement of expenses.

Mr Edward Nealon was appointed Executive Chairman of the Company on 1 November 2010 and receives fees in relation to his services as Executive Chairman for the amount of \$80,000 per annum.

Mr. Scott Huntly was Managing Director of the Company and resigned on 4 March 2011. On resigning from his role as Managing Director, the agreement with the Company with respect to that role was simultaneously terminated. Mr Huntly has since been appointed Strategic Development Manager for the Company and pursuant to an agreement dated 1 March 2011, his salary is set at ZAR 145,000 per month which at current exchange rates is equivalent to approximately AUD \$19,500 per month.

Mr. Adrian Griffin was Technical Director of the Company and resigned on 1 September 2010. On resigning from his role as Technical Director, the agreement with the Company with respect to that role was simultaneously terminated and he received \$55,050 in termination benefits. Under the terms of his agreement, he had received a salary of \$240,000 per annum (including superannuation).

Mr. Robert Hair was appointed Managing Director of the Company on 13 July 2011 and resigned as Company Secretary of the Company on 13 July 2011. On 13 July 2011, the Company and a company associated with Mr Hair entered into an agreement containing the terms and conditions under which the services of Managing Director are provided to the Company.

The agreement involves the payment to the Company associated with Mr Hair of an annual fee of \$264,000 plus GST (increasing by reference to the consumer price index each year) and reimbursement of expenses.

This agreement replaced an earlier agreement between the Company and a company associated with Mr Hair, which contained the terms and conditions under which the services of Company Secretary were provided to the Company. Such services were supplied at a rate of \$14,000 plus GST per month.

##### *Agreement with Company Secretary*

On 1 February 2010, the Company and a company associated with Mr Andrew Nealon entered into a new agreement containing the terms and conditions under which the services of Company Secretary are provided to the Company. The agreement involves the payment to the Company associated with Mr Nealon of an annual fee of \$60,000 (increasing by reference to the consumer price index each year) and reimbursement of expenses.

##### *Agreement with Chief Financial Officer*

Mr. Robert Van Der Laan was appointed as Chief Financial Officer, effective on 3 December 2009 and as Company Secretary on 9 September 2010. He resigned as Company Secretary of the Company on 20 May 2011. He remains as Chief Financial Officer as at the date of this report.

##### *Agreement with Chief Operating Officer*

Mr. Vernon Harvey was appointed as Chief Operating Officer, effective 1 April 2011. The agreement involves payment to Mr. Harvey of an annual fee of ZAR 165,000 per month which at current exchange rates is equivalent to approximately AUD 25,000 per month.

## Ferrum Crescent Limited

A.C.N. 097 532 137

### Directors' Report (continued)

#### Remuneration Report (audited) (continued)

##### 7. Executive contractual arrangements (continued)

###### *Agreement with Mining Services Manager*

On 11 April 2011, the Company and a company associated with Mr Lindsay Cahill entered into an agreement containing the revised terms and conditions under which the services of Mining Services Manager are provided to the Company. The agreement involves payments to the Company associated with Mr Cahill for services rendered at a rate of \$125 per hour, capped at \$1,000 per day (excluding GST) and reimbursement of expenses.

This is the end of the audited remuneration report.

##### Shares under option

As at the date of this report, the Company has the following options over ordinary shares on issue:


<b>Date Granted</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number of Shares under option</b>
3 December 2009	31 December 2013	\$0.40	21,496,727
<b>Total</b>			<b>21,496,727</b>

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate. 80,120,002 ordinary shares were issued as a result of the exercise of options during the year ended 30 June 2011.

##### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 88 and forms part of this report.

This report is made in accordance with a resolution of directors.



Ed Nealon  
Executive Chairman  
Perth  
8 September 2011

## Ferrum Crescent Limited

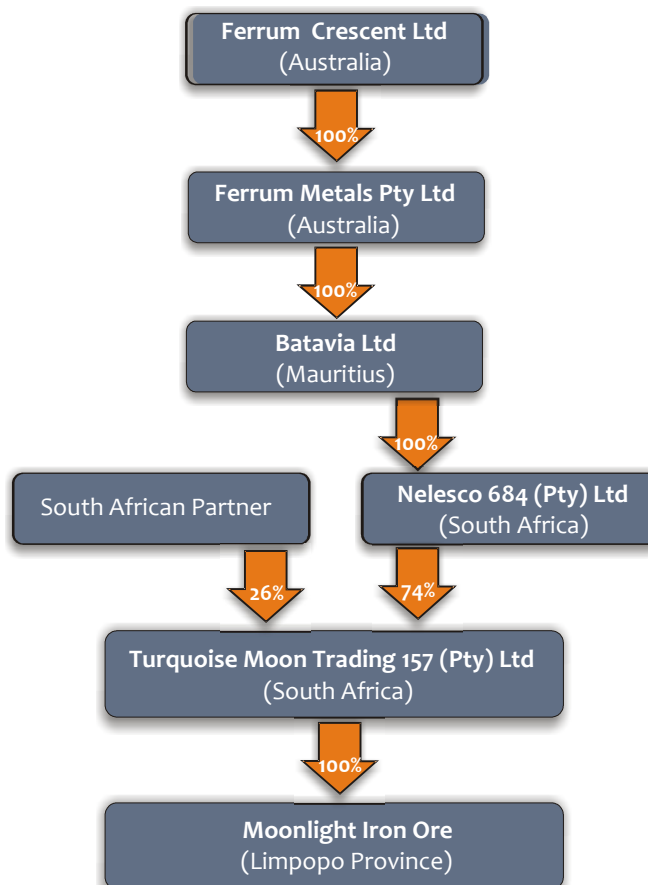
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### Directors' Report (continued)

#### Company and Project Overview

Ferrum Crescent Limited ("Ferrum", "FCR" or the "Company") is an Australian company listed on the Australian Securities Exchange (ASX: FCR) and the AIM market of the London Stock Exchange (AIM: FCR).

Following is Ferrum's corporate structure:



Ferrum seeks to capitalise on the future demand for iron and steel worldwide by producing iron products in the Republic of South Africa, for both the domestic and the export markets.

South Africa, a relatively under developed market, which was dominated historically by Iscor (Kumba) and now by Arcelor Mittal, has been largely overlooked, and FCR wishes to develop its Moonlight Iron Ore Project and pursue other opportunities in Southern Africa.

The Moonlight Iron Ore Project ("Moonlight" or "the Project") is a magnetite deposit located on the farms Moonlight, Gouda Fontein and Julietta in Limpopo Province in the north of South Africa (see Figure 1) and it is the main operational focus for the Company. Iscor, which explored the Project in the 1980s and '90s, reported mineralisation of 470 million tonnes ('Mt') of magnetite with a grade of around 36% iron, capable of producing a concentrate grading 68.7% iron. At the time, Iscor concluded that the deposit, which was described as comparable to the world's best, was easily mineable due to its low waste-to-ore ratio. The beneficiation attributes of Moonlight ore are extremely impressive, with low-intensity magnetic separation considered suitable for optimum concentration.



# Ferrum Crescent Limited

A.C.N. 097 532 137

## Directors' Report (continued)

### Company and Project Overview (continued)

Metallurgical tests of Moonlight material, undertaken since by FCR, suggest that Iscor's results are conservative, that good metal recoveries can be achieved, and that the resulting concentrates contain more than 70% iron and only negligible impurities, at grind sizes considered to be the industry standard (P80 of 75 microns).

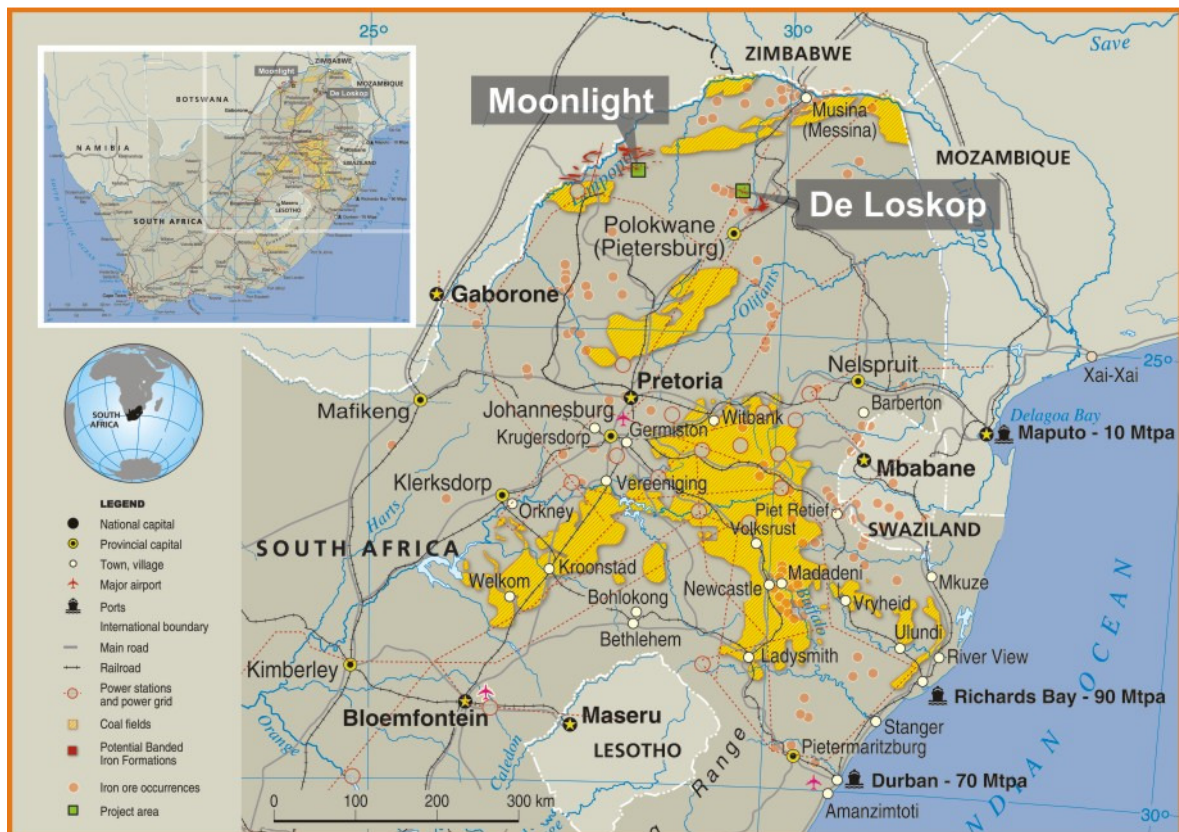


Figure 1: Company's projects located in Limpopo Province, South Africa.

### Operational

#### Moonlight Iron Ore Project

The Group's operational focus is the Moonlight Iron Ore Project in Limpopo Province in the Republic of South Africa, which hosts iron ore occurrences that are magnetite bearing banded iron formations ("BIF") that have undergone varying intensities of metamorphic alteration. The BIFs are of Archaean age and located in and adjacent to the Limpopo Mobile Belt ("LMB") in the Limpopo Province, some 350 km north-east of Johannesburg.

During the year, the Group commenced its definitive feasibility study in relation to the Project, with studies including pipeline route, beneficiation processes and plant location and study of water and transport options. Various supporting plans and studies relating to the Group's mining right application were advanced, and the application is expected to be processed by the end of December 2011. As required under the Mineral and Petroleum Resources Development Act (Act No. 28 of 2002) and the National Environmental Management Act (Act 107 of 1998) of South Africa, the Company is required to complete and submit an environmental impact assessment (EIA) within 180 days of the Mining Right application. Turquoise Moon Trading 157 (Pty) Ltd, the holder of the prospecting rights, contracted Metago Environmental Engineers (Pty) Ltd, an independent firm of certified consultants, to undertake this activity.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Directors' Report (continued)**

#### **Operational**

##### **Moonlight Iron Ore Project (continued)**

A scoping report was prepared and subjected for public consultation. This scoping report identified a number of specialist studies which were also completed during the period. The final report was prepared and submitted to the various interested parties and government authorities. Public consultation meetings were held in August. The final document, including any comments arising from public consultation, will be submitted for review and decision as soon as practicable afterwards.

The finalisation of the community participation in the Project has been approved by the National Department of Mineral Resources. This demonstrates the Company's commitment to meaningful social change in the areas in which it operates.

Throughout the reporting period, the Group conducted several drilling campaigns and progressed its exploration and development of the Moonlight Project. Encouragingly for the group, intersections of iron mineralisation were found in all twelve holes that were considerably thicker than predicted by the geological model in this area of the deposit.

##### **Significant intersections of iron mineralisation include\*:**

- 43m @ 31.34% Fe from 96m downhole in FCL088
- 28m @ 33.97% Fe from 104m downhole in FCL089
- 13m @ 35.43% Fe from surface in FCL087
- 43m @ 35.26% Fe from 92m downhole in FCL092
- 16m @ 36.72% Fe from 134m downhole in FCL093
- 15m @ 32.34% Fe from 48m downhole in FCL0097

\*Note – full details of assayed intercepts are shown in Table 1.

Moonlight contains a current JORC compliant resource of 74Mt in the Indicated Resource category and 225Mt in the Inferred Resource category at a grade of 30% Fe.

The RC drilling was planned to provide additional information allowing refinement of the geological model in areas of sparse drilling. The results confirm confidence in the geological model and demonstrate excellent continuity of iron mineralisation. Planned holes were superimposed on the model and indicated that it was likely that the total of mineralised intersections in all holes would be 295m. The actual sum of mineralised intersections above a grade of 15% Fe was 368m. This provides the Group with a high level of confidence in the geological interpretation and hence continuity of iron mineralisation through the deposit.

#### **Core drilling**

An 11 hole HQ diamond core programme was completed on 16 April 2011. The core was used to provide sample for metallurgical testwork as well as adding over 130 new bulk density measurements to the existing database.

All the core holes were drilled from the same location as existing holes so as to "twin" holes that produced samples from a variety of drill techniques from various drill campaigns dating back to 1985. Core drilling is accepted as the most reliable method of collecting sample and the objective is, based on a comparison of the results, to provide a high level of confidence in all drill holes that will be used in estimating the resource. This analysis is expected to be complete and announced to the market later in 2011.

## Ferrum Crescent Limited

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### Directors' Report (continued)

#### Metallurgical Testwork

As at the date of this report, the Company is in the process of confirming final details of a comprehensive metallurgical programme that will include comminution and beneficiation studies. The initial phase of this work will use core samples from the HQ diamond core programme and be directed at the development of a probable flow sheet for the upgrade of iron mineralisation to a product grade of suitable composition for the production of DRI pellets.

Hole	East (m)	North (m)	Depth (m)	From (m)	To (m)	Interval (m)	Fe%	SiO <sub>2</sub> %	AL <sub>2</sub> O <sub>3</sub> %	P <sub>2</sub> O <sub>5</sub> %	LOI
FCL087			130	0	13	13	35.43	44.40	1.64	0.021	0.48
				25	31	6	32.41	48.37	2.17	0.019	1.34
FCL088	-80424	-2571500	150	96	139	43	31.34	45.16	2.63	0.054	0.70
FCL089			138	64	73	9	36.86	38.92	1.73	0.087	0.07
				88	91	3	31.61	46.31	3.02	0.066	0.10
				94	101	7	34.37	45.00	1.58	0.048	0.05
				104	132	28	33.97	45.01	1.66	0.065	0.08
FCL090			105	22	32	10	37.14	43.42	1.06	0.050	0.35
				70	80	10	28.91	49.72	2.84	0.047	0.59
				87	98	11	32.99	43.21	3.25	0.076	0.75
FCL091			160	79	92	13	33.20	45.76	2.06	0.056	0.09
				106	119	13	34.38	44.62	1.91	0.054	0.13
				135	145	10	29.38	47.67	2.39	0.054	1.33
FCL092			170	82	87	5	33.92	45.20	1.64	0.115	0.21
				92	135	43	35.26	43.91	1.46	0.127	-0.66
				139	160	21	28.21	50.16	2.83	0.099	0.26
FCL093			166	86	99	13	31.79	45.29	2.75	0.12	0.03
				108	113	5	32.89	44.14	1.90	0.17	0.30
				134	150	16	36.72	41.31	1.56	0.14	-0.49
FCL094			80	30	38	8	34.66	43.27	2.09	0.060	0.57
				56	63	7	34.41	44.37	1.42	0.057	0.05
FCL095			144	29	43	14	33.91	45.63	1.72	0.14	0.51
				69	74	5	34.29	41.52	1.72	0.14	0.82
				111	118	7	33.65	42.54	2.39	0.17	-0.53
FCL096	-79628	-2571756	105	76	95	19	27.13	49.93	3.15	0.11	0.31
FCL097			95	38	43	5	27.06	50.80	3.54	0.108	2.84
				48	63	15	32.34	46.40	2.12	0.15	0.79
FCL098	-79228	-2571801	95	67	76	9	30.70	47.56	2.31	0.127	0.08

**Table 1: Intercepts of iron mineralisation greater than or equal to 5m in width**

Drilling by reverse circulation using 5.25 inch face sampling hammer.

- All holes drilled vertical.
- Mineralisation has a generally flat dip to the north – intersection widths approximate the true width of the mineralisation.
- Samples are collected through a rig mounted cyclone over 1m intervals and geologically logged.
- All samples are weighed as a check on recovery and representivity.
- 1m sub samples for assay are split using a single stage Jones type riffle splitter.
- Assays determined by Fusion XRF, LOI (loss on ignition) determined at 1000C<sup>0</sup>. Some samples show negative LOI results. This characteristic indicates that the weight increase arising from oxidation of Fe<sup>2+</sup> to Fe<sup>3+</sup> (FeO to Fe<sub>2</sub>O<sub>3</sub>) is higher than the weight loss caused by removing volatiles from the mineral structures.
- Composite intervals have been determined with regard to geological description using a lower cut off grade of 15% Fe and a minimum composite length of 5m.
- Appropriate quality control methods have been used including standards, blanks and field duplicates.
- Drill holes have been located hand using held GPS methods using the South African, Hartbeeshoek94 Lo29 WGS system.

## **Ferrum Crescent Limited**

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### **Directors' Report (continued)**

#### **Offtake Agreement with Duferco SA**

On the 22 June 2011, the Company announced it had entered into an offtake agreement with Swiss based Duferco SA ("Duferco"), a leading private company in the trading, mining, and end use of iron and steel products and raw materials for the steel industry. Following due diligence on the mineral assets of the Company, Duferco concluded that Ferrum Crescent should be able to produce direct reduction and/or blast furnace pellets equal to or better than current world best product.

The offtake agreement with Duferco SA covers up to 6 mt of anticipated iron ore pellet production from Ferrum Crescent's Moonlight Project. Under the agreement, Ferrum Crescent will sell Duferco all of their production available for export (in total 4.5 mt) and will give Duferco a first right of refusal over an additional 1.5 mt per year to the extent that the product is not sold domestically, thus allowing Ferrum Crescent to follow a growth strategy at its South African projects.

The offtake agreement has an initial five year term commencing when the Moonlight Project plant operations reach full production, and the term is automatically renewed for further periods of five years unless one of the parties elects to terminate the agreement within the final six months of any five year period. The agreement contains termination mechanisms in the case of specified failure to perform or a party's insolvency. In addition, either party may terminate the agreement in the case where a single shareholder holds 50% or more of Ferrum Crescent's voting capital.

The agreement contains standard commercial terms and provisions customarily set out in such contracts. Although the financial details of the agreement are to remain confidential, the offtake agreement is of immense importance to Ferrum Crescent as it will underpin the ability of the Company to finance project development.

#### **BEE Transaction**

On 23 December 2010, the Company announced that the sale agreement relating to the acquisition by the Company's new strategic BEE partner of the 26% of the Moonlight Iron Ore Project from the Company's former BEE partner had completed.

As described in the Company's AIM admission document dated 10 December 2010, a company, Mkhombi Investments (Pty) Ltd ("Mkhombi Investments"), which meets the requirements of applicable South African legislation in respect of historically disadvantaged persons (referred to in South Africa as being "BEE controlled"), entered into an agreement on 26 October 2010 with the then current holder of 26% of Turquoise Moon Trading 157 (Pty) Ltd ("TMT") to purchase that holder's right, title and interest in TMT for ZAR30 million (approximately AUD4.4 million). The South African Department of Mineral Resources expressed its support of the transaction.

A subscription agreement was entered into between the Company and Mkhombi AmaMato (pty) Limited ("AmaMato") on 4 November 2010 (the "Subscription Agreement"). On completion of the Subscription Agreement (subject to the fulfilment of the conditions precedent to that agreement), AmaMato will subscribe for such number of shares in the Company as is equal to 7.8% of the issued shares at that time (the "First Subscription"). The price payable for the subscription for the Shares under the First Subscription will be ZAR 7.5 million.

AmaMato will also, on or before the later of (i) the date falling 10 business days after the Closing Date (as defined in the Subscription Agreement) and (ii) 30 November 2011 (the "Subscription Period"), which period will be extended by the Company for a period of 1 year in the event that it raises not less than ZAR 7.5 million in 2011, subscribe for a further 7.8% of the issued shares of the Company (calculated by reference to the issued share capital of the Company at the time of the First Subscription adjusted for any subsequent share splits, consolidations or bonus capitalisations) for a further ZAR 7.5 million.

The conditions precedent to the Subscription Agreement which must be fulfilled by 21 December 2011, include no insolvency event occurring, the granting of a mining right in respect of the Project, necessary South African Reserve Bank approvals and shareholder and other approvals required under the Corporations Act and the AIM/ASX listing rules, including shareholder approval.

In the event that the conditions precedent to the Subscription Agreement are not fulfilled by 21 December 2011, then AmaMato will have the right, for 60 days, to require Nelesco to purchase all of AmaMato's rights, title and interest in, and all its claims against, Mkhombi Investments for the price of ZAR 12.5million.

## Ferrum Crescent Limited

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### Directors' Report (continued)

#### BEE Transaction (continued)

Kofi Morna, a Director of the Company, is also a director of AmaMato and of Mkhombi Investments. He became a Director of the Company during the period for the purposes of the above transaction. He holds an indirect non-controlling interest in AmaMato.

Upon completion of the Subscription Agreement, the Company will legally own directly and indirectly through its wholly owned subsidiary, Mkhombi Investments, 97% of TMT, with the remaining 3% held by the locally impacted community. AmaMato will own 15.6% of the Company.

In the opinion of the Directors, the conditions precedent to the Subscription Agreement are essentially procedural in nature, following the completion of the Company's capital raising of 10 million pounds Sterling ("GBP") (equal to approximately AUD 16 million) before expenses, completed on 16 December 2010. As such, while the Company's legal interest in the Moonlight Iron Ore Project increased from 74% to approximately 81.5%, the Directors hold an effective interest in the underlying project of 97% as at 31 December 2010 as a result of the minority purchase obligation.

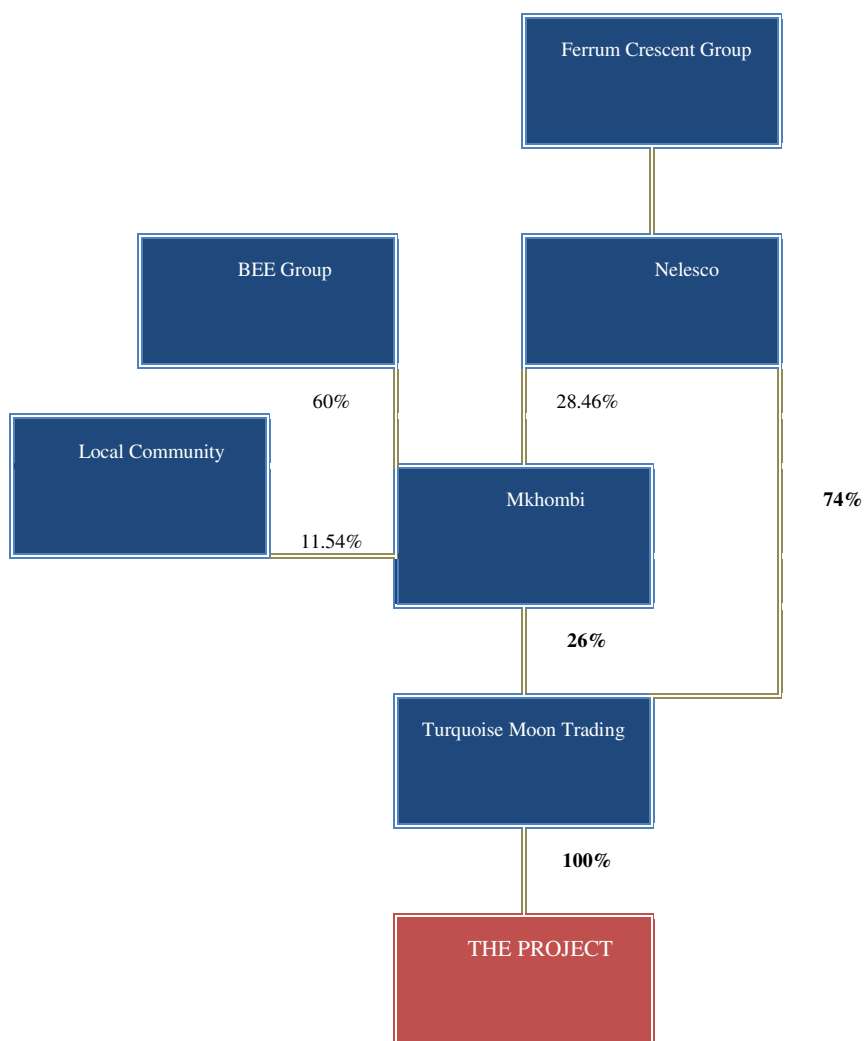


Figure 2: Project equity holdings prior to 'flip agreement'.

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**Directors' Report (continued)**

**BEE Transaction (continued)**

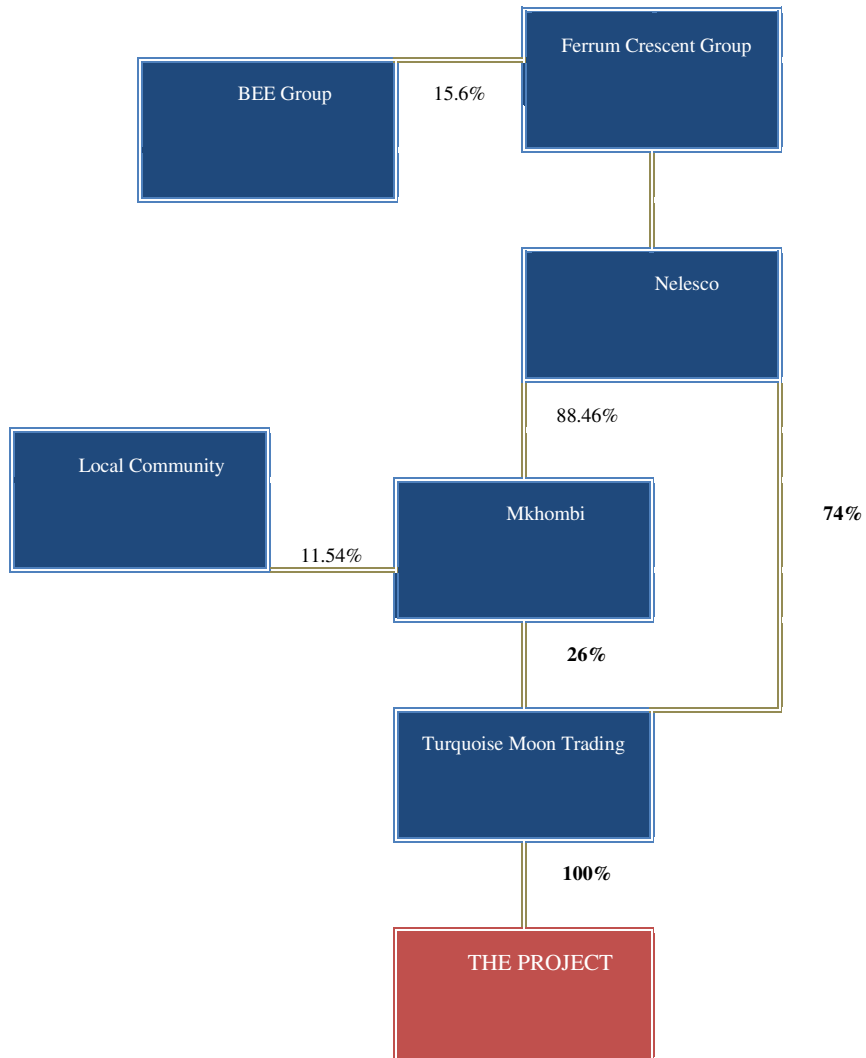


Figure 3: Project equity holdings at completion of 'flip agreements'.

## **Ferrum Crescent Limited**

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### **Directors' Report (continued)**

#### **Mining Right Application**

As announced on 24 January 2011, the South African Department of Mineral Resources ("DMR") accepted a revised mining right application in respect of the Moonlight Deposit. The DMR has indicated that it expects to process the mining right application by the end of December 2011 for an initial period of 30 years.

The Company's subsidiary, Turquoise Moon Trading 157 (Pty) Ltd ("Turquoise Moon"), holds Ferrum Crescent's interests in both the Moonlight Deposit and the De Loskop prospect. Previously, these were both held under a single mining right application. The DMR allowed De Loskop to be excluded from the mining right application, with the result that Turquoise Moon can concentrate wholly on developing Moonlight as a mining project while allowing De Loskop to be treated as a prospecting area. Administratively and practically, due to the distance between the project areas, it was considered advantageous to deal with the two areas separately. Should Turquoise Moon wish to conduct mining activities in the De Loskop project area, a separate mining right application would need to be submitted.

#### **Sale of Australian Exploration Interests**

On 29 October 2010, the Company announced that it had agreed with Northern Uranium Limited ("Northern") to sell all of its Australian minerals exploration interests to Northern for the sum of AUD\$600,000. The offer from Northern was a cash offer, subject to due diligence on the Company's tenement interests. The offer in respect of two tenements was subject to the consent of joint venturers and to Northern due diligence.

The agreement ("Sale Agreement") with Northern was structured so that Northern would acquire all of the Company's interests in exploration or mining tenements in Australia. The agreement was dated 15 November 2010 and was subject to the receipt of any necessary approvals under the relevant mining legislation in Western Australia and the Northern Territory.

Under the Sale Agreement, the Company was to transfer any legal title that it held or in which it had an interest and would assign its beneficial interest in all tenements that it did not hold legally.

Upon completion of the Sale Agreement, Northern assumed the Company's obligations in respect of any joint ventures in which the Company had an interest, with the parties entering into deeds of assignment and assumption in respect thereof. The Company delivered all technical information in its possession in respect of the interests transferred ("Mining Information").

The purchase price for the package was AUD\$600,000, and the sale was completed on 15 November 2010. Two tenements were subject to joint venturers' pre-emptive rights, and if those rights were not waived by the time of completion, then the value ascribed to those tenements would have been withheld accordingly. The values ascribed were AUD\$25,000 in respect of one tenement and AUD\$100,000 in respect of the other. Both joint venture partners chose to waive their pre-emptive rights by the time of completion and the Sale Agreement was concluded for the full amount of AUD\$600,000.

#### **Corporate**

##### **Capital Raising and Admission to AIM**

During September 2010, the Company successfully raised AUD\$1.2 million by issuing 10 million shares at AUD\$0.12 per share to sophisticated investors in order to carry out further capital raising in conjunction with a London AIM listing.

As announced on 16 December 2010, Ferrum was admitted to trading on the AIM market of the London Stock Exchange and completed a capital raising of 10 million pounds Sterling ("GBP") (equal to approximately AUD\$16 million) before expenses, via a placement of shares ("the Placing").

Pursuant to the Placing, by Ocean Equities Limited, the Company issued 100 million new shares at 10 pence per share ("Placing Price") to a broad base of institutional and other investors. Ambrian Partners Limited is acting for the Company as Nominated Adviser and Ocean Equities Limited as broker.

## **Ferrum Crescent Limited**

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### **Directors' Report (continued)**

#### **Corporate (continued)**

##### **Capital Raising and Admission to AIM (continued)**

The proceeds of the capital raising are being used to fund the upgrade of the magnitude and confidence of the current JORC resource estimate and to carry out the definitive feasibility study in respect of the Moonlight Iron Ore Project.

##### **Option Cancellation**

Prior to the beginning of the reporting period, Ferrum commenced a process by which the holders of listed options to acquire shares in the Company were offered one fully paid ordinary share for every ten options held by them. This process was completed in July 2010, the offer having closed with acceptances representing approximately 78.85% of listed options. The closure of the offer resulted in the issue of 8,012,005 new shares in the Company to former option holders.

##### **Executive and Board Changes**

During the year there were several changes to the composition of the Board of the Company. Mr Adrian Griffin and Mr Matodzi Nesongozwi resigned as Directors and Messrs Klaus Borowski, Kofi Morna, Ted Droste and Grant Button joined the Board as Non-executive Directors.

Dr Fanie Botha joined the Board as a Non-executive Director in July 2010 before accepting the role of Operations Director in November of the same year. On 4 March 2011, Dr Botha resigned from the Board but remains with the Company as a consultant.

Mr Scott Huntly accepted the role of Strategic Development Manager on 1 March 2011, resigning as Managing Director on 4 March 2011.

Mr Ed Nealon assumed the role of Executive Chairman, Mr Vernon Harvey was appointed as Chief Operating Officer and Mr Bob Van Der Laan accepted the role of Joint Company Secretary along with Mr Robert Hair and Mr Andrew Nealon. In April 2010, Mr Van Der Laan resigned as Joint Company Secretary but continues consulting to the Company in his role as Chief Financial Officer.

Subsequent to the reporting period, Mr Robert Hair resigned from his position of Joint Company Secretary and assumed the role of Managing Director.



## Ferrum Crescent Limited

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### Corporate governance statement

#### Introduction

Ferrum Crescent Limited (the "**Company**") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarized in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, second edition, incorporating the 2010 amendments ("**Principles & Recommendations**"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

#### DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

##### Summary statement

	ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>		ASX P & R <sup>1</sup>	If not, why not <sup>2</sup>
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4 <sup>3</sup>	n/a	n/a
Recommendation 1.3 <sup>3</sup>	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2 <sup>3</sup>	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3		✓	Recommendation 6.2 <sup>3</sup>	n/a	n/a
Recommendation 2.4	✓		Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6 <sup>3</sup>	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4 <sup>3</sup>	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1		✓
Recommendation 3.3 <sup>3</sup>	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1		✓	Recommendation 8.3 <sup>3</sup>	n/a	n/a
Recommendation 4.2		✓			

1 Indicates where the Company has followed the Principles & Recommendations

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

#### Website disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at [www.ferrumcrescent.com](http://www.ferrumcrescent.com), under the section marked Corporate Governance.

## Ferrum Crescent Limited

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### Corporate governance statement (continued)

#### Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2011 financial year ("**Reporting Period**").

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#### Principle 1 – Lay solid foundations for management and oversight

##### Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

##### Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and to assist the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Group's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chairman or the lead independent director, as appropriate.

##### Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

##### Disclosure:

The Chairman, in consultation with the other Board members, is responsible for evaluating the senior executives. The performance evaluation of senior executives is undertaken by the Chairman in the form of interviews.

##### Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

#### Principle 1 – Lay solid foundations for management and oversight (continued)

##### Disclosure:

During the Reporting Period a performance evaluation of senior executives did occur in accordance with the above disclosed process at Recommendation 1.2.

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## **Ferrum Crescent Limited**

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### **Corporate governance statement (continued)**

#### **Principle 2 – Structure the board to add value**

##### **Recommendation 2.1:**

A majority of the Board should be independent directors.

##### **Disclosure:**

The independent directors of the Board during the Reporting Period were Mr Ed Nealon (until his appointment as Executive Chairman on 15 October 2010), Dr Fanie Botha (until his appointment as Operations Director on 1 November 2010), Mr Klaus Borowski (from his appointment on 1 September 2010), Mr Ted Droste (from his appointment on 15 October 2010) and Mr Grant Button (from his appointment on 15 October 2010). The non-independent directors of the Board during the Reporting Period were Mr Scott Huntly (until his resignation on 4 March 2011), Dr Fanie Botha (from 1 January 2011 until his resignation on 4 March 2011), Mr Adrian Griffin (until his resignation on 1 September 2010), Mr Matodzi Nesongozwi (until his resignation on 28 October 2010) and Mr Kofi Morna.

For the period from the beginning of the Reporting Period until 15 October 2010, the majority of the Board did not comprise a majority of independent directors. Since that date, the Board has comprised a majority of independent directors.

##### **Recommendations 2.2 & 2.3:**

The Chairman should be an independent director and the roles of the Chairman and Chief Executive Officer should not be exercised by the same individual.

##### **Disclosure:**

The role of Chairman of the Company during the reporting period was held by Mr Ed Nealon (who was an independent director until his appointment as Executive Chairman on 1 November 2010). Since the end of the Reporting Period, the Company has appointed Mr Robert Hair as Managing Director.

##### **Explanation for departure:**

Given the business and organizational structure of the Company, the Board is strongly of the opinion that the role of Chairman should be an executive position at this time. The Board continues to review this situation on a regular basis.

##### **Recommendation 2.4:**

The Board should establish a Nomination Committee.

The Company has established a separate Nomination Committee. The Committee comprises Mr Grant Button (chairman), Mr Kofi Morna and Mr Ted Droste.

##### **Recommendation 2.5:**

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

## **Ferrum Crescent Limited**

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### **Corporate governance statement (continued)**

#### **Principle 2 – Structure the board to add value (continued)**

##### **Disclosure:**

The Chairman is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

Evaluations are undertaken by way of round-table discussions and when appropriate by one to one interviews.

##### **Recommendation 2.6:**

Companies should provide the information indicated in the *Guide to Reporting on Principle 2*.

##### **Disclosure:**

##### **Skills, experience, expertise and term of office of each director**

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

##### **Identification of independent directors**

The independent directors of the Company during the Reporting Period were Ed Nealon (until his appointment as an executive), Dr Fanie Botha (until his appointment as an executive, Mr Klaus Borowski, Mr Ted Droste and Mr Grant Button. These directors were/are independent as they were/are non-executive directors who were/are not members of management and who were/are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

##### **Company's materiality thresholds**

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter.

- Statement of financial position items are material if they have a value of more than 10% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on statement of financial position or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Corporate governance statement (continued)**

#### **Principle 2 – Structure the board to add value (continued)**

##### **Statement concerning availability of Independent professional advice**

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chairman, the Company will pay the reasonable expenses associated with obtaining such advice.

##### **Performance evaluation**

During the Reporting Period the performance evaluations for the Board and individual directors did occur in accordance with the disclosed process in Recommendation 2.5. The Board did not separately evaluate the performance of the Audit Committee.

##### **Selection and (re)appointment of directors**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognizes that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the managing director must retire from office no later than the longer of the third annual general meeting of the company or 3 years following that director's last election or appointment. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

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#### **Principle 3 – Promote ethical and responsible decision-making**

##### **Recommendation 3.1:**

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

##### **Disclosure:**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Corporate governance statement (continued)**

#### **Principle 3 – Promote ethical and responsible decision-making (continued)**

##### **Recommendation 3.2:**

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

##### **Disclosure:**

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

##### **Recommendation 3.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 3*.

##### **Disclosure:**

Please refer to the section above marked Website Disclosures.

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#### **Principle 4 – Safeguard integrity in financial reporting**

##### **Recommendation 4.1:**

The Board should establish an Audit Committee.

##### **Notification of departure:**

The Company for part of the year did not have a separate Audit Committee.

##### **Explanation for departure:**

The Board considered for the first part of the Reporting Period that no efficiencies or other benefits would be gained by establishing a separate Audit Committee. An Audit Committee was established 15 October 2010. The Board has adopted an Audit Committee Charter.

##### **Recommendation 4.2:**

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chairman of the Board
- has at least three members.

##### **Notification of departure:**

Since 15 October 2010, the Audit Committee has consisted of Mr Grant Button (chairman), Mr Klaus Borowski and Mr Ted Droste. The Committee since 15 October 2010 has met the stipulations set out in recommendation 4.2.

##### **Recommendation 4.3:**

The Audit Committee should have a formal charter.

##### **Disclosure:**

The Company has adopted an Audit Committee Charter.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Corporate governance statement (continued)**

#### **Principle 4 – Safeguard integrity in financial reporting (continued)**

##### **Recommendation 4.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

##### **Disclosure:**

Details of each of the director's qualifications are set out in the Directors' Report.

All of the Audit Committee members consider themselves to be financially literate and have industry knowledge.

The Group has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Group's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

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#### **Principle 5 – Make timely and balanced disclosure**

##### **Recommendation 5.1:**

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

##### **Disclosure:**

The Group has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

##### **Recommendation 5.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

##### **Disclosure:**

Please refer to the section above marked Website Disclosures.

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#### **Principle 6 – Respect the rights of shareholders**

##### **Recommendation 6.1:**

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

##### **Disclosure:**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Corporate governance statement (continued)**

#### **Principle 6 – Respect the rights of shareholders (continued)**

##### **Recommendation 6.2:**

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

##### **Disclosure:**

Please refer to the section above marked Website Disclosures.

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#### **Principle 7 – Recognize and manage risk**

##### **Recommendation 7.1:**

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

##### **Disclosure:**

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the Policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the Policy, the Board delegates day-to-day management of risk to the Chief Executive Officer (or equivalent), who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer (or equivalent) is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer/Managing Director (or equivalent) may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Group's internal financial control systems and risk management systems. The Audit Committee reports any issues regarding the management of material business risks that it feels should be brought to the Board's attention.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval; and
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations;

The key categories of risk of the Company, as reported on by management, include:

- cash management (including interest rate);
- financial reporting;
- ASX reporting compliance;
- project/tenement ownership retention;
- equity/security price risk
- maintain joint venture partnerships.



## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Corporate governance statement (continued)**

#### **Principle 7 – Recognize and manage risk (continued)**

##### **Recommendation 7.2:**

The Board should require management to design and implement the risk management and internal control system to manage the Group's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Group's management of its material business risks.

##### **Disclosure:**

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

During the reporting period the Group had an informal risk management system in place, including the policies and systems referred to in the disclosure in relation to Recommendation 7.1. Although the system was not fully documented, management acting through the Chief Executive Officer, was able to form the view that management of its material business risks during the Reporting Period was effective. Refer to note 26 for a more detailed review of risk management.

##### **Recommendation 7.3:**

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

##### **Disclosure:**

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

##### **Recommendation 7.4:**

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

##### **Disclosure:**

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

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#### **Principle 8 – Remunerate fairly and responsibly**

##### **Recommendation 8.1:**

The Board should establish a Remuneration Committee.

##### **Notification of departure:**

The Company for part of the year did not have a separate Remuneration Committee.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Corporate governance statement (continued)**

#### **Principle 8 – Remunerate fairly and responsibly (continued)**

##### **Explanation for departure:**

The Board considered for the first part of the Reporting Period that no efficiencies or other benefits would be gained by establishing a separate Remuneration Committee. A Remuneration Committee was established 15 October 2010. The Board has adopted a Remuneration Committee Charter.

##### **Recommendation 8.2:**

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

##### **Disclosure:**

Non-executive directors are remunerated at market rates for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Given the Company's stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unquoted options to non-executive directors, subject to obtaining the relevant approvals. This policy is subject to annual review. All of the directors' option holdings are fully disclosed.

Pay and rewards for executive directors and senior executives consists of a base pay and benefits (such as superannuation) as well as long term incentives through participation in employee share and option plans. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

##### **Recommendation 8.3:**

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

##### **Disclosure:**

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Board has adopted a Remuneration Committee Charter.

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# Ferrum Crescent Limited

A.C.N. 097 532 137

## Consolidated Statement of Comprehensive Income For the period 1 July 2010 to 30 June 2011

	Note	2011 \$	2010 (i) \$
Revenue	3(a)	149,717	15,960
Other income	3(b)	1,265,242	5,378
<b>Revenue and other income</b>		<b>1,414,959</b>	<b>21,338</b>
Administration expenses	3(c)	(3,523,878)	(2,325,649)
Occupancy expenses		(173,271)	(106,055)
Loss on revaluation of financial liability	14	(1,623,385)	-
Exploration expenditure		(3,014,345)	(1,282,190)
Foreign exchange gain/(loss)		479,656	(118,821)
Share based payments	20	(1,701,530)	-
Goodwill on consolidation written off		-	(2,019,188)
Impairment of available for sale investments		-	(1,573,981)
<b>Loss before income tax</b>		<b>(8,141,794)</b>	<b>(7,404,546)</b>
Income tax benefit / (expense)	5	-	-
<b>Net loss after income tax</b>		<b>(8,141,794)</b>	<b>(7,404,546)</b>
<b>Other comprehensive income</b>			
Foreign currency translation gain		4,397	26,235
Net fair value gains on available for sale investments		665,242	-
Income tax on items of other comprehensive income		(199,573)	-
Release of unrealised gains reserve on disposal of available for sale investments (net of tax)		(465,669)	-
<b>Other comprehensive income (net of tax)</b>		<b>4,397</b>	<b>26,235</b>
<b>Total comprehensive loss for the period</b>		<b>(8,137,397)</b>	<b>(7,378,311)</b>
Loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(8,141,794)	(7,404,546)
		<b>(8,141,794)</b>	<b>(7,404,546)</b>
Total comprehensive loss for the period attributable to:			
Non-controlling interest		-	-
Owners of the parent		(8,137,397)	(7,378,311)
		<b>(8,137,397)</b>	<b>(7,378,311)</b>
<b>Loss per share attributable to the ordinary equity holders of the Company:</b>		<b>Cents</b>	<b>Cents</b>
Basic loss per share	8	(3.32)	(5.86)
Diluted loss per share		(3.32)	(5.86)

(i) For the period 1 March 2009 to 30 June 2010. Refer to note 2 (e) for further details.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**Ferrum Crescent Limited**

A.C.N. 097 532 137

**Consolidated Statement of Financial Position  
As at 30 June 2011**

		2011	2010
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	8,116,009	529,225
Receivables	10	283,725	141,790
Available-for-sale investments	11	-	909,678
Other financial assets		42,842	-
Prepayments		31,580	-
<b>Total current assets</b>		<b>8,474,156</b>	<b>1,580,693</b>
<b>Non-current assets</b>			
Plant and equipment	12	146,913	7,578
<b>Total non-current assets</b>		<b>146,913</b>	<b>7,578</b>
<b>Total assets</b>		<b>8,621,069</b>	<b>1,588,271</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	2,099,706	550,024
Financial Liability	14	8,416,623	-
Provisions	15	6,794	10,474
Loans and borrowings		50	11,246
<b>Total current liabilities</b>		<b>10,523,173</b>	<b>571,744</b>
<b>Total liabilities</b>		<b>10,523,173</b>	<b>571,744</b>
<b>NET ASSETS</b>		<b>(1,902,104)</b>	<b>1,016,527</b>
<b>Equity</b>			
Contributed equity	16	27,392,728	12,146,950
Accumulated losses	19	(20,517,734)	(12,375,940)
Reserves	18	(8,777,098)	1,245,517
<b>PARENT INTEREST</b>		<b>(1,902,104)</b>	<b>1,016,527</b>
NON-CONTROLLING INTEREST		-	-
<b>TOTAL EQUITY</b>		<b>(1,902,104)</b>	<b>1,016,527</b>

*This Statement of Financial Position is to be read in conjunction with the accompanying notes.*

**Ferrum Crescent Limited**

A.C.N. 097 532 137

**Consolidated Statement of Cash Flows  
For the period 1 July 2010 to 30 June 2011**

	2011	2010 (i)
Note	\$	\$
<b>Cash flows from operating activities</b>		
Interest received	149,608	15,960
Other	109	-
Proceeds from sale of tenements	600,000	-
Exploration expenditure	(3,177,214)	(1,079,582)
Payments to suppliers and employees	(2,668,257)	(1,857,090)
Net cash flows used in operating activities	25 (5,095,754)	(2,920,712)
<b>Cash flows from investing activities</b>		
Payments for / (purchase) of plant and equipment	(158,702)	(12,122)
Proceeds from disposal of available for sale investments	1,574,920	389,855
Cash acquired on acquisition of Ferrum Crescent Ltd	-	877,942
Payments for purchase of non-controlling interest	(3,237,830)	-
Net cash flows (used in) / provided by investing activities	(1,821,612)	1,255,675
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	16,688,656	2,260,098
Receipts / (payments) from unsecured loans	(11,196)	11,246
Costs associated with issue of shares	(1,952,783)	(127,645)
Net cash flows provided by financing activities	14,724,677	2,143,699
Net increase in cash and cash equivalents held	7,807,311	478,662
Impact of foreign exchange on cash held	(220,527)	-
Cash and cash equivalents at the beginning of the period	529,225	50,563
<b>Cash and cash equivalents at the end of the period</b>	9 <b>8,116,009</b>	529,225

(i) For the period 1 March 2009 to 30 June 2010. Refer to note 2 (e) for further details.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Ferrum Crescent Limited

A.C.N. 097 532 137

### Consolidated Statement of Changes in Equity For the period 1 July 2010 to 30 June 2011

	Issued capital \$	Accumulated losses \$	Share based payment reserve \$	Option reserve \$	Foreign exchange reserve \$	Equity reserve \$	Total equity \$
<b>At 1 March 2009</b>	3,387,875	(4,971,394)	-	1,136,062	83,220	-	(364,237)
Loss for the period	-	(7,404,546)	-	-	-	-	(7,404,546)
Other Comprehensive Income (net of tax)	-	-	-	-	26,235	-	26,235
<b>Total comprehensive loss (net of tax)</b>	-	(7,404,546)	-	-	26,235	-	(7,378,311)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued	8,940,886	-	-	-	-	-	8,940,886
Transaction costs on shares issued	(181,812)	-	-	-	-	-	(181,812)
<b>At 1 July 2010</b>	12,146,950	(12,375,940)	-	1,136,062	109,455	-	1,016,527
Loss for the period	-	(8,141,794)	-	-	-	-	(8,141,794)
Other Comprehensive Income (net of tax)	-	-	-	-	4,397	-	4,397
<b>Total comprehensive loss (net of tax)</b>	-	(8,141,794)	-	-	4,397	-	(8,137,397)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued during the year:							
Shares issued	16,619,411	-	-	-	-	-	16,619,411
Transaction costs on shares issued	(1,952,783)	-	-	-	-	-	(1,952,783)
Shares issued under employee share plan	579,150	-	(238,548)	-	-	-	340,602
Employee share plan loan repaid	-	-	69,245	-	-	-	69,245
Share based payment to locally impacted community	-	-	-	-	-	1,092,565	1,092,565
Options issued under employee option plan	-	-	-	268,363	-	-	268,363
Acquisition of non-controlling interest	-	-	-	-	-	(11,218,637)	(11,218,637)
<b>At 30 June 2011</b>	<b>27,392,728</b>	<b>(20,517,734)</b>	<b>(169,303)</b>	<b>1,404,425</b>	<b>113,852</b>	<b>(10,126,072)</b>	<b>(1,902,104)</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Notes to the financial statements (continued)**

#### **Note 1: Corporate information**

The consolidated financial report of Ferrum Crescent for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of directors on 8 September 2011.

Ferrum Crescent Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX) and the London Stock Exchange (AIM).

The nature of operations and principal activities of the Group are described in the directors' report.

#### **Note 2: Statement of significant accounting policies**

##### **(a) Basis of preparation**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for the consolidated entity consisting of Ferrum Crescent Limited and its subsidiaries.

The financial report has also been prepared on a historical cost basis, except for available-for-sale investments and derivative financial instruments which have been measured at fair value.

The financial report is presented in Australian dollars.

The company is a listed public company, incorporated in Australia and operating in Australia and South Africa. The entity's principal activities are mineral exploration.

##### **(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 that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

##### **(c) Adoption of new and revised standards**

The following amending Standards relevant to the operations of the Group have been adopted from 1 July 2010. Adoption of these Standards did not have any effect on the financial position or performance of the Group.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2], effective 1 January 2010;
- AASB 2009-10 Amendments to Australian Accounting standards – Classification of Rights Issues [AASB 132], effective 1 February 2010;
- AASB 2009-13 Amendments to Australian Accounting standards arising from Interpretation 19 [AASB 1] effective 1 July 2010;
- AASB 2010-3 Amendments to Australian Accounting standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132, AASB 139], effective 1 July 2010;
- Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments

## Ferrum Crescent Limited

A.C.N. 097 532 137

### Notes to the financial statements (continued)

#### Note 2: Statement of significant accounting policies (continued)

##### (c) Adoption of new and revised standards (continued)

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

##### (d) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 30 June 2011. These are outlined in the table below.

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12	<p>These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>This Standard shall be applied when AASB 9 is applied.</p>	1 January 2013	1 July 2013
AASB 9 Financial Instruments	Amendments to Australian Accounting Standard – Financial Instrument and its associated amending standards	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising gains and losses on them, on different bases.</p>	1 January 2013	1 July 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <p>(a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each;</p> <p>(b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and</p>	1 January 2011	1 July 2011



# Ferrum Crescent Limited

A.C.N. 097 532 137

## Notes to the financial statements (continued)

### Note 2: Statement of significant accounting policies (continued)

#### (d) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 124 (continued)		<p>(c) the definition now identifies that whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</p> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>		
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 1, AASB 7, AASB 101, AASB 134 and interpretation 13)	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards ( AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042)	<p>This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.</p> <p>These amendments have no major impact on the requirements of the amended pronouncements.</p>	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (AASB 1 & 6)	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. They require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	<p>The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows:</p> <p>The change attributable to changes in credit risk is presented in other comprehensive income.</p> <p>The remaining change is presented in profit or loss.</p> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2013	1 July 2013

# Ferrum Crescent Limited

A.C.N. 097 532 137

## Notes to the financial statements (continued)

### Note 2: Statement of significant accounting policies (continued)

#### (d) Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	<p>This Standard establishes a different financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments</p> <p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector that do not have public accountability (b) All not-for-profit private sector entities, Public sector entities other than the Australian Government and State, Territory and Local Governments.</p>	1 July 2013	1 July 2013
AASB 1054	Australian Additional Disclosures	<p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB</p> <p>This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits</p>	1 July 2011	1 July 2011
	Fair Value Measurement IFRS 13	<p>IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>IFRS 13 also expands the disclosure requirements for all assets and liabilities carried at fair value. This includes information about assumptions made and the qualitative impact of those assumptions on the fair value determined.</p>	1 January 2013	1 July 2013

**Notes to the financial statements (continued)**

**Note 2: Statement of significant accounting policies (continued)**

(d) **Accounting Standards and Interpretations issued but not yet effective (continued)**

Reference	Title	Summary of change	Application date of standard	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities.  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangement Standards	Consequential amendments to AASB 127 Separate Financial Statements and AASB 128 Investments in Associates as a result of the adoption of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements and AASB 12 Disclosure of Interests in Other Entities.	1 January 2013	1 July 2013

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Group.

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(e) Basis of consolidation**

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, 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. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting (refer Note 27)

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of Ferrum Crescent Limited.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Where appropriate prior year disclosures have been reclassified for consistency with current year classifications. The re-classification has not impacted the net profit / (loss) for the prior year.

##### **(f) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Binomial model, using the assumptions detailed in Note 20.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 2: Statement of significant accounting policies (continued)

##### (f) Critical accounting estimates and judgements (continued)

###### *Forward subscription agreement*

During the year the Group entered into a forward subscription agreement as set out in Note 14. This agreement requires the Company to issue a variable number of shares in exchange for ZAR 15 million. The assumptions used in this estimation are discussed in Note 26.

###### *Impairment of available-for-sale financial assets*

The Group follows the guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

###### *Derivatives and forward subscription agreements*

Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes in its fair value are recognised immediately in profit or loss.

##### (g) Comparatives

On 30 November 2009, Ferrum Crescent Limited (formerly Washington Resources Ltd) ("FCR") completed the legal acquisition of Ferrum Metals Limited (formerly Ferrum Crescent Limited) ("FML"). Under the terms of AASB 3 Business Combinations (Revised), FCR was deemed to be the accounting acquirer in the business combination. The transaction was therefore been accounted for as a reverse acquisition.

Accordingly, the consolidated financial statements of the FCR group have been prepared as a continuation of the business and operations of FML. FML, as the deemed acquirer, has accounted for the acquisition of the FCR from 30 November 2009.

The implications of the application of AASB 3 on each of the attached comparative financial statements are as follows:

###### *Statement of Comprehensive Income*

- The comparative 2010 Statement of Comprehensive Income comprises 16 months of FML and 7 months of FCR to 30 June 2010.

###### *Statement of Financial Position*

- The comparative 30 June 2010 Statements of Financial Position represent the combination of FCR and FML.

###### *Statement of Changes in Equity*

- The comparative 2010 Statement of Changes in Equity comprises:
- The equity balance of FML at the beginning of the period (1 March 2009).
- The total comprehensive income for the period and transactions with equity holders, being 16 months of FML and 7 months of FCR, ended 30 June 2010.
- The equity balance of the combined FML and FCR at the end of the period (30 June 2010).

###### *Statement of Cash Flows*

- The comparative 2010 Statement of Cash Flows comprises:
- The cash balance of FML at the beginning of the period (1 March 2009).
- The transactions for the period, being 16 months of FML and 7 months of FCR, ended 30 June 2010.
- The cash balance of the combined FML and FCR at the end of the period (30 June 2010).

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

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(h) Going concern and BEE transaction**

The Group incurred an operating loss after income tax of \$8,146,191 for the year ended 30 June 2011. In addition, the Group has net current liabilities of \$2,049,017 as at 30 June 2011 and negative shareholders' equity of \$1,902,104.

During the year, various agreements were entered into in respect of the minority interest in the Moonlight project. Further details of the agreements entered are provided in Note 13.

Under the Subscription Agreement, the Company has agreed to issue shares to AmaMato equal to 15.6% of the post issued share capital of the company for ZAR15 million. This agreement is expected to be fulfilled within 12 months of balance date, upon meeting the conditions precedent as set out in the agreement. In accordance with Australian Accounting Standards, the Group has recognised a current liability of \$8,416,623, representing the fair value of this forward subscription agreement. Further details of which are provided in Note 14.

The recognition of this forward subscription agreement has the impact of the Group holding a net current liability and negative shareholders' equity position as at 30 June 2011. As this amount will be settled in shares of the Company and not in cash, the Directors believe the adoption of the going concern basis is justified.

Notwithstanding the above, the ability of the Group to continue as a going concern and pay its debts as and when they fall due is dependent on the successful development of existing projects, reduction in expenditure commitments and / or the sourcing of additional funds.

The directors are currently evaluating the various options and sources of funding and, again, on this basis believe the adoption of the going concern basis is justified. However should the sources of funding not become available, the Group may not be able to pay its debts as and when they fall due and may be required to realise assets and extinguish liabilities, other than in the normal course of business and at amounts different from those stated in the financial statements. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

##### **(i) Foreign Currency Translation**

Both the functional and presentation currency of the Company and its Australian controlled entity is Australian dollars (A\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of the foreign operations is South African Rand (ZAR) and United States dollars (US).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the parent Company's financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the balance date and their statements of comprehensive income are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

## **Ferrum Crescent Limited**

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(j) Exploration and evaluation expenditure**

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

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

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

##### **(k) Plant & equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Plant and equipment – over 2 to 15 years

##### *Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication exists of impairment and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

##### *Impairment (continued)*

The recoverable amount of plant and equipment is the greater 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.

##### *Derecognition*

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognized.

##### **(l) Income tax**

Current tax assets and liabilities for the current period and prior periods are measured at amounts expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used for computations are enacted or substantively enacted by the balance date.

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

## **Ferrum Crescent Limited**

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(l) Income tax (continued)**

Deferred income tax liabilities are recognized for all taxable temporary differences except:

- where the deferred income tax liability arises from the initial recognition of goodwill 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.
- Where 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 recognized for all deductible temporary differences, carry-forward of unused tax credits 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 assets and unused tax losses can be utilized except:

- where 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.
- where the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax assets is only recognized 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 utilized.

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

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

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

Income taxes relating to items recognised directly in equity are recognized in equity and not in the statement of comprehensive income.

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.

##### **(m) GST/VAT**

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

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.



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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(m) GST / VAT (continued)**

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT 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/VAT recoverable from, or payable to, the taxation authority.

##### **(n) Provisions and employee benefits**

Provisions are recognized when the Company 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.

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognized in finance costs.

###### *Employee leave benefits*

##### **i. Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognized in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognized when the leave is taken and measured at the rates paid or payable.

##### **ii. Long service leave**

The liability for long service leave is recognized and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

##### **(o) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

##### **(p) Receivables**

Receivables, which generally have 30-90 day terms, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, less an allowance for any uncollectible amounts.

## **Ferrum Crescent Limited**

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(p) Receivables (continued)**

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Company will not be able to collect the debt.

##### **(q) Revenue recognition**

Revenue is recognized and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

###### *Interest Revenue*

Revenue is recognized as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

##### **(r) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

##### **(s) Trade and other payables**

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

##### **(t) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the Company 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 is calculated as net profit attributable to members of the Company adjusted for:

- costs of servicing equity (other than dividends),
  - the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses; and
  - other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

##### **(u) Investments and other financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

## **Ferrum Crescent Limited**

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(u) Investments and other financial assets (continued)**

###### *(i) Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in profit or loss.

During the year the Group entered into a forward subscription agreement as set out in Note 14. This forward subscription agreement is treated as a derivative financial instrument, as its value changes in response to the Company's share price. Derivatives are recognised initially at fair value, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value and changes in its fair value are recognised immediately in profit or loss.

###### *(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognized amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in profit and loss when the investment are derecognized or impaired, as well as through the amortisation process.

###### *(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognised in profit and loss when the loans and receivables are derecognized or impaired, as well as through the amortisation process.

###### *(iv) Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognized in profit and loss.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

##### **(v) Impairment of financial assets**

The Company assesses at each balance date whether a financial asset or group of financial assets is impaired.

###### *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in profit and loss, is transferred from equity to the statement of comprehensive income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses for debt instruments are reversed through profit and loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

## **Ferrum Crescent Limited**

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(w) Share-based payment transactions**

The Company provides benefits to its employees (including key management personnel) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- the Employee Share Option Plan, which provides benefits to directors, employees and consultants; and
- the Employee Share Loan Plan, which provides benefits to directors, employees and consultants.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Binomial model, further details of which are given in Note 20.

In valuing equity-settled transactions, no account is taken to any vesting conditions, other than conditions linked to the price of the shares of the Company if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity on the date the equity right is granted. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

If the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share based arrangement, or is otherwise beneficial to the employee, as measured at the date of modification

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 20).

##### **(x) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expense.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions the Group's operating and accounting policies and other pertinent condition as at the acquisition date. This includes the separation of the embedded derivatives in those contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in the profit or loss as a change to other comprehensive income. If contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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### **Notes to the financial statements (continued)**

#### **Note 2: Statement of significant accounting policies (continued)**

##### **(y) Leases**

The determination on whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased term, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are cognised in finance costs in the profit or loss.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

##### **(z) Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowing.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 3: Revenue and expenses

##### Revenue and Expenses from Continuing Operations

	2011	2010
Note	\$	\$
<b>(a) Revenue</b>		
Finance revenue:		
Interest received	149,608	15,960
Other	109	-
	<u>149,717</u>	<u>15,960</u>
<b>(b) Other income</b>		
Sale of available-for-sale investments (i)	665,242	5,378
Sale of tenements (ii)	600,000	-
	<u>1,265,242</u>	<u>5,378</u>
<b>(c) profit and loss</b>		
Other expenses include the following:		
Depreciation	17,585	6,911
Disposal of plant and equipment	2,240	-
Bad debt expenses	-	23,440
Consulting services	541,659	829,679
Employment related		
- Directors fees	380,949	352,916
- Wages	482,529	241,012
- Superannuation	27,715	18,136
Corporate	733,367	515,231
Travel	518,275	194,293
Other	819,559	144,031
	<u>3,523,878</u>	<u>2,325,649</u>

- (b) (i) During the year Ferrum Crescent Limited entered into and completed an agreement with Northern Uranium Limited ("Northern") (ASX: NTU) to dispose all of its Australian minerals exploration interests for a cash sum of \$600,000. The offer from Northern was subject to both due diligence on the Company's tenement interests and the consent where relevant of joint venturers. Due diligence was concluded favourably, and a pre-emptive right was exercised, with the result that the Group's Australian exploration assets were all sold during the half-year.

The sale of these Australian exploration interests has enabled the Company and its management to focus on developing its iron ore interests in Southern Africa and in particular to concentrate on progressing Moonlight Iron Ore Project and finalising the mining right application process in respect of the Moonlight Deposit.

(ii) In August and September 2010, the Group disposed of its interest in 12,460,071 shares and 1,873,667 options held in Northern Uranium for \$1,574,920. These financial assets were designated as available for sale, with all prior gains on such investments taken to equity. The fair value change of the financial assets of \$665,242 from 1 July 2010 to the date of sale was taken to the available for sale reserve. The above amount represents the release of the unrealised gains reserve upon sale (gross of tax).

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 4: Segment information

##### Identification of Reportable Segments

The Group has based its operating segment on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The Group currently does not have production and is only involved in exploration. As a consequence, activities in the operating segment are identified by management based on the manner in which resources are allocated, the nature of the resources provided and the identity of the manager and country of expenditure. Information is reviewed on a whole of entity basis.

Based on these criteria the Group has only one operating segment, being exploration, and the segment operations and results are reported internally based on the accounting policies as described in Note 2 for the computation of the group's results presented in this set of financial statements.

#### Note 5: Income tax

	2011	2010
	\$	\$
Reconciliation of income tax expense/(income) to the pre-tax net loss		
Loss before income tax	(8,141,794)	(7,404,545)
Income tax calculated at 30% on loss before income tax	(2,442,538)	(2,221,363)
Add tax effect of: non-deductible expenses	815,022	174,303
Share issue costs	(131,780)	-
Capital losses	-	499,734
Prior year adjustment to deferred tax assets	284,091	-
Unused tax losses and temporary differences not brought to account	1,475,205	1,547,326
Income tax expense/(income)	-	-

##### Unrecognised deferred tax balances

###### *Deferred tax liabilities*

Assessable temporary differences

Plant & Equipment

	-	(756)
--	---	-------

Deferred tax liabilities offset by deferred tax assets

	-	756
--	---	-----

Net deferred tax liabilities

	-	-
--	---	---

###### *Deferred tax assets*

Accrued expenses

	5,781	9,000
--	-------	-------

Provisions

	611	3,142
--	-----	-------

Capital raising costs

	-	57,600
--	---	--------

Unused tax losses

	3,816,709	2,278,910
--	-----------	-----------

Total unrecognised deferred tax assets

	3,823,101	2,348,652
--	-----------	-----------

Deferred tax assets offset by deferred tax liabilities

	-	756
--	---	-----

Deferred tax assets offset by deferred tax liabilities

	-	(756)
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Net deferred tax assets

	-	-
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**Ferrum Crescent Limited**

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**Notes to the financial statements (continued)****Note 6: Directors' and executives' remuneration****(a) Compensation of Key Management Personnel**

	2011	2010
	\$	\$
Short-term employee benefits	<b>1,211,232</b>	584,569
Post-employment benefits	<b>27,715</b>	17,237
Other long-term benefits	-	-
Termination benefits	<b>142,234</b>	-
Share-based payment	<b>532,111</b>	-
	<b>1,913,292</b>	601,806



# Ferrum Crescent Limited

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## Notes to the financial statements (continued)

### Note 6: Directors' and executives' remuneration

#### (b) Share and option holdings

2011	Shares				Options					
	Balance	Received as	On Exercise	Net Change	Balance	Balance	Received as	Options	Net Change	Balance
	1-July-2010	Remuneration	of Options	Other (i)	30-Jun-11	1-July-2010	Remuneration	Expired	Other (i)	30-Jun-11
<b>Directors</b>										
Ed Nealon	500,000	600,000*	-	45,000	1,145,000	450,000	-	-	(450,000)	-
Klaus Borowski	-	-	-	-	-	-	500,000	-	-	500,000
Scott Huntly	4,447,007	-	-	887,001	5,334,008	-	600,000	-	-	600,000
Fanie Botha	-	-	-	-	-	-	500,000	-	-	500,000
Matodzi Nesongozwi	17,152,142	-	-	(17,152,142)	-	12,100,000	-	-	(12,100,000)	-
Adrian Griffin	4,579,136	-	-	99,504	4,678,640	995,038	-	-	(995,038)	-
Kofi Morna	-	-	-	-	-	-	500,000	-	-	500,000
Ted Droste	-	-	-	-	-	-	500,000	-	-	500,000
Grant Button	900,000	500,000*	-	36,000	1,436,000	360,000	-	-	(360,000)	-
Robert Hair	3,534,760	500,000*	-	630,550	4,665,310	1,405,500	-	-	(1,405,000)	-
<b>Executives</b>										
Lindsay Cahill	2,568,378	350,000*	-	(2,039,439)	878,939	-	-	-	-	-
Andrew Nealon	275,975	200,000*	-	168,438	644,413	-	-	-	-	-
Robert Van Der Laan	1,304,410	350,000*	-	243,528	1,897,938	-	-	-	50,000	50,000
Vernon Harvey	-	-	-	-	-	-	-	-	-	-

\*Issued under the employee share plan

- (i) Net change other includes:
- acquisitions and disposals on market
  - issue in settlement of fees
  - subscribed in share issue
  - subscription for options
  - sales / transfers
  - appointment / resignation as director
  - exchange of options for shares

# Ferrum Crescent Limited

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## Notes to the financial statements (continued)

### Note 6: Directors' and executives' remuneration

#### (b) Share and option holdings (continued)

2010	Shares				Options					
	Balance	Received as	On Exercise	Net Change	Balance	Balance	Received as	Options	Net Change	Balance
	1-July-2009	Remuneration	of Options	Other (i)	30-Jun-10	1-July-2009	Remuneration	Expired	Other (ii)	30-Jun-10
<b>Directors</b>										
Ed Nealon (iii)	-	-	-	500,000	500,000	-	-	-	450,000	450,000
Scott Huntly	250,000	-	-	4,197,007	4,447,007	-	-	(400,000)	400,000	-
Matodzi Nesongozwi (iv)	13,250,000	-	-	3,902,142	17,152,142	12,500,000	-	-	(400,000)	12,100,000
Grant Button (v)	-	-	-	900,000	900,000	-	-	-	360,000	360,000
Mark Burchnall	-	-	-	500,000	500,000	-	-	-	-	-
Gino D'Anna	-	-	-	-	-	-	-	-	-	-
Adrian Griffin	956,203	-	-	3,622,933	4,579,136	-	-	-	995,038	995,038
Richard Jarvis	-	-	-	250,000	250,000	-	-	-	-	-
Philip Kirchlechner	1,183,333	-	-	551,297	1,734,630	-	-	-	-	-
Zola Skweyiya	-	-	-	1,200,000	1,200,000	-	-	-	-	-
Melissa Sturgess	-	-	-	512,600	512,600	-	-	-	11,340	11,340
Matthew Sutcliffe	-	-	-	-	-	-	-	-	-	-
Glenn Whiddon	-	-	-	-	-	-	-	-	-	-
<b>Executives</b>										
Lindsay Cahill (vi)	1,979,273	-	-	589,105	2,568,378	-	-	-	-	-
Robert Hair (vii)	2,187,500	-	-	1,347,260	3,534,760	-	-	-	-	-
Andrew Nealon (viii)	-	-	-	275,975	275,975	-	-	-	-	-
Robert Van Der Laan(ix)	1,006,800	-	-	297,610	1,304,410	-	-	-	-	-
Michael Langoulant	-	-	-	50,000	50,000	-	-	-	-	-

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 6: Directors' and executives' remuneration (continued)

##### (b) Share and option holdings (continued)

- (i) Net change other includes:
- the conversion of Ferrum Metal Shares to Ferrum Crescent Shares at the ratio of 10 for 12
  - acquisitions and disposals on market
  - existing Ferrum Crescent (Washington Resources) shares at date of business combination
  - issue in settlement of fees
  - subscribed in share issue
  - appointment / resignation as director
  - exchange of options for shares
- (ii) Net change other includes:
- subscription for options
  - sales / transfers
- (iii) Balance of 545,000 shares and nil options as at 30 June 2010
- (iv) No shares or options as at 30 June 2010
- (v) Balance of 936,000 shares and no options as at 30 June 2010
- (vi) Balance of 2,110,202 shares and nil options as at 30 June 2010
- (vii) Balance of 3,676,210 shares and nil options as at 30 June 2010
- (viii) Balance of 400,813 shares and nil options as at 30 June 2010
- (ix) Balance of 762,205 shares and nil options as at 30 June 2010

##### (c) Number of employee shares (with non-recourse loans) held by directors and executives:

2011

Directors	Balance 1-July-10	Received as Remuneration	Options Exercised	Net Change Other	Balance 30-Jun-11
Ed Nealon	500,000	600,000	-	-	1,100,000
Scott Huntly	-	-	-	-	-
Matodzi Nesongozwi	-	-	-	-	-
Adrian Griffin	750,000	-	-	-	750,000
Kofi Morna	-	-	-	-	-
Ted Droste	-	-	-	-	-
Grant Button	400,000	500,000	-	-	900,000
<b>Executives</b>					
Lindsay Cahill	100,000	350,000	-	-	450,000
Robert Hair	500,000	500,000	-	-	1,000,000
Andrew Nealon	40,000	200,000	-	-	240,000
Robert Van Der Laan	-	350,000	-	-	350,000
Vernon Harvey	-	-	-	-	-

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 6: Directors' and executives' remuneration (continued)

##### (c) Number of employee shares (with non-recourse loans) held by directors and executives:

##### 2010

Directors	Balance 1-July-09	Received as Remuneration	Options Exercised	Net Change Other (i)	Balance 30-Jun-10
Ed Nealon	-	-	-	500,000	500,000
Scott Huntly	-	-	-	-	-
Matodzi Nesongozwi	-	-	-	-	-
Grant Button	-	-	-	400,000	400,000
Mark Burchnall	-	-	-	500,000	500,000
Gino D'Anna	-	-	-	-	-
Adrian Griffin	-	-	-	750,000	750,000
Richard Jarvis	-	-	-	250,000	250,000
Philip Kirchlechner	-	-	-	-	-
Zola Skweyiya	-	-	-	-	-
Melissa Sturgess	-	-	-	500,000	500,000
Matthew Sutcliffe	-	-	-	-	-
Glenn Whiddon	-	-	-	-	-
<b>Executives</b>					
Lindsay Cahill	-	-	-	100,000	100,000
Robert Hair	-	-	-	500,000	500,000
Andrew Nealon	-	-	-	40,000	40,000
Robert Van Der Laan	-	-	-	-	-
Michael Langoulant	-	-	-	-	-

(i) Net change other includes existing Ferrum Crescent (Washington) Resources shares at date of business combination

#### Note 7: Auditor's remuneration

	2011 \$	2010 \$
Remuneration of the auditor of the Company for:		
-auditing or reviewing the financial report		
Ernst & Young Australia	90,211	68,770
Ernst & Young South Africa	43,000	
L.A Gambale	4,062	-
-other services		-
Ernst & Young Australia	13,390	10,300
L.A Gambale	32,845	-

#### Note 8: Earnings per share

	2011 \$	2010 \$
Basic loss per share (cents per share)	(3.32)	(5.86)
Net loss	(8,141,794)	(7,404,546)
Loss used in calculating basic loss per share	(8,141,794)	(7,404,546)
	Number	Number
Weighted average number of ordinary shares used in the calculation of basic and diluted (loss)/earnings per share	245,275,224	126,346,059

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 8: Earnings per share (continued)

During the period there were no listed options that were exercised.

These options are not considered dilutive for the purpose of the calculation of diluted earnings/loss per share as their conversion to ordinary shares would decrease the net loss from continuing operations per share. Consequently, diluted earnings/loss per share is the same as basic earnings per share.

There have been no transactions involving ordinary shares or potential shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

#### Note 9: Cash and cash equivalents

	2011	2010
	\$	\$
Cash at bank	<u>8,116,009</u>	<u>529,225</u>

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:

Cash at bank	<u>8,116,009</u>	<u>529,225</u>
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#### Note 10: Receivables

	2011	2010
	\$	\$
<b>Current</b>		
Sundry debtors	2,923	141,790
GST / Vat	<u>280,802</u>	-
	<u>283,725</u>	<u>141,790</u>

- (i) Non-trade debtors are non-interest bearing and are generally on 30-90 days terms. The carrying amounts of these receivables represent fair value and are not considered to be impaired.

#### Note 11: Available-for-sale investments

	2011	2010
	\$	\$
<i>At fair value</i>		
Shares in listed companies	<u>-</u>	<u>909,678</u>

#### Listed Shares

In August and September 2010, the Group disposed of its interest in 12,460,071 shares and 1,873,667 options held in Northern Uranium for \$1,574,920. These financial assets were designated as available for sale, with all prior gains on such investments taken to equity. The fair value change of the financial assets of \$665,242 from 1 July 2010 to the date of sale was taken to the available for sale reserve.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 12: Plant and equipment

	Furniture, fittings and equipment	Motor vehicles	Leasehold improvements	Total
	\$	\$	\$	\$
<b>Year ended 30 June 2010</b>				
Opening net carrying value	2,367	-	-	2,367
Additions	12,122	-	-	12,122
Depreciation charge for the year	(6,911)	-	-	(6,911)
Closing net carrying amount	<u>7,578</u>	<u>-</u>	<u>-</u>	<u>7,578</u>
<b>At 30 June 2010</b>				
Cost	9,482	-	-	9,482
Accumulated depreciation	(1,904)	-	-	(1,904)
Net carrying value	<u>7,578</u>	<u>-</u>	<u>-</u>	<u>7,578</u>
<b>Year ended 30 June 2011</b>				
Opening net carrying value	7,578	-	-	7,578
Additions	41,826	100,449	24,391	166,666
Disposals	(2,891)	-	-	(2,891)
Depreciation charge for the year	(9,183)	(8,402)	-	(17,585)
Exchange differences	(2,110)	(3,751)	(994)	(6,855)
Closing net carrying amount	<u>35,220</u>	<u>88,296</u>	<u>23,397</u>	<u>146,913</u>
<b>At 30 June 2011</b>				
Cost	46,191	96,356	23,397	165,944
Accumulated depreciation	(10,971)	(8,060)	-	(19,031)
Net carrying value	<u>35,220</u>	<u>88,296</u>	<u>23,397</u>	<u>146,913</u>

#### Note 13: Trade and other payables

	2011	2010
	\$	\$
<b>Current</b>		
Unsecured liabilities		
Trade payables and other payables (i)	1,063,206	540,024
Unsecured loan (ii)	-	10,000
Minority interest obligation (iii)	1,036,500	-
	<u>2,099,706</u>	<u>550,024</u>

(i) Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

(ii) Unsecured loan is interest free and has no defined terms of repayment.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 13: Trade and other payables (continued)

- (iii) During the year, various agreements were entered into in respect of the minority interest in the Moonlight Iron Project.

A company, Mkhombi Investments (Pty) Ltd (“Mkhombi Investments”), which meets the requirements of applicable South African legislation in respect of historically disadvantaged persons (referred to in South Africa as being “BEE controlled”), entered into an agreement on 26 October 2010 with the then current holder of 26% of Turquoise Moon Trading 157 (Pty) Ltd (“TMT”) to purchase that holder’s right, title and interest in TMT for ZAR30 million (approximately AUD4.4 million) (“TMT Sale Agreement”). The South African Department of Mineral Resources expressed its support of the transaction.

Nelesco 684 (Pty) Ltd (“Nelesco”), a wholly owned subsidiary of the Company, entered into agreements with Mkhombi Investments and its holding company, Mkhombi AmaMato (Pty) Ltd (“AmaMato”), the terms of which provide for the following to take place:

- a) Nelesco would be issued shares in Mkhombi Investments such that it holds an initial 32.17% interest in Mkhombi Investments, with the remaining 67.83% held by AmaMato;
- b) AmaMato would lend the sum of ZAR 7.5 million to Mkhombi Investments, to be applied as part of the purchase price under the TMT Sale Agreement. The advance, which has been made as at 31 December 2010, does not attract interest and is only repayable in certain circumstances (namely, the failure of the conditions precedent set out in the Subscription Agreement, as defined below);
- c) Nelesco would lend the sum of ZAR 22.5 million to Mkhombi, to be applied as paying the balance of the purchase price under the TMT Sale Agreement. The advance, which has been made as at 31 December 2010, does not attract interest and is repayable in certain circumstances (namely, the failure of the conditions precedent set out in the Subscription Agreement, as defined below);
- d) Mkhombi Investments would issue shares and/ or Nelesco will transfer some of its shares in Mkhombi Investments so that 11.54% of Mkhombi Investment’s shares on issue are held by a trust representing the locally impacted community, with the resulting shareholdings being AmaMato 60%, Nelesco 28.46%, and the locally impacted community 11.54%; and
- e) AmaMato will, subject to the conditions precedent to the Subscription Agreement, as defined below, sell its entire right, title and interest in, and all of its claims against, Mkhombi Investments to Nelesco for ZAR 7.5 million (A\$1,036,500).

A subscription agreement was entered into between the Company and AmaMato on 4 November 2010 (the “Subscription Agreement”). On completion of the Subscription Agreement (subject to the fulfilment of the conditions precedent to that agreement), AmaMato will subscribe for such number of shares in the Company as is equal to 7.8% of the issued shares at that time (the “First Subscription”). The price payable for the subscription for the Shares under the First Subscription will be ZAR 7.5 million.

AmaMato will also, on or before the later of (i) the date falling 10 business days after the Closing Date (as defined in the Subscription Agreement) and (ii) 30 November 2011 (the “Subscription Period”), which period will be extended by the Company for a period of 1 year in the event that it raises not less than ZAR7.5 million in 2011, subscribe for a further 7.8% of the issued shares of the Company (calculated by reference to the issued share capital of the Company at the time of the First Subscription adjusted for any subsequent share splits, consolidations or bonus capitalisations) for a further ZAR 7.5 million.

The conditions precedent to the Subscription Agreement which must be fulfilled by 21 December 2011, include no insolvency event occurring, the granting of a mining right in respect of the Project, necessary South African Reserve Bank approvals and shareholder and other approvals required under the Corporations Act and the AIM/ASX listing rules, including shareholder approval.

In the event that the conditions precedent to the Subscription Agreement are not fulfilled by 21 December 2011, then AmaMato will have the right, for 60 days, to require Nelesco to purchase all of AmaMato’s rights, title and interest in, and all its claims against, Mkhombi Investments for the price of ZAR 12.5 million.

Kofi Morna, a Director of the Company, is also a director of AmaMato and of Mkhombi Investments. He became a Director of the Company during the period for the purposes of the above transaction. He holds a indirect non-controlling interest in AmaMato.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 13: Trade and other payables (continued)

Upon completion of the Subscription Agreement, the Company will legally own directly and indirectly through its wholly owned subsidiary, Mkhombi Investments, 97% of TMT, with the remaining 3% held by the GaSeleka Community. AmaMato will own 15.6% of the Group.

In the opinion of the Directors, the conditions precedent to the Subscription Agreement are essentially procedural in nature, following the completion of the Company's capital raising of 10 million pounds Sterling ("GBP") (equal to approximately AUD 16 million) before expenses, completed on 16 December 2010. As such, while the Company's legal interest in the Moonlight Iron Ore Project increased from 74% to approximately 81.5%, the Directors hold an effective interest in the underlying project of 97% as at 31 December 2010 as a result of the minority purchase obligation.

#### Note 14: Financial liability

	2011	2010
	\$	\$
<b>Current</b>		
Financial liability at fair value through profit and loss – forward subscription agreement	8,416,623	-
	<b>8,416,623</b>	<b>-</b>

The above liability will be settled in the company's shares and not in cash.

As described above, in the opinion of the Directors, the remaining procedural conditions precedent under the Subscription agreement will be fulfilled within one year from balance date. Under the Subscription Agreement, the Company has agreed to issue shares to AmaMato equal to 15.6% of the issued share capital of the Company for ZAR15 million. The above financial liability, measured at fair value through profit and loss, represents the Company's best estimate of the fair value of this contractual arrangement. Refer to Note 26 for the Group's exposure to equity price risk on this amount. The loss on revaluation of the financial liability during the period amounts to \$1,623,385 which has been recognised through the profit and loss.

#### Note 15: Provisions

	2011	2010
	\$	\$
Employee benefits	6,794	10,474

#### Note 16: Issued Capital

	2011	2010	2011	2010
	No. of shares	No. of shares	\$	\$
<b>(a) Share Capital</b>				
<b>Ordinary Shares</b>				
Ordinary shares fully paid	298,691,705	177,754,699	27,392,728	12,146,950
Employee share plan shares	(6,445,000)	(3,870,000)	(509,905)	-
	<b>292,246,705</b>	<b>173,884,699</b>	<b>26,882,823</b>	<b>12,146,950</b>

#### Capital management

When managing capital (which is defined as the Company's total equity), management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. As the equity market is constantly changing management may issue new shares to provide for future exploration and development activity. The Company is not subject to any externally imposed capital requirements.



## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 16: Issued Capital (continued)

##### (b) Movements in ordinary share capital

Date	Details	Number of shares	\$
1 July 2010	Opening balance	177,754,699	12,146,950
8 July 2010	Issued shares resulting from 1:10 exchange of listed options	8,012,006	-
7 October 2010	Issued at 12 cents per share	10,000,000	1,200,000
30 November 2010	Issue of treasury shares with non-recourse loans	2,925,000	579,150
15 December 2010	Issued at 16 cents per share	100,000,000	15,419,411
	Costs associated with share issues	-	(1,952,783)
	<b>End of the financial period</b>	<b>298,691,705</b>	<b>27,392,728</b>
	- Employee share plan shares on issue	(6,445,000)	(509,905)
		<b>292,246,705</b>	<b>26,882,823</b>

If, any time during the exercise period, an employee ceases to be the employee, all share options held by that employee will lapse one month after the employment end date. Therefore above employee shares are recognised in issued capital when issued to the employees.

##### (c) Movements in employee share plan shares issued with limited recourse employee loans

Date	Details	Number of shares	\$
1 July 2010	Opening balance	3,870,000	-
	Issued during the year	2,925,000	579,150
	Employee shares sold during the year & repayment of loan	(350,000)	(69,245)
	<b>On issue at end of year</b>	<b>6,445,000</b>	<b>(509,905)</b>

This account is used to record the value of shares issued under the Executive Share Incentive Plan (ESIP). The ESIP is accounted for as an "in-substance" option plan due to the limited recourse nature of the loan between employees and the Company to finance the purchase of ordinary shares. The total fair value of the "in substance" options issued under the plan is recognised as a share-based payment expense over the vesting period, with a corresponding increase in equity. Information on the valuation of shares issued under the ESIP during the period is disclosed in Note 20.

#### Note 17: Listed Options

	2011 No of Options	2010 No of Options
Options		
At year end the following options were on issue:		
- 31 December 2013 Options exercisable at 40 cents per share	<b>21,496,727</b>	101,616,729

##### Movements in 31 December 2013 Options

Beginning of the financial year	<b>101,616,729</b>	52,187,500
Options issued during the year	-	49,429,229
Options cancelled during the year	<b>(80,120,002)</b>	-
End of the financial year	<b>21,496,727</b>	101,616,729

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 18: Reserves

	Share based payment reserve	Option Reserve	Foreign exchange reserve	Equity reserve	Total
	\$	\$	\$	\$	\$
<b>At 1 March 2009</b>	-	1,136,062	83,220	-	1,219,282
Foreign currency translation	-	-	26,235	-	26,235
<b>At 30 June 2010</b>	-	<b>1,136,062</b>	<b>109,455</b>	-	<b>1,245,517</b>
Share based payments expense	340,602	-	-	-	340,602
Share based payments transferred to issued capital	(579,150)	-	-	-	(579,150)
Repayment of employee loans	69,245	-	-	-	69,245
Options based payments expense	-	268,363	-	-	268,363
Currency translation differences	-	-	4,397	-	4,397
Acquisition of non controlling interest	-	-	-	(11,218,637)	(11,218,637)
Share based payment to locally impacted community	-	-	-	1,092,565	1,092,565
<b>At 30 June 2011</b>	<b>(169,303)</b>	<b>1,404,425</b>	<b>113,852</b>	<b>(10,126,072)</b>	<b>(8,777,098)</b>

#### Nature and purpose of reserves

##### *Share based payments reserve*

This reserve is used to record the value of equity benefits provided to employees, consultants and directors as part of their remuneration.

##### *Options reserve*

This reserve is used to record the value of options issued, other than share-based payments to directors, employees and consultants as part of their remuneration.

##### *Foreign Currency Translation Reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

##### *Equity Reserve*

The Equity reserve is used to record the acquisition of the non controlling interest by the Group and to record differences between the carrying value of non controlling interests and the consideration paid / received, where there has been a transaction involving non controlling interests that do not result in a loss of control. The reserve is attributable to the equity of the parent.

#### Note 19: Accumulated losses

	2011 \$	2010 \$
Accumulated losses at the beginning of the financial year	<b>(12,375,940)</b>	(4,971,394)
Net loss for the reporting period	<b>(8,141,794)</b>	(7,404,546)
Accumulated losses at the end of the financial year	<b>(20,517,734)</b>	(12,375,940)

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### 20 Share Based Payments

##### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2011	2010
	\$	\$
Options issued in consideration for services (i)	268,363	-
Amounts expended for shares issued under the Company's Executive Share Incentive Plan (ii)	340,602	-
Share based payment - in respect of Moonlight Iron Ore Project (refer note 13)	1,092,565	-
	<u>1,701,530</u>	<u>-</u>

##### (i) Options issued in consideration for services

On 30 November 2010, the Company issued 2,950,000 options with an exercise price of 19.80 cents to employees as approved by then shareholders meeting held on 30 November 2010. There are no voting rights attached to the options and they may be exercised from 7 December 2011.

##### Fair value of options granted

The fair value at grant date of options issued is determined using a Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The table below summarises the model inputs (post consolidation) for options granted during the period year ended 30 June 2011:

Options granted for no consideration	2,950,000
Exercise price (AUD cents)	19.80
Issue date	30 November 2010
Expiry date	7 December 2013
Underlying security spot price at grant date (AUD cents)	18
Expected price volatility of the Company's shares	92.0% - 95.0%
Expected dividend yield	0%
Expected life	1.51 - 2.27
Risk-free interest rate	4.80% - 4.85%
Binomial model valuation per option (AUD cents per share)	7.8 - 9.3

The expected price volatility is based on the historic volatility of the Company's share price in the market.

##### (ii) Shares issued under the Executive Share Incentive Plan (ESIP)

###### *Executive Share Incentive Plan*

Under the plan, eligible employees are offered shares in The Company at prices determined by the Board. The Board has the ultimate discretion to impose special conditions on the shares issued under the ESIP and can grant a loan to a participant for the purposes of subscribing for plan shares. Shares issued under loan facilities are held on trust for the benefit of the participant and will only be transferred into the participant's name once the loan has been fully repaid. ESIP participants receive all the rights associated with the ordinary shares.

Loans granted to participants are limited recourse and interest free unless otherwise determined by the Board. The loans are to be repaid via the application of any dividends received from the shares and/or the sale of the plan shares. Where the loan is repaid by the sale of shares, any remaining surplus on sale is remitted to the participant while any shortfall is borne by the Group.

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### Notes to the financial statements (continued)

#### 20 Share Based Payments (continued)

##### (ii) Shares issued under the Executive Share Incentive Plan (ESIP) (continued)

During the reporting period, the Company issued the following shares under the ESIP:

1. 350,000 shares at 19.8 cents per share to Mr Robert Van der Laan, Chief Financial Officer, on 30 November 2010 after shareholder approval.
2. 350,000 shares at 19.8 cents per share to Mr Lindsay Cahill, Mine Services Manager, on 30 November 2010 after shareholder approval.
3. 500,000 shares at 19.8 cents per share to Mr Grant Button, Non-executive Director, on 30 November 2010 after shareholder approval.
4. 75,000 shares at 19.8 cents per share to Ms Theresa Miloskeski, Administration Officer, on 30 November 2010 after shareholder approval.
5. 500,000 shares at 19.8 cents per share to Mr Robert Hair, Company Secretary, on 30 November 2010 after shareholder approval.
6. 350,000 shares at 19.8 cents per share to Mr Christian Kunze, Engineering Manager, on 30 November 2010 after shareholder approval.
7. 200,000 shares at 19.8 cents per share to Mr Andrew Nealon, Joint Company Secretary, on 30 November 2010 after shareholder approval.
8. 600,000 shares at 19.8 cents per share to Mr Ed Nealon, Non-Executive Chairman, on 30 November 2010 after shareholder approval.

The above shares vest as follows:

- one third of shares vest after 12 months;
- one third of shares vest after 24 months; and
- one third of shares vest after 36 months.

If any time during the exercise period an employee ceases to be the employee, all options held by that employee vest immediately and will lapse one month after the employment end date. As such, there is not considered to be any service conditions attaching to the grant of shares under the ESIP, and the full expense is recognised at grant date.

##### Fair value of shares granted

Shares granted under the ESIP are accounted for as “in-substance” options due to the limited recourse nature of the loan between the employees and the Company to finance the purchase of ordinary shares. The fair value at grant date for the various tranches of shares issued under the ESIP is determined using a Binomial model using the following model inputs:

Shares issued	2,925,000
Loan price per share (AUD cents)	19.80
Valuation date	7 December 2010
Loan expiry date	7 December 2014
Underlying security spot price at valuation date (AUD cents)	18
Expected price volatility of the Company's shares	89%
Expected dividend yield	0%
Expected life	4.02
Risk-free interest rate	4.95%
Binomial model valuation per share (AUD cents per share)	11.6

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### Notes to the financial statements (continued)

#### Note 21: Commitments

- (i) The Company has certain obligations with respect to tenements and minimum expenditure requirements on areas, as follows:

	2011	2010
	\$	\$
Within 1 year	35,722	520,000
1 to 2 years	-	550,000
Total	35,722	1,070,000

The Company disposed of its Australian tenements during the year and whilst the Company still holds tenements in South Africa, expenditure commitments in relation to these tenements have been met. The Company is in the process of converting their South African prospecting rights to mining licenses and applying for new prospecting rights over adjacent land. Once these applications are complete, the Company will be subject to new commitments in relation to mining and prospecting expenditure.

The Company's Australian commercial property sub-lease expired on 1 June 2011 and the Company is currently negotiating the terms and conditions of its new lease premises. These negotiations were still being finalised as at the date of this report. A subsidiary entered into 12 month a commercial office lease on 01 April 2011 for the head office in Johannesburg, South Africa.

#### Note 22: Contingent liabilities

There are no contingent liabilities as at 30 June 2011 other than an obligation under the BEE transaction (detailed in note 13) to buy out the BEE shareholding in Mkhombi Investments for ZAR 12.5 million, should one or more of the subscription agreement conditions not be met by the Company. Should this occur and the Company not make alternative arrangements, the Company's holding in the Moonlight Iron Ore Project could cease to be in compliance with the BEE requirements of the MPRDA. The Company believes this to be an unlikely scenario and in any event would endeavour to make alternative arrangements in order to remain compliant with the MPRDA.

#### Note 23: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### Subsidiaries

The consolidated financial statements include the financial statements of Ferrum Crescent Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest	
		2011	2010
Ferrum Metals Pty Ltd	(a) Australia	100	100
Batavia Ltd	(b) Mauritius	100	100
Nelesco 684 (Pty) Ltd	South Africa	100	100
Turquoise Moon Trading 157 (Pty) Ltd	(c) South Africa	97.14	74
Mkhombi Investments (Pty) Ltd	(c) South Africa	89.46	-

Ferrum Crescent Limited is the ultimate Australian parent entity and the ultimate parent of the Group. Transactions between Ferrum Crescent Limited and its controlled entities during the year consisted of loan advances by Ferrum Crescent Limited. All intergroup transactions and balances are eliminated on consolidation.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 23: Related party transactions (continued)

##### Loans to / (from) related parties

The following transactions were undertaken between the Company, executive officers and director-related entities during 2011 and 2010.

	2011	2010
	\$	\$
Consulting secretarial fees were paid to Athlone International Consultants Pty Ltd, a company with which Andrew Nealon is associated	71,667	14,583
Consulting secretarial fees were paid to Camcove Pty Ltd, a company of which Robert Hair is a director and shareholder	164,364	78,000
Consulting fees were paid to T.C Droste Investments Pty Ltd, a company of which Ted Droste is a director and shareholder	82,500	10,000
Director fees were paid to Nesongozwi Mining Corp Ltd, a company of which Matodzi Nesongozwi is a director and shareholder	18,000	30,000
Director Fees were paid to Umthombo Resources (Pty) Ltd, a company of which Matodzi Nesongozwi is a director and shareholder	-	36,000
Consulting fees were paid to Torbinup Resources Pty Ltd, a company of which Lindsay Cahill is a director and shareholder	90,119	46,139
No consulting fees were paid to Nion Business Consulting Pty Ltd during 2011, a company of which Richard Jarvis is a director and shareholder	-	11,855
No consulting secretarial fees were paid to Lanza Holdings Pty Ltd during 2011, a company of which Michael Langoulant is a director and shareholder	-	6,097
No director Fees were paid to Iron Ore Research Pty Ltd, a company of which Philip Kirchlechner is a director and shareholder	-	20,000
No director Fees were paid to Umthombo Resources (Pty) Ltd, a company of which Matodzi Nesongozwi is a director and shareholder	-	36,000

Loan of 362 South African Rand is owed by Scott Huntly loan is interest free and has no fixed date of repayment. The equivalent Australian dollar amount at 30 June 2011 is \$50.

Kofi Morna, a Director of the Company, is also a director and shareholder of Mkhombi AmaMato, who, prior to entering into the BEE subscription agreement had a majority interest in Mkhombi Investments. Upon completion of the subscription agreement detailed in the review of operations section and Note 13 above, Mkhombi AmaMato will directly own 15.6% or approximately 55,208,419 shares in the Company.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 25: Cash flow information

	2011	2010
	\$	\$
Reconciliation of cash flow from operations with (loss)/profit from ordinary activities after income tax		
Loss from ordinary activities after income tax	(8,141,794)	(7,404,546)
Expenses settled via equity issues	-	478,479
Goodwill written off	-	2,019,188
Impairment of available for sale investments	-	1,573,981
Depreciation	17,586	6,911
Bad debt expense	-	23,440
Loss on sale of plant and equipment	2,240	2,124
Profit on sale of available for sale financial assets	(665,242)	-
Loss on movement in financial liability	1,623,385	-
Share based payment compensation	1,701,530	-
Net exchange differences	73,398	-
<i>Changes in assets and liabilities</i>		
(Increase) / decrease in receivables	(141,937)	(90,868)
(Increase) / decrease in other operating assets	(74,422)	-
Increase / (decrease) in payables	583,056	470,741
Increase / (decrease) in other operating liabilities	21,134	-
Increase/(decrease) in provisions	(94,688)	(162)
Cash flows from operations	(5,095,754)	(2,920,712)

#### Note 26: Financial risk management objectives and policies

The Group's principal financial instruments comprise cash, short term deposits, Held-for-Trading and derivative investments.

The main purpose of the financial instruments is to finance the Group's operations. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, equity price risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for each class of financial assets and financial liabilities, is set out in the following table. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

The Group has not entered into any hedging activities to manage interest rate risk. In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

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### Notes to the financial statements (continued)

#### Note 26: Financial risk management objectives and policies (continued)

(a) Interest Rate Risk (continued)

	Weighted Average Effective Interest Rate %	Floating Interest Rate \$	Fixed Interest Rate \$	Non Interest Bearing \$	Total \$	Interest Rate Risk Sensitivity			
						-10%		+10%	
						Profit \$	Equity \$	Profit \$	Equity \$
<b>2011</b>									
<b>Financial Assets</b>									
Cash	3.37	6,646,480	-	1,469,529	8,116,009	(201,587)	-	201,587	-
Trust deposits		-	-	42,842	42,842				
Receivables		-	-	283,725	283,725				
<b>Total Financial Assets</b>		<b>6,646,480</b>	<b>-</b>	<b>1,796,096</b>	<b>8,442,576</b>				
<b>Financial Liabilities</b>									
Trade and other payables		-	-	2,099,706	2,099,706				
Financial liability		-	-	8,416,623	8,416,623				
Loans and borrowings		-	-	50	50				
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>10,516,379</b>	<b>10,516,379</b>				
<b>2010</b>									
<b>Financial Assets</b>									
Cash	3.15	413,664	-	115,561	529,225	(912)	-	912	-
Receivables		-	-	141,790	141,790				
Available-for-sale investments		-	-	909,678	909,678				
<b>Total Financial Assets</b>		<b>413,664</b>	<b>-</b>	<b>1,167,029</b>	<b>1,580,693</b>				
<b>Financial Liabilities</b>									
Trade and other payables		-	-	510,024	510,024				
Loans and borrowings		-	-	11,246	11,246				
<b>Total Financial Liabilities</b>		<b>-</b>	<b>-</b>	<b>521,270</b>	<b>521,270</b>				

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A -10% sensitivity would move short term interest rates at 30 June 2011 from around 3.37% to 3.03% representing a 34 basis point downwards shift (23.80 basis points net of tax).

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

(b) Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash reserves and marketable securities required to meet the current exploration and administration commitments, through the continuous monitoring of actual cash flows.

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.



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### Notes to the financial statements (continued)

#### Note 26: Financial risk management objectives and policies (continued)

(b) Liquidity Risk (continued)

	Less than 1 month %	1 – 3 months \$	3 months – 1 year \$	1 – 5 years \$	5+ years \$	Total \$
<b>2011</b>						
<b>Liquid financial assets:</b>						
Cash	8,116,009	-	-	-	-	8,116,009
Trust deposits	-	-	-	42,842	-	42,842
Receivables	283,725	-	-	-	-	283,725
	<u>8,399,734</u>	<u>-</u>	<u>-</u>	<u>42,842</u>	<u>-</u>	<u>8,442,576</u>
<b>Financial liabilities:</b>						
Non-interest bearing	-	(1,063,206)	(1,036,550)	-	-	(2,099,756)
	<u>-</u>	<u>(1,063,206)</u>	<u>(1,036,550)</u>	<u>-</u>	<u>-</u>	<u>(2,099,756)</u>
<b>Net cash inflow / (outflow)</b>	<u>8,399,734</u>	<u>(1,063,206)</u>	<u>(1,036,550)</u>	<u>42,842</u>	<u>-</u>	<u>6,342,820</u>
<b>2010</b>						
<b>Liquid financial assets:</b>						
Cash	529,225	-	-	-	-	529,225
Receivables	141,790	-	-	-	-	141,790
Available-for-sale investments	-	-	909,678	-	-	909,678
	<u>671,015</u>	<u>-</u>	<u>909,678</u>	<u>-</u>	<u>-</u>	<u>1,580,693</u>
<b>Financial liabilities:</b>						
Non-interest bearing	-	(550,024)	(11,246)	-	-	(561,270)
	<u>-</u>	<u>(550,024)</u>	<u>(11,246)</u>	<u>-</u>	<u>-</u>	<u>(561,270)</u>
<b>Net cash inflow / (outflow)</b>	<u>671,015</u>	<u>(550,024)</u>	<u>898,432</u>	<u>-</u>	<u>-</u>	<u>1,019,423</u>

The above table does not include the forward subscription agreement liability as the amount will be settled in shares and not in cash.

(c) Credit Risk

Credit risk arises in the event that counterparty will not meet its obligations under a financial instrument leading to financial losses. The Company is exposed to credit risk from its operating activities, financing activities including deposits with banks. The credit risk control procedures adopted by the Company is to assess the credit quality of the institution with whom funds are deposited or invested, taking into account its financial position and past experiences.

The maximum exposure to credit risk on financial assets of the Company which have been recognised on the statement of financial position is generally limited to the carrying amount.

Cash is maintained with National Australia Bank.

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 26: Financial risk management objectives and policies (continued)

##### (d) Foreign Exchange Risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows, excluding forward subscription agreement obligation the sensitivity for which is disclosed in section (f) below:

	Liabilities		Assets	
	2011	2010	2011	2010
	\$	\$	\$	\$
Great British Pounds (GBP)	-	-	<b>831,023</b>	-
South African Rand (ZAR)	<b>1,904,801</b>	104,073	<b>2,508,485</b>	155,701
United States dollars (US)	<b>25,222</b>	4,508	<b>2,922</b>	3,347

##### Foreign currency sensitivity analysis

The Group is exposed to Great British Pound (GBP), United States (US) and South African Rand (ZAR) currency fluctuations.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian Dollar (AUD) against the relevant currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The sensitivity analysis includes cash balances held in GBP, external loans as well as loans to foreign operations within the Group held in ZAR and US but denominated and repayable in AUD which give rise to a foreign currency gain or loss on revaluation. A positive number indicates an increase in profit and other equity where the AUD strengthens against the ZAR. In relation to cash balances held in GBP a positive number indicates an increase in profit and other equity where the Australian Dollar strengthens against the respective currency. For a weakening Australian Dollar against the respective currency there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

		2011		2010	
		Profit / (loss)	Equity increase / (decrease)	Profit / (loss)	Equity increase / (decrease)
		\$	\$	\$	\$
AUD strengthens	- ZAR	<b>125,148</b>	<b>(125,148)</b>	5,163	(5,163)
10%	- GBP	<b>82,057</b>	<b>(82,057)</b>	-	-
	- US	<b>2,230</b>	<b>(2,230)</b>	116	(116)
AUD weakens	- ZAR	<b>(125,148)</b>	<b>125,148</b>	(5,163)	5,163
10%	- GBP	<b>(82,057)</b>	<b>82,057</b>	-	-
	- US	<b>(2,230)</b>	<b>2,230</b>	(116)	116

Note: foreign currency gains or losses on intercompany loans are transferred to equity in accordance with Note 18. Therefore there is no impact on profit.

##### (e) Equity Price Risk

In the prior year, the Group was exposed to equity price fluctuations arising from its available-for-sale investment.

The following table details the Group's sensitivity to a 10% increase and decrease in the share price of Northern Uranium Limited ("Northern"). A 10% sensitivity rate represents management's assessment of the possible change in Northern's share price given the relatively illiquid nature of such small cap stocks. The sensitivity analysis includes only the shares held in Northern as at 30 June 2010 and adjusts the price at 30 June 2010 for a 10% change. The shares held in Northern were sold during the year.

	2011		2010	
	Profit / (loss)	Equity increase / (decrease)	Profit / (loss)	Equity increase / (decrease)
	\$	\$	\$	\$
+ 10%	-	-	88,166	(88,166)
- 10%	-	-	(88,166)	88,166

## Ferrum Crescent Limited

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### Notes to the financial statements (continued)

#### Note 26: Financial risk management objectives and policies (continued)

(f) Fair value

The fair value of a financial asset or financial liability is the amount at which the asset could be exchanged or liability settled in a current transaction between willing parties after allowing for transaction costs.

The fair values of cash, trade and other receivables and trade and other payables approximate their carrying values, as a result of their short maturity or because they carry floating rates or interesting.

(i) Fair value of financial instruments measure at fair value

During the year the Group entered into a forward subscription agreement, details of which are provided in Note 14. This agreement requires the Company to issue a variable number of shares in exchange for ZAR 15 million. A change in the Group's share price impacts the value of the subscription agreement obligations and as a result the Group is exposed to equity price risk.

In the prior year, the Group held shares in Northern, which were valued using quoted market prices.

For financial instruments carried at fair value the Group adopts various methods in estimating fair value. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in an active market

Level 2 – the fair value is estimated using inputs other than quoted prices included in the Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For financial instruments not quoted in active markets, the Group uses valuation techniques such as other relevant models used by market participants which may include inputs derived from quoted prices in an active market (Level 2). This valuation techniques use both observable and unobservable market inputs. The fair value of this the forward subscription agreement is based on this valuation technique.

The following table details the Group's sensitivity to a 10% increase and decrease in the share price of the Company (AUD) against the forward subscription agreement obligation (2011: \$8,416,623: 2010:Nil), which is designated as "Level 2". 10% represents management's assessment of the possible change in the Company's share price. The sensitivity analysis includes only the forward subscription obligation which is equity settled and adjusts the obligation at the period end for a 10% change in the share price of the Company.

	2011		2010	
	Profit / (loss)	Equity increase / (decrease)	Profit / (loss)	Equity increase / (decrease)
	\$	\$	\$	\$
+ 10%	(1,048,960)	1,048,960	-	-
- 10%	1,048,960	(1,048,960)	-	-

The following table details the Group's sensitivity to a 10% increase and decrease in the AUD/ZAR exchange rate against the forward subscription agreement obligation. 10% represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only the forward subscription obligation which is equity settled and adjusts the obligation at the period end for a 10% change in foreign currency rates.

	2011		2010	
	Profit / (loss)	Equity increase / (decrease)	Profit / (loss)	Equity increase / (decrease)
	\$	\$	\$	\$
+ 10%	(188,452)	188,452	-	-
- 10%	188,452	(188,452)	-	-

## Ferrum Crescent Limited

A.C.N. 097 532 137

### Notes to the financial statements (continued)

#### Note 26: Financial risk management objectives and policies (continued)

The following table details the Group's sensitivity to a 25% increase and decrease in the share price of the Available-for-sale investments (2011: Nil; 2010: \$909,678), which is designated as "level 1". The reasonably possible change of 25% has been selected as it is considered reasonable given the current and recent trend and volatility of both Australian and international stock markets.

	2011		2010	
	Profit / (loss)	Equity increase /	Profit / (loss)	Equity increase /
	\$	(decrease)	\$	(decrease)
	\$	\$	\$	\$
+ 25%	-	-	227,419	227,419
- 25%	-	-	(227,419)	(227,419)

#### Note 27: Parent Entity Information

	2011	2010
	\$	\$
Current assets	7,308,975	1,410,992
Total assets	7,310,598	1,415,893
Current liabilities	198,013	319,908
Total liabilities	8,614,636	319,908
Issued capital	31,440,500	16,194,722
Retained earnings	(35,992,192)	(17,279,768)
Reserves	3,247,654	-
Total shareholders' equity	11,430,110	1,095,985
Loss of the parent entity	(18,702,775)	(13,704,311)
Total comprehensive income	(18,702,775)	(13,704,311)

On 30 November 2009, Ferrum Crescent Limited (formerly Washington Resources Ltd) ("FCL") completed the legal acquisition of Ferrum Metals Limited (formerly Ferrum Crescent Limited) ("FML"). Under the terms of AASB 3 Business Combinations (Revised), FML was deemed to be the accounting acquirer in the business combination. The transaction has therefore been accounted for as a reverse acquisition. The Parent entity therefore has issued capital of \$31,440,500 as opposed to the Group's consolidated issued capital of \$27,392,728. For further details please refer to the disclosures contained within the 30 June 2010 financial report.

There have been no guarantees entered into by the parent entity in relation to any debts of its subsidiaries.

The parent entity has no contingent liabilities as at 30 June 2011 (2010: Nil)

#### Note 28: Subsequent events

There were no reportable subsequent events to balance date.

## **Ferrum Crescent Limited**

A.C.N. 097 532 137

### **Directors Declaration**

In the opinion of the directors of Ferrum Crescent Limited :

- (a) the financial statements and notes set out on pages 47 to 84 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of the Company as at 30 June 2011 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (b); and
- (c) subject to the matters disclosed in Note 2(h), 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 has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ending 30 June 2011.

This declaration is made in accordance with a resolution of the directors.



Ed Nealon  
Executive Chairman  
Perth  
8 September 2011



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## Independent audit report to members of Ferrum Crescent Limited

### Report on the financial report

We have audited the accompanying financial report of Ferrum Crescent Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the group it controlled at the year's end or from time to time during the financial year.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the directors' report.



## Opinion

In our opinion:

- a. the financial report of Ferrum Crescent Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the financial position of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 9 to 23 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion the Remuneration Report of Ferrum Crescent Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of Ernst &amp; Young in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to be "J.C. Palmer", written over a horizontal line.

J C Palmer  
Partner  
Perth  
8 September 2011



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## Auditor's Independence Declaration to the Directors of Ferrum Crescent Limited

In relation to our audit of the financial report of Ferrum Crescent Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized signature of the Ernst &amp; Young logo in a handwritten style.

Ernst & Young

A handwritten signature in black ink, appearing to read "J.C. Palmer".

J C Palmer  
Partner  
Perth  
8 September 2011



## Ferrum Crescent Limited

A.C.N. 097 532 137

### Shareholder Information

Distribution schedules of shareholders and statements of voting rights are set out in Table 1, whilst the Company's top twenty shareholders are shown in Table 2. Substantial shareholder notices that have been received by the Company are set out in Table 3 and the tenement schedule as at 30 June 2011 is set out in Table 4.

**Table 1**  
**Shareholder spread**

**Ordinary shares, with right to attend meetings and vote personally or by proxy, through show of hands and, if required, by ballot (one vote for each share)**

1-1,000	34
1,001-5,000	54
5,001-10,000	94
10,001-100,000	221
100,001 - and over	134
Total holders of ordinary shares	537
Total number of ordinary shares	298,691,705

**Options, with no right to attend meetings or vote personally or by proxy**

1-1,000	3
1,001-5,000	10
5,001-10,000	19
10,001-100,000	23
100,001 - and over	23
Total holders of option holders	78
Total number of options	21,496,727

**Table 2**  
**Top twenty shareholders**

<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage</b>
1. Goldman Sachs Securities (Nominees) Limited	31,999,341	10.71%
2. National Nominees Limited	24,517,357	8.21%
3. Vestra Nominees Limited <SIPP>	10,870,664	3.64%
4. HSBC Custody Nominees (Australia) Limited	8,912,095	2.98%
5. BNY Mellon Nominees Limited <BSDTUSD>	8,490,000	2.84%
6. The Bank of New York (Nominees) Limited	7,352,171	2.46%
7. Apollinax Inc	7,309,203	2.45%
8. Vidacos Nominees Limited	6,700,000	2.24%
9. Euroclear Nominees Limited	6,546,800	2.19%
10. Rathbone Nominees Limited	6,102,739	2.04%
11. HSBC Global Custody Nominee (UK) Limited	5,925,000	1.98%
12. Vestra Nominees Limited <CORE>	5,099,304	1.71%
13. Padstock Limited	4,809,763	1.61%
14. JP Morgan Nominees Australia Limited	4,611,206	1.54%
15. Excel Lead Holdings Ltd	3,586,022	1.20%
16. Citicorp Nominees Pty Limited	3,374,425	1.13%
17. BNY Mellon Nominees Limited <BSDTAGG>	3,000,000	1.00%
18. Goldman Sachs International	2,750,000	0.92%
19. Sorrel Enterprises Limited	2,750,000	0.92%
20. S.N.C. Nominees Limited	2,674,994	0.90%

## Ferrum Crescent Limited

A.C.N. 097 532 137

**Table 3**  
**Substantial shareholders**

<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage</b>
1. Goldman Sachs Securities (Nominees) Limited	31,999,341	10.71%
2. National Nominees Limited	24,517,357	8.21%

### Voting Rights

The voting rights attached to each class of equity securities are set out below:

#### (a) Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Table 4**  
**Tenement schedule as at 30 June 2011:**

<b>Project</b>	<b>Tenement Number</b>	<b>Tenement Status</b>	<b>Holder</b>	<b>Percentage Interest</b>
Moonlight	30/5/1/2/2/201 MR	Application	Turquoise Moon Trading 157 (Pty) Ltd	81.4%
Moonlight/De Loskop	30/5/1/1/2/0402/PR	Granted	Turquoise Moon Trading 157 (Pty) Ltd	81.4%

#### **Competent Person's Statement:**

*The information in this report is based on information compiled by Lindsay Cahill, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Cahill has 20 years' experience relevant to the style of mineralization and type of deposit under consideration and to the activity 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 Cahill is a consultant to the Company and the mining industry. This report is issued with Mr Cahill's consent as to the form and context in which the exploration results appear.*