

# Placing & Admission to AiM

Nominated Adviser

AMBRIAN

Broker

OCEAN EQUITIES



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This document is an AIM admission document which has been drawn up in accordance with the AIM Rules for Companies. This document is not an approved prospectus for the purpose of section 85(7) of FSMA and does not constitute an offer to the public. Accordingly, this document has not been and will not be pre-approved by the Financial Services Authority ("FSA") pursuant to section 82 FSMA, nor will it be filed with the FSA.

The Directors of the Company, whose names appear on page 3 of this document, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Application will be made for the whole of the issued and to be issued Ordinary Shares of the Company to be admitted to trading on AIM, a market operated by the London Stock Exchange plc. The Ordinary Shares are not dealt in any Regulated Market, other than the official list of the ASX, and, other than for the Company's existing listing on the official list of the ASX, no application has been made or is being made for the Ordinary Shares to be admitted to any similar exchange.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority ("UKLA"). A prospective investor should be aware of the risks of investing in these companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. None of the London Stock Exchange plc, the ASX or ASIC has examined or approved the contents of this document.**

The AIM Rules are less demanding than those of the Official List of the UKLA. You should read the whole text of this document. You should be aware that an investment in the Company is speculative and involves a degree of risk. **Your attention is drawn to the section entitled "Risk Factors" set out in Part II of this document. All statements regarding the Company's business should be viewed in light of these risk factors.**

It is expected that the Ordinary Shares of the Company will be admitted to trading on AIM on 15 December 2010.



## **FERRUM CRESCENT LIMITED**

*(Incorporated and registered in Australia with registered number A.C.N. 097 532 137)*

### **Placing of up to 100,000,000 Ordinary Shares of no par value at a Placing Price of 10p per share Admission to trading on AIM**

**Nominated Adviser**

**AMBRIAN**

**Broker**

**OCEAN EQUITIES Ltd**

*Number of Ordinary Shares in issue  
at the date of this document:*

**198,691,704**

*Number of Ordinary Shares in issue  
immediately following Admission:*

**298,691,704**

The distribution of this document and the offer and sale of Ordinary Shares in jurisdictions other than the United Kingdom may be restricted by law. No action has been taken by the Company, Ambrian or Ocean Equities that would permit a public offer of Ordinary Shares in any jurisdiction where action for that purpose is required nor has any action been taken with respect to the possession or distribution of this document in any jurisdiction where action for that purpose is required. Persons outside the United Kingdom into whose possession this document comes should inform themselves about and observe those restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of that jurisdiction. This document does not constitute an offer to sell, nor the solicitation of any offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation would be unlawful. In particular, the Ordinary Shares offered by this document have not been and will not be registered under the applicable securities laws of the United States, Canada, Japan, the Republic of South Africa ("RSA") or the Republic of Ireland and, save in compliance with certain applicable exemptions and subject to certain restrictions, may not be offered or sold directly, or indirectly, in or into the United States, Canada, Japan, the RSA or the Republic of Ireland.

Ambrian and Ocean Equities, which are each authorised and regulated by the FSA, are, respectively, acting as nominated adviser and broker to the Company for the purposes of the AIM Rules in connection with Admission and the Placing (as defined in this document). Neither Ambrian nor Ocean Equities is acting for, and neither will be responsible to, any person other than the Company for providing the protections afforded to their customers nor for advising any other person on the contents of this document or on any transaction or arrangement referred to in this document. Ambrian's responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of that person's decision to acquire shares in the Company in reliance on any part of this document. The Directors, whose names appear on page 3 of this document, accept responsibility, individually and collectively, for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of this information. No representation or warranty, express or implied, is made by Ambrian or by Ocean Equities as to any of the contents of this document, for which the Directors are solely responsible.

The Ordinary Shares have not been, and will not be, registered under the United States Securities Act 1933 as amended (the "US Securities Act") in reliance on the exemption from the registration requirements of the US Securities Act as provided under section 3(a)(10) of that act. The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed on or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

On Admission, all of the Shares forming part of the Enlarged Share Capital will rank in full for all dividends or other distributions declared, made or paid in respect of the Ordinary Shares after Admission and will rank *pari passu* in all respects. No person is authorised, in connection with the Placing, to give any information or make any representation other than as contained in this document and, if given or made, that information or representation must not be relied on as having been authorised by the Company, its shareholders, Ambrian or Ocean Equities or their respective directors or professional advisers. No Ordinary Shares the subject of the Placing have been marketed to, nor are any available for purchase, in whole or in part, by the public in the United Kingdom or elsewhere in connection with the Placing. The Placing Shares will also be admitted to the official list of the ASX.

#### **FORWARD LOOKING STATEMENTS**

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expect" and similar expressions. Those forward looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements expressed or implied by those forward looking statements to be materially different. Factors that might cause that difference might include, but are not limited to, those discussed in the section entitled "Risk Factors" in Part II of this document. In light of these issues, uncertainties and assumptions, the events described in the forward looking statements in this document may not occur. Subject to legal or regulatory requirements, the Company disclaims any obligation to update any forward looking statements in this document to reflect future events or developments.

#### **YOUR ATTENTION IS SPECIFICALLY DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART II OF THIS DOCUMENT.**

Copies of this document will be available free of charge during normal business hours on any weekday (except public holidays) at the offices of Joelson Wilson LLP from the date of this document for one month following Admission.

## CONTENTS

	<i>Page</i>
<b>DIRECTORS, SECRETARIES AND ADVISERS</b>	3
<b>DEFINITIONS AND GLOSSARY</b>	5
<b>EXPECTED TIMETABLE OF EVENTS</b>	9
<b>PLACING STATISTICS</b>	9
<b>PART I: INFORMATION ON THE GROUP</b>	10
<b>PART II: RISK FACTORS</b>	27
<b>PART III: COMPETENT PERSONS' REPORT</b>	34
<b>PART IV: ACCOUNTANT'S REPORT</b>	121
<b>PART V: QUARTERLY ACTIVITIES AND CASHFLOW REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2010</b>	153
<b>PART VI: ADDITIONAL INFORMATION</b>	162

## DIRECTORS, SECRETARIES AND ADVISERS

<b>Directors</b>	Edward Francis Gerrard Nealon ( <i>Executive Chairman</i> ) Kevin Scott Huntly ( <i>Managing Director</i> ) Dr Frederik Stefanus (Fanie) Botha ( <i>Operations Director</i> ) Klaus Borowski ( <i>Non-executive Director</i> ) Kofi Morna ( <i>Non-executive Director</i> ) Grant Michael Button ( <i>Non-executive Director</i> ) Theodore Carl Droste ( <i>Non-executive Director</i> )
<b>Registered and Principal Office</b>	Unit 1 135 Great Eastern Highway Rivervale WA 6103 AUSTRALIA
<b>Joint Company Secretaries</b>	Robert Hair Andrew Nealon Robert Van Der Laan (also <i>Chief Financial Officer</i> )
<b>Nominated Adviser</b>	Ambrian Partners Limited Old Change House 128 Queen Victoria Street London EC4V 4BJ UNITED KINGDOM
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<b>Legal advisers to the Company as to Australian law</b>	Cochrane Lishman Carson Luscombe Level 12 London House 216 St Georges Terrace Perth WA 6000 AUSTRALIA
<b>Legal advisers to the Company as to South African law</b>	Falcon & Hume Attorneys Inc. Block B, 7 Eton Road Sandhurst 2196 REPUBLIC OF SOUTH AFRICA
<b>Legal advisers to the Company as to title verification and prospecting and mining rights in RSA</b>	Harrison Attorneys 40 Emmarentia Avenue Parkview Johannesburg 2193 REPUBLIC OF SOUTH AFRICA
<b>Legal advisers to Ambrian and Ocean Equities</b>	SNR Denton UK LLP One Fleet Place London EC4M 7WS UNITED KINGDOM

<b>Reporting Accountants</b>	RSM Tenon Audit Limited 66 Wigmore Street London W1U 2SB UNITED KINGDOM
<b>Auditors</b>	Ernst & Young Ernst & Young Building 11 Mounts Bay Road Perth WA 6000 AUSTRALIA
<b>Competent Persons</b>	ProMet Engineers Pty Ltd 267 St Georges Terrace Perth WA 6000 AUSTRALIA
	Continental Resource Management Pty Ltd 10 Hehir Street Belmont WA 6104 AUSTRALIA
<b>PR Adviser</b>	Threadneedle Communications Aldermay House Third Floor, 10-15 Queen Street London EC4N 1TX UNITED KINGDOM
<b>Registrar</b>	Computershare Investor Services Pty Limited Level 2 45 St Georges Terrace Perth WA 6000 AUSTRALIA
<b>Depositary</b>	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH UNITED KINGDOM

## DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Admission Document, unless the context requires otherwise:

<b>2006 Act</b>	the United Kingdom Companies Act 2006
<b>Admission</b>	admission of the Existing Ordinary Shares and the Placing Shares to trading on AIM in accordance with the AIM Rules
<b>AIM</b>	the market known as AIM and operated by the London Stock Exchange plc
<b>AIM Rules</b>	the AIM Rules for Companies published by the London Stock Exchange plc and any amendments thereto
<b>Ambrian</b>	Ambrian Partners Limited, the Company's nominated adviser
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASX</b>	ASX Limited, the Australian Securities Exchange
<b>ASX Listing Rules</b>	the Listing Rules of the ASX and any other rules of the ASX which are applicable while the Company is admitted to the official list of the ASX
<b>AUD</b>	Australian dollars
<b>Batavia</b>	Batavia Limited, a wholly owned subsidiary of the Company
<b>BEE</b>	Black Economic Empowerment, a policy aimed at redressing the historic imbalances caused by the apartheid system in the RSA by seeking to substantially and equitably increase the ownership and management of the RSA's resources by the majority of its citizens and so ensure broader and more meaningful participation in the RSA economy by historically disadvantaged persons
<b>BIF</b>	banded iron formations
<b>Business Day</b>	a day (other than a Saturday or a Sunday) on which commercial banks are open for general business in London and deposits are dealt with on the London Interbank Market
<b>Charter</b>	Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry, published on 13 August 2004
<b>City Code</b>	The UK City Code on Takeovers and Mergers
<b>Company</b>	Ferrum Crescent Limited (Australian registered number A.C.N. 097 532 137)
<b>CPR</b>	The Competent Persons' Report set out in Part III of this document
<b>Corporations Act</b>	Corporations Act 2001 (Commonwealth), the Australian legislation concerning Australian corporations
<b>CREST</b>	the computerised settlement system to facilitate the transfer of title to or interests in securities in uncertificated form, operated by Euroclear UK and Ireland Limited

<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
<b>CRM</b>	Continental Resource Management Pty Ltd, a co-author of the CPR
<b>Depository</b>	Computershare Investor Services PLC
<b>Depository Agreement</b>	the agreement dated 18 November 2010 between the Company and the Depository providing for the deposit of the Placing Shares with the Depository (or its custodian) and the creation of and ongoing matters relating to the Depository Interests
<b>Depository Interests</b>	the depository interests representing Ordinary Shares which may be traded through CREST in dematerialised form, details of which are set out in paragraph 9.6 of Part VI
<b>Directors or Board</b>	the current board of directors of the Company, whose names are set out on page 3 of this document
<b>DMR</b>	Department of Mineral Resources of the Government of South Africa
<b>EMP</b>	an Environmental Management Plan (in relation to prospecting) or Environmental Management Programme (in relation to mining)
<b>Enlarged Ordinary Share Capital</b>	the Existing Ordinary Shares and the Placing Shares
<b>Existing Ordinary Shares</b>	the Ordinary Shares in issue prior to completion of the Placing
<b>Fe</b>	Iron
<b>FML</b>	Ferrum Metals Proprietary Limited (Australian registered number A.C.N. 128 777 444)
<b>Group</b>	the Company and its subsidiaries
<b>HDSA</b>	a Historically Disadvantaged South African as described in the Mining Charter and the MPRDA
<b>Indicated Resource</b>	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a reasonable level of confidence
<b>Inferred Resource</b>	that part of a Mineral Resource for which tonnage, grade, and mineral content can be estimated with a low level of confidence
<b>ISCOR</b>	South African Iron and Steel Industrial Corporation, the South African government owned integrated iron and steel company now owned by ArcelorMittal
<b>JORC</b>	The Australian Joint Ore Reserves Committee
<b>km</b>	kilometers
<b>m</b>	metres
<b>Measured Resource</b>	that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence
<b>MIFID</b>	The Market in Financial Instruments Directive

<b>Mineral Resource or Resource</b>	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality, and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics, and continuity are known, estimated, or interpreted from specific geological evidence and knowledge
<b>Mining Charter</b>	the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry published under the MPRDA
<b>Mining Titles Act</b>	the Mining Titles Registration Act, 16 of 1967 (as amended) of the RSA
<b>Mining Titles Office</b>	the Mineral and Petroleum Titles Registration Office in Pretoria, RSA
<b>Mkhombi</b>	Mkhombi Investments (Proprietary) Limited, the BEE company intended to become the Group's partner on the Project
<b>MPRDA</b>	the Mineral and Petroleum Resources Development Act, 2002 of the RSA
<b>Mt</b>	million tonnes
<b>Nelesco</b>	Nelesco 684 (Proprietary) Limited (RSA company registration no. 2006/032424/07)
<b>Ocean Equities</b>	Ocean Equities Limited, the Company's broker
<b>Options</b>	options to purchase Ordinary Shares granted under the Company's share option plan
<b>Ordinary Shares or Shares</b>	fully paid ordinary shares of no par value in the capital of the Company
<b>Placing</b>	the conditional placing by Ocean Equities on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
<b>Placing Agreement</b>	the agreement dated 10 December 2010 in relation to the Placing between the Directors, Robert Hair, the Company, Ambrian and Ocean Equities, further details of which are set out in Part VI of this document
<b>Placing Price</b>	10 per Placing Share
<b>Placing Shares</b>	the 100,000,000 new Ordinary Shares to be issued pursuant to the Placing
<b>Project</b>	the Turquoise Moon Iron Project in the Limpopo Province of South Africa, consisting of the Moonlight Deposit and the De Loskop Prospect, as described in the CPR
<b>ProMet</b>	ProMet Engineers Pty Ltd, a co-author of the CPR
<b>Prospecting Right</b>	the prospecting right granted pursuant to section 17 of the MPRDA to TMT under reference number MPT 33/2009
<b>QCA Guidelines</b>	the Corporate Governance Guidelines for Smaller Quoted Companies published by the Quoted Companies Alliance (the "QCA")



<b>Regulated Market</b>	shall have the meaning given in MIFID
<b>Related Financial Product</b>	any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of AIM securities or securities being admitted, including a contract for difference or a fixed odds bet
<b>RSA or South Africa</b>	the Republic of South Africa
<b>RSM Tenon</b>	RSM Tenon Audit Limited
<b>Share Dealing Code</b>	the share dealing code adopted by the Company to ensure compliance with rule 21 of the AIM Rules
<b>Social and Labour Plan</b>	requirements from the MPRDA for a mine to retain its mining rights in the RSA
<b>TMT</b>	Turquoise Moon Trading 157 (Proprietary) Limited (RSA company registration no. 2004/031708/07)
<b>UK</b>	United Kingdom of Great Britain and Northern Ireland
<b>USD</b>	United States of America dollars
<b>ZAR</b>	South African Rand, the lawful currency of the RSA

## EXPECTED TIMETABLE OF EVENTS

	<i>2010</i>
Publication of this document	10 December
Admission and dealings expected to commence in the Ordinary Shares on AIM	8.00 a.m. on 15 December
Expected date for CREST stock accounts to be credited with Depositary Interests (as applicable)	15 December
Expected date for statements in respect of Ordinary Shares to be despatched (as applicable)	22 December

*References to time are to London time unless otherwise stated. Each of the dates in the above timetable are subject to change without further notice.*

## PLACING STATISTICS

Placing Price	10p
Number of Ordinary Shares being issued pursuant to the Placing	100,000,000
Number of Ordinary Shares in issue immediately following Admission	298,691,704
Number of unissued Ordinary Shares subject to Options on Admission	24,896,727
Gross proceeds of the Placing	£10.0 million
Estimated net proceeds of the Placing receivable by the Company	£8.8 million
Market capitalisation at the Placing Price at Admission	£29.9 million
Percentage of Enlarged Ordinary Share Capital represented by Placing Shares	33.5 per cent.

# PART I

## INFORMATION ON THE GROUP

### 1. Introduction

The Company was incorporated in 2001 as Witkop Mining Limited. It subsequently changed its name to Washington Resources Limited and in 2005 became an ASX listed minerals exploration and development company. The Company acquired Ferrum Metals Proprietary Limited (then named Ferrum Crescent Limited (“FML”)) in December 2009 to give the Group its current form and capital structure.

Through FML, the Group has a controlling interest (as defined under South African law) in a South African company that holds the prospecting right over two separate areas of iron ore mineralisation in RSA; in particular the Moonlight magnetite deposit and the De Loskop prospect which together form the Turquoise Moon Iron Project in the Limpopo Province of RSA (‘the Project’).

The Group owns 74 per cent. of the Project, with the remainder held by its current Black Economic Empowerment (“BEE”) partner, Matodzi Nesongozwi. The BEE-owned 26 per cent. of the Project is the subject of a sale agreement, whereby that interest is expected to be acquired by a BEE-controlled company, Mkhombi Investments (Proprietary) Limited (“Mkhombi”), with the sale due for completion by 21 December 2010. Mr Kofi Morna, who is a director of that BEE-controlled company, is a Director of the Company. A trust representing local Limpopo communities impacted by the Turquoise Moon Iron Project will hold equity in the BEE company.

Since April 2008, the Group has been developing and defining the resource potential of the Project. The Moonlight magnetite deposit currently has a JORC compliant resource of 74Mt in the Indicated Resource category and 225Mt in the Inferred Resource category at a grade of 30 per cent. Fe, and the De Loskop prospect has potential for magnetite mineralisation of 200Mt to 1,000Mt which is non-JORC compliant at a grade of 30 – 40 per cent. Fe (Source: sections 4 and 5 of the CPR contained in Part III of this document).

The Company believes that there are a number of possible routes for the commercialisation and development of the Moonlight magnetite deposit, which include:

- the manufacturing of iron ore pellets for supply via existing rail networks to domestic customers;
- the supply of magnetite concentrate by rail for shipment to the international market;
- the supply of merchant pig iron or granulated iron to domestic and international markets;
- the export of direct reduction iron; and
- the supply of semi-finished steel products to the domestic and regional market.

The Directors have considered these commercialisation options and the Company has retained AMEC Minproc SA (“AMEC”) to undertake a definitive feasibility study on the development of a pellet plant at Thabazimbi for the production of iron ore pellets for the South African market, with magnetite concentrate delivered to the plant via a 180 km long slurry pipe from the Moonlight deposit.

The Company is seeking to raise sufficient funds at the time of Admission to continue its evaluation of the Project, in order to advance towards mining and commercial production. This will involve raising sufficient funds to complete the first phase of the definitive feasibility study described above.

### 2. Background to the Group

The Company was admitted to the official list of the ASX in November 2005 under the name Washington Resources Limited. In December 2009 the Company acquired FML by way of a reverse takeover and changed its name to Ferrum Crescent Limited.

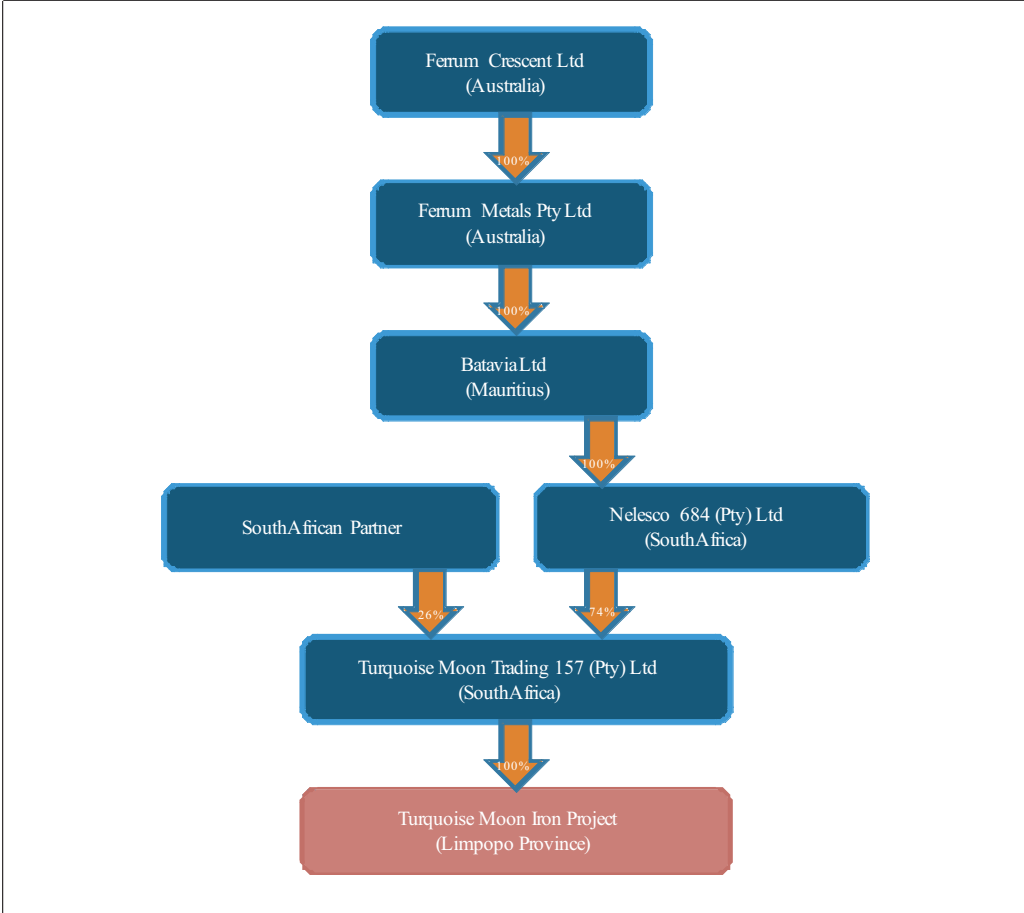
FML was incorporated on 5 December 2007, with the name Ferrum Crescent Limited. In April 2008, FML established Batavia Limited. Batavia acquired Nelesco from Richmond Resources Pty Ltd and Nelesco in turn acquired a 74 per cent. interest in TMT, which owns the Project, from JM Nesongozwi and HW Bonsma.

TMT is 26 per cent. owned by the Group’s current BEE partner, Matodzi Nesongozwi. This minority holding is expected to be acquired by another BEE controlled company, Mkhombi, by 21 December 2010. Mr Kofi Morna, who is a director of Mkhombi, is also a Director of the Company. Further information on the Group’s current BEE participation and proposed BEE participation is set out below in paragraphs 3 and 8 of this Part I.

Prior to the acquisition of FML in December 2009, the Company’s focus was on its interests in several mineral exploration tenements in Western Australia and the Northern Territory of Australia. The Company entered into an agreement on 4 November 2010 pursuant to which it disposed of its Australia interests and the Group’s focus is now on developing its iron ore interests in southern Africa.

**3. Group Structure**

The Group’s corporate structure is set out in Figure 1 below:



**Figure 1: Group corporate structure**

As described in this Part I, it is intended that the Group’s BEE participation is restructured by 21 December 2010.

The BEE restructuring involves putting in place a “flip” mechanism whereby the BEE participants will be able, in the future, to exchange their participation at the project level for new Ordinary Shares in the Company. The BEE restructuring and this “flip” mechanism are more fully described in paragraph 8 of this Part I below.

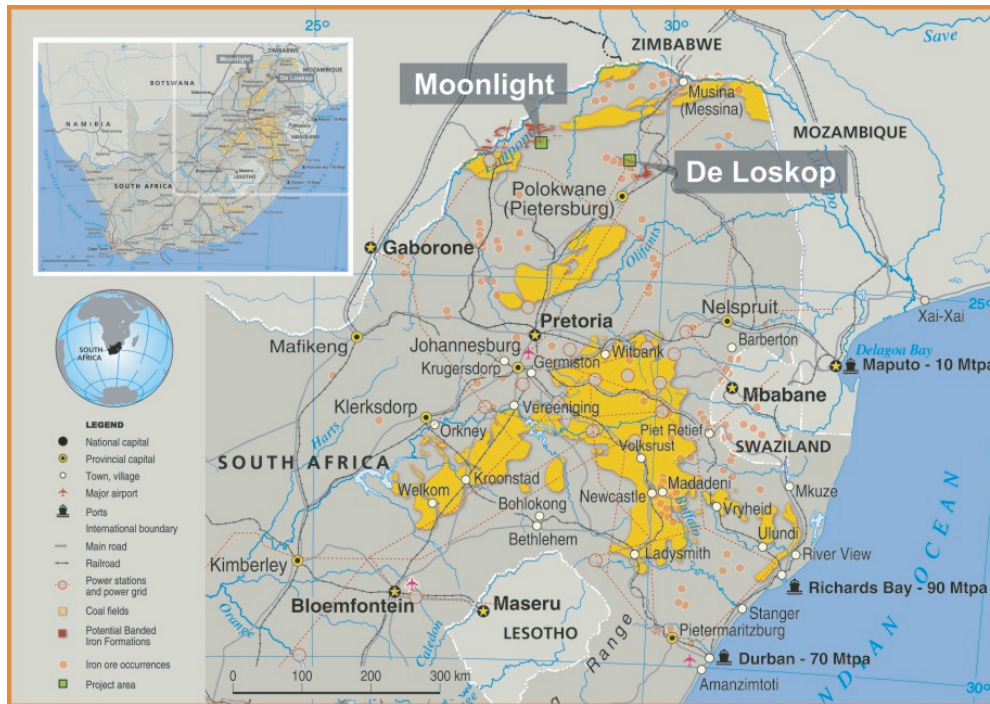
#### 4. Turquoise Moon Project

##### (a) Tenements

The Project comprises two separate areas of iron ore mineralisation, namely, the Moonlight Deposit and the De Loskop Prospect (see map at Figure 2 below).

The Moonlight Deposit is located 360km north of Johannesburg, 150km northwest of Polokwane and has a combined area of approximately 53 km<sup>2</sup> across three farms.

The De Loskop Prospect is located approximately 50km north of Polokwane.



**Figure 2: Map of the Moonlight Deposit and the De Loskop Prospect**

An application for a mining right pertaining to iron and manganese ore, nickel, marble and limestone, over the Project, has been submitted, and the application formally accepted by the Department of Mineral Resources (the “DMR”) and the Department of Energy on 25 June 2010. The DMR has indicated that it expects to process the mining right application by the end of May 2011 for an initial period of 30 years.

Further information on the Project, region and location is set out in section 2 of the CPR contained in Part III of this document.

##### (b) Geological background

###### (i) Moonlight section

The Moonlight deposit is situated within the Archaean Limpopo Mobile Belt (“LMB”), which lies between the greenstone and granite terrains of the Kaapvaal and Zimbabwe Cratons (refer Figure 3.1 of the CPR in Part III of this document).

The LMB is subdivided into three domains, termed the Central Zone, the Southern Marginal Zone, and the Northern Marginal Zone. The Moonlight deposit is located in the Central Zone of the LMB, within which the major rock types are gneiss, granulite, quartzite, marble, and metamorphosed banded iron formation (“BIF”) of the Beit Bridge Complex. The iron mineralisation is within multiple BIF units of the Mount Dowe Group (refer Figure 3.2 of the CPR in Part III of this document).

Within the Moonlight farm the BIFs are present over an east-west distance of 3 km and a north-south distance of 2 km (refer Figure 3.3 of the CPR in Part III of this document). The BIF units vary from a few metres to 40 m in thickness.

Outcrop in the area is poor, with the basement rocks largely obscured by Tertiary colluvium that has an average thickness of approximately 3 m. Small, scattered areas of BIF outcrop on subdued rounded ridges that rise only a few metres above the plain (Refer Figure 3.7 of the CPR in Part III of this document). The depth of oxidation is between 50 m and 65 m below surface. Within the oxidised zone the BIF is weathered to a haematite-quartz-magnetite rock and it retains coherence and strength.

(ii) *De Loskop section*

As at Moonlight, mineralisation at De Loskop is present within BIF horizons. The BIFs are within the Zandriverspoort formation, which is flanked by granitic gneisses and which contains BIFs, schists, amphibolites, quartzites, and calc-silicate rocks (refer Figure 5.1 of the CPR in Part III of this document).

Further information on the geological backgrounds of the Moonlight Deposit and De Loskop Prospect is set out in sections 3 and 5 respectively of the CPR in Part III of this document.

(c) ***Summary of Exploration work done by ISCOR***

Exploration at Moonlight commenced in 1981, when the integrated steel manufacturer, ISCOR evaluated the economic potential of a number of relatively low-grade, but favourably located, iron ore deposits.

Between 1983 and 1986, ISCOR drilled 244 holes on the Moonlight farm in the vicinity of the mineralisation, for a total of 12,154 m of diamond core drilling and 9,951 m of percussion drilling.

Analyses of magnetic concentrates of mineralisation, and intersections from this drilling of over 30m at a grade of 20 per cent. Fe or higher, are set out in tables 3.2 and 3.3 respectively of the CPR in Part III of this document.

The diamond drilling was accompanied by:

- down hole surveys;
- a geotechnical study of the drill core;
- mineralogical studies; and
- metallurgical testwork.

Beneficiation testwork carried out by ISCOR indicated that a simple process of low intensity magnetic separation is suitable for optimum concentration. Separation at a grind size of 80 per cent. passing 150 µm achieved a mass recovery of 50 per cent., with final product grades of 69.7 per cent. Fe, 2.05 per cent. SiO<sub>2</sub>, 0.40 per cent. Al<sub>2</sub>O<sub>3</sub>, and 0.01 per cent. P (du Pleiss *et al*, 1997).

ISCOR undertook several estimates of the tonnes and grade of the in situ mineralisation. As these estimates were not reported in accordance with the JORC Code they have not been included in the CPR in Part III of this document.

In 1993, ISCOR's exploration focus shifted to evaluate mineralisation on the farms Julietta and Gouda Fontein adjacent to the Moonlight section of the Project. From 1993 to 1997, some 80 diamond core holes for 14,500 m were completed and additional BIF mineralisation was intersected and added to ISCOR's resource inventory.

(d) ***Summary of Exploration work done by the Group***

The Group has to date incurred in excess of AUD3.0 million in exploration costs which has enabled it to advance significantly its technical knowledge of the Project.

During 2008, the Group drilled 20 vertical RC holes on the Moonlight farm for a total of 2,087 m. The holes were sited to twin a range of ISCOR drill-holes.

The Group's drilling program verified the tenor, position, and width of significant intersections of both partially oxidised and fresh BIF mineralisation reported by ISCOR. A comparison of all of the twinned intersections, using a minimum intersection width of 5 m, a minimum grade of 20 per cent. Fe, and a maximum internal waste intersection of 5 m, gave a total of 657 m at a grade of 33.2 per cent. Fe in the 20 holes drilled by the Group compared to 704 m at a grade of 32.7 per cent. Fe reported for the historical twinned ISCOR holes.

A typical section that includes pairs of twinned holes across the shallower oxidised portion of the deposit is shown as Figure 3.10 of the CPR in Part III of this document; and a section across the deeper fresh portion of the mineralisation is shown as Figure 3.11 of the CPR in Part III of this document.

During December 2009 and January 2010, the Group carried out a second reverse circulation ("RC") drill program of 66 vertical holes for a total of 3,748 m. The program was designed to infill-drill areas of near surface mineralisation at sufficient density to enable the estimation of an Indicated Resource that would form the basis for the initial 20 to 25 years of mining at the Project.

The holes were sited to complete 100 m x 100 m grid patterns in three areas: southwest, southeast, and northeast (and shown in Figure 3.3 of the CPR in Part III of this document). The drilling confirmed both the continuity and the tenor of the mineralisation.

The Group's drill holes were surveyed and the locations of many ISCOR drill holes were recovered, further verifying the ISCOR database.

In the opinion of CRM, one of the competent persons responsible for the CPR in Part III of this document, the sampling, sample preparation, and analytical procedures employed by the Group during both of its drill programs were planned and performed to high industry standards.

In addition to the work to date in relation to the Moonlight deposit, ISCOR drilled outcrops in the Zandriviervoort formation on Mt De Loskop which lies to the east of the De Loskop Prospect in the 1990s and reported an in situ grade of 37.8 per cent. Fe for the mineralisation in the vicinity of Mt De Loskop. This formation also hosts Kumba Resources' ("Kumba") Zandriviervoort iron ore deposit about 35 km to the southeast, which contains an Indicated Resource of 447 Mt at a grade of 34.9 per cent. Fe (see Figure 3.1 of the CPR in Part III of this document). As a result, CRM estimates an exploration target at the De Loskop prospect with potential mineralisation in a range of 200Mt to 1,000Mt at a grade of between 30 per cent. Fe and 40 per cent. Fe as further described in section 5.3 of the CPR in Part III of this document.

(e) **JORC resources**

CRM completed a resource estimate for the Moonlight deposit in April 2010 (which it reconfirmed on 26 October 2010). It is reported in accordance with the 2004 edition of the JORC Code.

The magnetite grains within the BIF are partly altered to haematite within the oxidised zone and CRM has therefore reported the Resource in two classifications, an upper Oxidised Zone and a lower Fresh Zone.

<b>Resource Zone and Classification</b>	<i>Tonnes (kt)</i>	<i>Grade (Fe%)</i>
<b>Indicated</b>		
Oxidised	34,000	30
Fresh	40,000	35
<b>Total Indicated</b>	74,000	33
<b>Inferred</b>		
Oxidised	45,000	30
Fresh	180,000	29
<b>Total Inferred</b>	225,000	29
Total Oxidised	79,000	30
Total Fresh	220,000	30
<b>Total Resources</b>	<u>300,000</u>	<u>30</u>

Note: totals may differ from sum of individual items due to rounding

Source: The table is extracted from table 4.1 of the CPR in Part III of this document. The Group's net attributable resources status is set out in Appendix 1 of the CPR in Part III of this document.

For the upgrading of the resource classifications from Inferred to Indicated Resource and from Indicated to Measured Resource further infill drilling will be required. CRM is of the opinion that, for the Indicated Mineral Resource to be converted to a Probable Ore Reserve, systematic metallurgical testwork will need to be carried out on a full range of samples of mineralisation, in order that recoveries of Fe to concentrate can be quantified for the relevant portions of the deposit.

(f) ***Development and Overland Transport***

Several options have been identified for the potential development of the Moonlight Deposit. These development options (which are described in more detail in paragraph (g) below) take into account the markets – both domestic as well as international – for a range of downstream products; the geographic location of the Moonlight Deposit, existing mines and industrial nodes in the vicinity, railheads on existing and future proposed networks, ports for shipment, and domestic iron and steel works; and availability of power, water and other utilities.

Due to the logistical constraints of moving bulk type products overland from the mine site to the market, the concentrate will be pumped as a slurry, with a return water pipeline, to an adjacent railhead or mine for dewatering and stockpiling prior to being exported or processed further. Overland slurry pumping is a proven technology and has been previously used with magnetite concentrate. The return water pipeline will allow plant make-up water and additional raw water to be conveyed from existing available sources along its length for use on the mine site or by other consumers in the mine vicinity.

(g) ***Secondary Value-Adding Processing***

The Company has considered several secondary value-adding processing options to enhance the value of products produced from the Moonlight Deposit. These secondary value-adding processing options take into account several critical factors:

- the potential buyers, whether domestic or international;
- the markets for a range of downstream beneficiated products;
- the geographic location of the Moonlight Deposit, existing mines and industrial nodes in the vicinity, railheads on existing and future proposed networks, ports for shipment, and domestic iron and steel works; and
- availability of power, water and other utilities.

The alternatives, in no particular order of preference, that have been considered, include:

- pellets
  - using the Project's concentrate;
  - using a blended mix of concentrate and South African sourced haematite fines;
- merchant pig iron or granulated iron; and
- semi-finished steel products.

These alternatives have not been evaluated technically or economically and are applicable to both domestic and international markets though some are more suited to the South African domestic market.

The Company has engaged AMEC to undertake a definitive feasibility study on its currently preferred option, the construction of a pellet plant at Thabazimbi for the manufacture of pellets for the domestic South African market, with concentrate from the Moonlight Deposit transported to the plant by slurry pipe.

Thabazimbi has been identified as a potential location for the pellet plant as it is the site of a haematite iron ore mine which is owned by ArcelorMittal and operated on its behalf by Anglo's Kumba Iron Ore and is approaching the end of its life. The mine has decreasing production volumes and an increasing ratio of fines to lump ore being produced. ProMet understands the



mine currently produces some 2.4 Mt/pa for consumption by South African steel producers. This presents an opportunity for the concentrate from the Moonlight Deposit to be blended with the Thabazimbi fines.

It is envisaged that concentrate would be piped to the Thabazimbi mine where after dewatering, the concentrate would be blended with surplus haematite fines and fed to a pelletising plant.

According to the CPR, with the reduction in mine production at Thabazimbi, the existing rail line linking the mine with ArcelorMittal's steel works and other steel producers to the south-east is currently underutilised compared with its 4 Mt/pa historical carrying capacity, and it is as such believed that there is capacity to accommodate 1.6 Mt/pa of pellets on the rail link

## 5. Strategy

The Company intends to develop its evaluation of the Project, in order to advance towards commercial production. This will involve raising enough funds to complete the first phase of the definitive feasibility study advised by AMEC.

The planned programme, which is to be financed and implemented in discrete stages extending into 2012, will include the following:

- work aimed at increasing the confidence and size of the current JORC compliant resource estimate;
- increasing the Group's interest in the Project by participating as a minority shareholder in a BEE controlled company which will acquire the current 26 per cent. BEE interest in the Project;
- carrying out studies to determine the final product form and/or secondary beneficiation process;
- conducting more metallurgical testwork;
- carrying out a social and labour plan;
- carrying out environmental studies in respect of the Project and its activities;
- endeavouring to establish alliances to secure technology supply agreements;
- endeavouring to form a strategic alliance with an existing steel producer;
- endeavouring to establish contractual relations with potential purchasers of product;
- finalising processing plant design and location, including plans for a slurry pipeline;
- identifying and preparing for all necessary permitting for the Project; and
- identifying sources of finance for the Project.

## 6. Key Strengths

- ***Magnetite Resource with large upside potential***

More detailed drilling at the Moonlight Deposit and exploration work at the De Loskop Prospect is expected to increase the Group's iron ore resource. As referred to in section 5.3 of the CPR in Part III of this document, CRM believes that the De Loskop Prospect represents an exploration target for potential iron mineralisation, with potential mineralisation within the target area of 200 Mt to 1,000 Mt at a grade of between 30 per cent. Fe and 40 per cent. Fe.

- ***Oxidised Zone at surface with a low strip ratio***

The oxide mineralisation, which is close to the surface, represents a potentially low stripping ratio target with consequential mining cost benefits. A mine pit optimisation based on utilising the Oxidised Zone indicated an average strip ratio of 1:1 and a mining rate of 4.3 Mt/pa for 24 years of mine production and also uses the entire Oxidised Zone's Inferred and Indicated Resource.

- ***Favourable metallurgical characteristics***

Based upon the analyses of magnetic concentrates of mineralisation recovered from the Project by ISCOR and summarised in Table 3.2 of the CPR in Part III of this document, the Directors believe the Project to be capable of producing magnetite with a high Fe content, low phosphorous content and low residuals.

- ***Ability to yield a premium quality concentrate***

As indicated in the CPR, further test work will need to be undertaken to optimise the beneficiation process and to enable the Company to understand the variability of the ore within the deposit.

- ***Support of stakeholders***

The Company enjoys good working relationships with the South African Government, landholders, BEE partners and neighbouring communities. These relationships have been developed as a result of the Company's firm commitment to excellence in its social and environmental performance. This support lays solid foundations for the Group to grow in the RSA.

- ***Strong Management***

The Board and the Company's management team have, in aggregate, more than 280 years of mining and/or ironmaking experience, having managed and operated development stage and production stage mining and processing operations, with in-depth knowledge of RSA and the iron ore market.

## **7. Overview of the Iron Ore Market**

### ***Iron Ore***

Iron ore is used primarily as a raw material in the steel making process. It is also used in the production of pig iron and direct reduced iron.

World production of iron ore declined by 6.2 per cent. in 2009 to just under 1.6 billion tonnes. This was the first fall in production after a period of seven years of consecutive growth.

In spite of the decline in 2009, world production has grown by 65 per cent. since 2000, or by 628Mt.

The main producing countries are Australia (2009 production 394Mt), Brazil (2009 production 300Mt) and China (2009 production 234Mt).

The seaborne iron trade is estimated to have increased by 11 per cent. in 2009 to 895 Mt. The increase was entirely accounted for by Chinese imports, which rose by much more than the increase in total trade.

In 2003 China passed Japan to become the world's largest iron ore importer. Its imports in 2009 grew by 41 per cent. to reach 628Mt, representing 70.2 per cent. of the global seaborne iron ore trade.

The iron ore market is dominated by three companies, Vale, Rio Tinto and BHP Billiton who are estimated to have increased their control of global iron ore production in 2009 to 35.4 per cent. Vale is the largest producer, with production of 255Mt in 2009.

South Africa's iron ore production increased by 13 per cent. from 49.0Mt in 2008 to 55.4Mt in 2009. The country accounts for more than 80 per cent. of Africa's total production and exports. South African exports of iron ore increased by 36 per cent. to 44.6Mt in 2009, up from 32.8Mt in 2008. The most important countries for South African exports are China, Japan, Germany and the United Kingdom.

Kumba Iron Ore is the largest producer of iron ore in Africa, having been spun off from ISCOR. Kumba owns two iron ore mines, Sishen and Tabazimbi. Sishen is by far the largest iron ore mine in Africa, accounting for 39.4Mt in 2009.

It is estimated that iron ore demand will increase from 1.6 billion tonnes in 2009 to about 1.85 billion tonnes in 2010.

### ***Steel Production***

World crude steel production decreased by 8.1 per cent. from 1,326.6Mt in 2008 to 1,219.0Mt in 2009. Despite this, crude steel production in China actually increased by 13.5 per cent. to 567.8Mt, with China now accounting for almost half of the world production of crude steel. Japan was the second largest producer of steel in 2009, with production of 87.5Mt, a reduction of 26.3 per cent. when compared to 2008.

Global steel demand is expected to return to pre-crisis levels by end 2010 and to increase in 2011.

Steel is a key input in the construction, mechanical engineering and transport vehicle industries, sectors that were amongst the hardest hit in the global economic recession.

### ***Pig Iron Production***

World pig iron production in 2009 was 900.2Mt. This represented a decrease of 2.9 per cent. compared to 2008 when 927.4Mt was produced. The largest producer of pig iron was China, which accounted for about 60 per cent. of world production in 2009, and experienced growth of 16 per cent. over 2008. In Japan, the second largest producer, pig iron production decreased by 22 per cent. to 66.9Mt in 2009.

### ***Direct Reduced Iron Production***

The Direct Reduced Iron market is much smaller than the steel and pig iron markets. World production in 2009 amounting to 64.4Mt, a reduction of 5.3 per cent. from 2008. India is the largest Direct Reduced Iron producer, with production of 22Mt in 2009.

## **8. BEE Participation**

### ***Current BEE structure***

The Company currently owns 74 per cent. of the Project, with the remainder held by its current BEE partner, Matodzi Nesongozwi. The current Group structure is set out above in Figure 1 of this Part I.

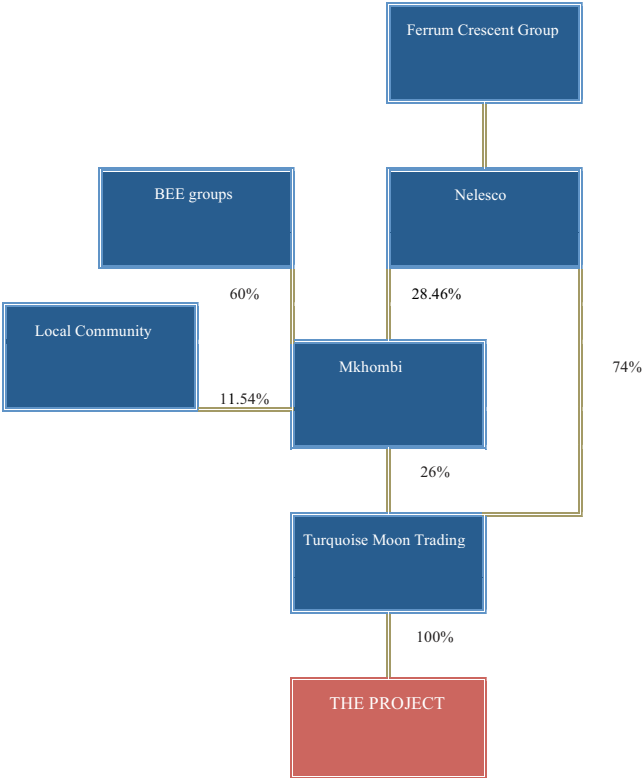
### ***Proposed BEE structure***

As announced by the Company to the ASX on 5 November 2010, the Company proposes to restructure the Group's BEE participation such that the Group's interest in the Project will increase from 74 per cent. to approximately 81 per cent.

The current BEE owned 26 per cent. of the Project is the subject of a sale agreement, whereby that interest is expected to be acquired by a BEE controlled company, Mkhombi, for a consideration of ZAR30 million with the sale due for completion by 21 December 2010. Mr Kofi Morna, who is a director of Mkhombi, is also a Director of the Company.

Nelesco has entered into agreements to acquire a holding in Mkhombi which will, on completion of the sale of the current 26 per cent. BEE participation described above, lead to Nelesco holding an additional interest (of 7.4 per cent.) in the Project. This interest will be held indirectly through Mkhombi, which in turn will hold the 26 per cent. of the TMT shares currently held by Matodzi Nesongozwi. Mkhombi is BEE-controlled, and its three shareholders, when the agreements take full effect, will be a company representing broad-based BEE groups (60 per cent.), Nelesco (28.46 per cent.) and a trust representing the local community (11.54 per cent.).

The following chart shows how the Group will be structured:



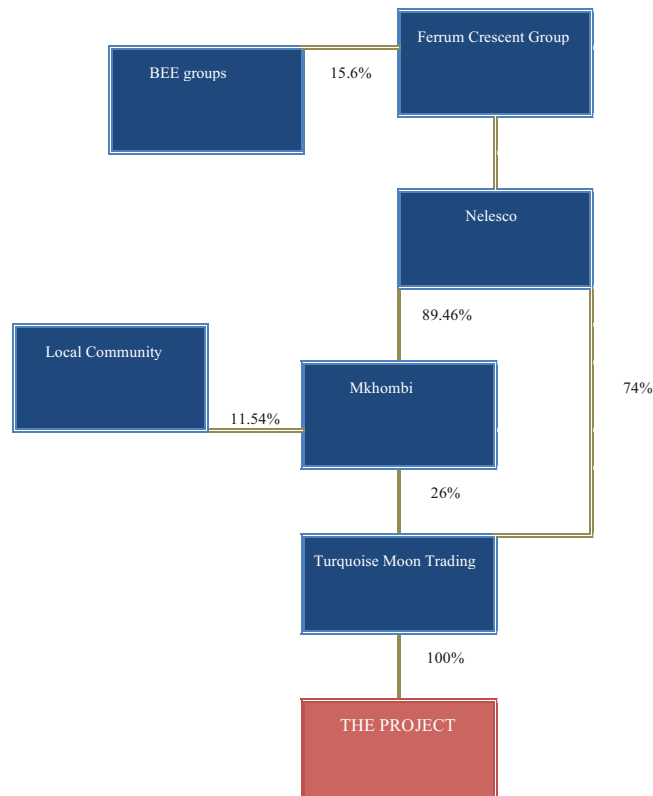
**Proposed “flip” of BEE structure**

The agreements establishing the structure of the new BEE holding also provide for what is known within RSA as the “flip”. This is a mechanism whereby BEE entities convert their equity at the project level into shares at the listed holding company level, allowing them both to enjoy the benefits of corporate growth (which may involve different projects) and the potential to realise the growth in value of their investment because of the greater liquidity in the holding company shares.

Nelesco and the Company respectively have thus agreed with the major shareholder of Mkhombi that Nelesco will purchase the BEE groups’ 60 per cent. interest in Mkhombi for ZAR7.5 million, and the BEE groups will for ZAR15 million subscribe for new Ordinary Shares in the Company equal to 15.6 per cent. of the Ordinary Shares in issue at that time. The subscription agreement is subject to certain conditions precedent, including grant of a mining right in respect of the Project, exchange control approval from the South African Reserve Bank and necessary approvals under the Corporations Act and ASX Listing Rules. The latter will, amongst other things, include the requirement for shareholder approval.

As described above, the “flip” is subject to, *inter alia*, the grant of the mining right by the DMR in respect of the Project which is not expected to occur before May 2011 at the earliest. As a result, the Directors do not currently expect the “flip” to take place before July 2011.

The following figure shows how the Group will be structured upon completion of these “flip” agreements:



## 9. The Board

The Board consists of the following executive and non-executive Directors:

### ***Edward Francis Gerrard Nealon, aged 60 (Executive Chairman)***

Mr Nealon is a geologist by training with some 37 years’ experience covering many of the major mining centres of the world, and in particular RSA. Mr Nealon was the founder of Aquarius Platinum Limited, following which he created the modern version of Sylvania Resources Limited.

### ***Kevin Scott Huntly, aged 48 (Managing Director)***

Mr Huntly, who is a mining engineer with over 31 years’ experience in the mining industry, principally within RSA, heads the Company’s management team and is based in Johannesburg. He has extensive experience within government in RSA and of working with several exploration and mining companies within the country (including Aquarius Platinum Limited and Sylvania Resources Limited), especially during the companies’ transition from exploration to development.

### ***Frederik Stefanus (“Fanie”) Botha, aged 38 (Operations Director)***

Dr Fanie Botha is a water resource consultant, with more than 10 years’ experience in the RSA Government and private sectors. He has been involved in a number of bankable feasibility studies in the past few years in RSA. He is the project manager and leader in respect of the Company’s feasibility study into the Project.

### ***Klaus Borowski, aged 70 (Independent Non-executive Director)***

Mr Borowski is a metallurgical engineer by background, having studied in his home country of Germany. He went to RSA 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 RSA in 1982 and subsequently held several positions in the iron and steel industry in RSA, including as Managing Director of Krupp South Africa and as Executive Director of Industrial Machinery Supplies Pty Ltd. In 1991, Mr Borowski formed Applied Metallurgical Technologies (Pty) Ltd, and amongst other things he was on the steering

committee of Saldhana Steel (Pty) Ltd. Mr Borowski is chairman of the remuneration committee of the Company (the “Remuneration Committee”) and is a member of the audit committee of the Company (the “Audit Committee”).

***Kofi Morna, aged 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 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, the company that will be the Company’s BEE partner. Mr Morna is a member of the nomination committee of the Company (the “Nomination Committee”).

***Grant Michael Button, aged 48 (Independent Non-executive Director)***

Mr Button is a qualified accountant and has significant financial and other commercial management and transactional experience. Mr Button has 19 years’ experience at a senior management level in the resources industry. He has acted as an executive director, Managing Director, Finance Director, Chief Financial Officer and company secretary of a range of publicly listed companies. He was a non-executive director of the Company when it listed on the ASX in November 2005 and continued in that role until his resignation in November 2008. He is currently the Chief Executive Officer of Magnum Mining & Exploration Limited, an executive director of Sylvania Resources Limited, non-executive chairman of Realm Resources Limited and non-executive chairman of Alamar Resources Limited. Mr Button is chairman of the Audit Committee and the Nomination Committee and is a member of the Remuneration Committee.

***Theodore (“Ted”) Carl Droste, aged 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.

## **10. Senior Management**

The key members of the management team of the Company are as follows:

***Robert Hair, aged 57 (Joint Company Secretary)***

Mr Hair is by background a lawyer with over 21 years’ experience in the resources sector. He has held several roles in the MIM Group Pty Limited and other companies and has Australian and international experience in legal, commercial, financial and organisational aspects of exploration, mining and processing operations. He has for some years provided consultancy services to companies in the resources and information technology sectors and is currently a non-executive director of Carpentaria Exploration Limited.

***Andrew Nealon, aged 26 (Joint Company Secretary)***

Mr Nealon has over 3 years’ experience as a company secretary and financial manager within publicly-listed companies. He has been a company secretary of the Company since 2007 and assists the Chief Financial Officer in the management of the Company’s financial systems.

***Robert (Bob) Van Der Laan, aged 45 (CFO and Joint Company Secretary)***

Mr Van Der Laan is an accountant with 24 years’ experience in the management of financial and risk management systems for publicly listed companies. He is responsible to senior management and the Board for the Company’s financial controls and management and financial reporting and all other aspects of the Company’s financial function.

***Lindsay Cahill, aged 61 (Mine Services Manager)***

Mr Cahill is a geologist with more than 25 years' experience in the minerals exploration and mining industry. A member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists, he has undertaken and managed exploration and resource development programmes for a range of commodities in a wide variety of geological environments within Australia, southern Africa, Indonesia and Papua New Guinea. In addition, Mr Cahill was the senior resource geologist for Highlands Gold Limited, based in Port Moresby, and resource evaluation manager for the Bulong and Marlborough laterite nickel projects.

Mr Cahill has managed the Company's exploration programmes in RSA and reviewed and planned exploration for several magnetite deposits in Australia. With extensive experience in resource studies, feasibility testwork, commissioning and liaison with government and statutory bodies, Mr Cahill has an in-depth knowledge of sound environmental practices.

***Christian Kunze, aged 46 (Engineering Manager)***

Mr Kunze, who has a Masters Degree in Mechanical Engineering and Business Administration, has worked in management positions in the plant engineering/steel industry for over 15 years. Mr Kunze has also worked as a consultant to the mining industry for several years in which capacity he was involved in several early stage mineral development projects.

## **11. Corporate Governance**

The Directors recognise the importance of maintaining sound corporate governance practices. As the Ordinary Shares will be admitted to AIM, the Company will not be required to comply with the UK Corporate Governance Code, which applies to larger listed companies. However, the Company will comply with the QCA Guidelines, which are recommended for companies admitted to trading on AIM.

As the Company is listed on the ASX, it is subject to the Corporate Governance Principles and Recommendations with 2010 Amendments published by the ASX Corporate Governance Council (Second Edition) and as such reports on an annual basis (in its Directors' report) as to whether it complies with those recommendations and, to the extent that it does not comply, why it does not comply. The Company complies substantially with the recommendations. If the Company were reporting as at the date of this document, it would report that it does not comply with the recommendations in that the office of Chairman is held by an executive of the Company. The Directors believe that at this stage of the Company's development, it is in the interests of the Company that the role be an executive one.

### ***Board Structure***

Upon Admission, the Board will consist of three executive directors and four non-executive directors of whom two are considered by the Board to be independent as defined by the QCA Guidelines.

The Chairman is responsible for leadership of the Board, for the efficient organisation and conduct of the Board's function and for the briefing of all Directors in relation to issues arising at Board meetings. The Chairman is also responsible for shareholder communication and arranging Board performance evaluation. The Chairman is expected to facilitate the effective contribution of all directors and promote constructive and respectful relations between Directors and between the Board and senior management.

The Board has established an audit committee, a remuneration committee and a nomination committee.

### ***Audit Committee***

The primary role of the Audit Committee is to monitor the integrity of the financial statements of the Company, including its annual, half yearly and quarterly reports, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments that they contain. The Audit Committee must also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

The Audit Committee must at all times comprise at least two members of the Board. At Admission, the Audit Committee will comprise Grant Button (as chairman), Klaus Borowski and Kofi Morna.

### ***Remuneration Committee***

The function of the Committee is to assist the Board in fulfilling its corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations on:

- (a) remuneration packages of executive directors, non-executive directors and senior executives; and
- (b) employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

At Admission the Remuneration Committee shall comprise Klaus Borowski (as chairman), Grant Button and Kofi Morna.

### ***Nomination Committee***

The Nomination Committee will have responsibility for making recommendations to the Board on the composition of the Board and will review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and its committees. This committee will make recommendations to the Board on retirements and appointments of additional and replacement Directors. The committee will meet at least once a year.

In exercising this role, the Nomination Committee shall have regard to the recommendations set out in the QCA Guidelines.

At Admission the Nomination Committee shall comprise Grant Button (as chairman), Ted Droste and Kofi Morna.

### ***Share Dealing Code***

The Board intends to comply, and to procure compliance, with Rule 21 of the AIM Rules for Companies relating to dealings in the Company's securities by the Directors and other applicable employees. To this end, the Company has adopted a code for directors' dealings which the Directors consider is appropriate for a company whose shares are admitted to trading on AIM and will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

### ***City Code on Takeovers and Mergers***

As an Australian company, the Company is not and will not after Admission be subject to the City Code. As a result, a takeover offer for the Company will not be regulated by the Panel on Takeovers and Mergers and shareholders will therefore not have the protection afforded by the City Code.

Further information on the Australian takeover regulations that apply to the Company is set out in paragraph 25 of Part VI of this document.

## **12. The Placing**

The Company is proposing to issue 100,000,000 Placing Shares pursuant to the Placing at the Placing Price to raise £10.0 million (before fees and expenses). The Placing Shares, which will represent approximately 33.5 per cent. of the Enlarged Ordinary Share Capital, will be fully paid upon issue and will rank *pari passu* in all respects with the Existing Ordinary Shares.

The Company and the Directors and Robert Hair have entered into the Placing Agreement with Ambrian and Ocean Equities pursuant to which Ocean Equities has agreed to use its reasonable endeavours to place the Placing Shares with institutional and other investors at the Placing Price.

The Placing, which is not underwritten, is conditional, *inter alia*, on the Placing Agreement becoming effective and not being terminated in accordance with its terms and Admission occurring no later than 8.00 a.m. on 15 December 2010 (or such later time and date as the Company, Ambrian and Ocean Equities may agree, being no later than 8.00 a.m. on 30 December 2010). Further details of the Placing Agreement are set out in paragraph 13.1 of Part VI of this document.



### **13. Reasons for the Admission and Use of Proceeds**

The reason for Admission is to enable the Company to access institutional capital to grow its investor base and provide it with the capital to develop the Project.

The gross proceeds raised by the Company pursuant to the Placing are expected to be £10.0 million. The Company intends to use the net proceeds of the Placing, expected to be £8.8 million (after deducting fees and expenses), to:

- upgrade both the magnitude and confidence of the current JORC resource estimate;
- acquire an additional interest in the Project by participating as a minority shareholder in Mkhombi, which will involve Nelesco making a loan of ZAR 22.5 million to Mkhombi;
- carry out a further definitive feasibility study for the Project with AMEC, which will include:
  - further studies to determine that a pelletisation plant is the most appropriate value-adding process;
  - conducting more metallurgical testwork, to set the final process parameters;
  - reviewing the social and labour plan;
  - overseeing relevant environmental studies in respect of the Project and its activities; and
  - finalising processing plant design and location (including building plan for a slurry pipeline).

### **14. Current Trading and Prospects**

On Admission, the Company will have cash resources, including the net placing proceeds, of approximately £9.3 million (approximately AUD 14.7 million). The Company does not currently generate operating revenue. The Directors believe that, subject to the Placing, the Company will be well placed to enhance its value by determining the best development route for the Project, and preparation for financing and development of the Project through the commissioning of a definitive feasibility study.

### **15. Financial Information**

Set out in Part IV of this document is the historical financial information of FML for the two years and seven months to 30 June 2010 and for the Company (previously Washington Resources Limited) for the two years ended 30 June 2009.

Set out in Part V of this document is the Company's Quarterly Activities and Cashflow Report for the period ended 30 September 2010 as reported to the ASX on 29 October 2010.

### **16. Post-Balance Sheet Events Summary**

Between 19 August 2010 and 24 September 2010, the Company disposed of its entire shareholding of Northern Uranium Limited for net sale proceeds of approximately AUD 1.8 million in cash.

On 7 October 2010, the Company issued 10,000,000 new Ordinary Shares at 12 cents per share to sophisticated investors for cash. The amount raised was AUD 1,070,097 after costs.

On 29 October 2010, the Company announced it had reached an agreement to sell all its Australian exploration assets to Northern Uranium Limited for a sum of AUD 600,000. The sale process subsequently completed on 7 December 2010.

On 4 November 2010, a Company within the group, Nelesco entered into agreements whereby its interest in Turquoise Moon will be increased from the current level of 74 per cent. to approximately 82 per cent.

On 30 November 2010, the Company issued 2,925,000 new Ordinary Shares at 19.8 cents per share to certain Directors and their related parties under the employee share plan.

## **17. Dividend Policy**

The Board anticipates that, following Admission, the Group's cash resources will be used for investment in the development of the Group's assets and will not be available for distribution until such time as the Directors consider it has an appropriate level of distributable profits. The declaration and payment by the Company of any dividends and the amount thereof will depend on the results of the Group's operations, its financial position, anticipated cash requirements, prospects, profits available for distribution, and other factors deemed to be relevant at the time. As at the date of this document, the Company has not declared any dividends.

## **18. Incentive Schemes and Options**

The Directors believe that the success of the Group will depend to a high degree upon the retention and future performance of the management team. The Directors also recognise the importance of ensuring that all employees are well motivated and identify closely with the success of the Group in retaining key employees.

The Company has adopted, prior to Admission, employee share and option plans (the "Plans"). The issue price for shares and the exercise price for options offered under the Plans is at the discretion of the Board, except that they must not be less than the volume weighted average share price of the Ordinary Shares over the preceding ten business days before the grant or issue.

As at the date of this document, the Company has issued options over 24,446,727 Ordinary Shares, comprising 21,496,727 listed options and 2,950,000 options granted pursuant to the Plans and has issued 2,925,000 employee Shares under the Plans.

Details of the outstanding Options over the share capital of the Company are set out in paragraph 10 of Part VI of this document.

The Plans are intended to align the interests of participants in the Plans with Shareholders, as well as encourage share ownership of those involved in the management and operation of the Company and facilitating the recruitment of personnel. It is proposed that Ordinary Shares may be issued and Options may be granted to directors and employees of the Group under these Plans up to such number which would result in the number of Ordinary Shares issued or issuable pursuant to Options granted under the Plans, when aggregated with any Ordinary Shares that are the subject of offers or invitations under any employee shares schemes and any shares issued during the previous five years pursuant to employee shares schemes, not exceeding five per cent. (5 per cent.) of the number of Ordinary Shares in issue from time to time.

## **19. Settlement, Dealings and CREST**

Application will be made for the Enlarged Ordinary Share Capital to be admitted to AIM. Admission is expected to take place and dealings in the Enlarged Ordinary Share Capital to commence, at 8.00 a.m. (London time) on 15 December 2010.

To be traded on AIM, securities must be able to be transferred and settled through the CREST system, a UK computerised paperless share transfer and settlement system, which allows shares and other securities, including depositary interests, to be held in electronic form rather than in paper form. For certain foreign securities to be transferred and settled through CREST they need to be in the form of depositary interests. The Company, through the Depositary, has established a facility whereby (pursuant to the Deed Poll (as defined in paragraph 9.7 of Part VI of this document) executed by the Depositary) Depositary Interests, representing Ordinary Shares, will be issued by the Depositary to persons who wish to hold the Ordinary Shares in electronic form within the CREST system. It is intended that the Company will apply for the Depositary Interests, representing Ordinary Shares, to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Depositary Interests representing the Ordinary Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. Holders wishing to maintain their investment outside of the CREST system will be entered on the Australian share register and receive a statement as evidence of ownership.

## **20. Lock-in and Orderly Marketing Arrangements**

On Admission, the Directors and Robert Hair, being Related Parties for the purposes of Rule 7 of the AIM Rules, will be interested, in aggregate in 12,580,318 Ordinary Shares representing approximately 4.2 per cent. of the Enlarged Ordinary Share Capital. Each of the Directors and Robert Hair have agreed not to dispose of any interest in their Ordinary Shares for a period of one year following Admission except in certain restricted circumstances. They have further undertaken that, after the expiry of such 12 month period, they will not make any such disposal without first seeking to make such disposal through Ocean Equities (or the Company's broker from time to time), so as to maintain an orderly market in the Ordinary Shares for a further period of 12 months.

In addition, Mr Henri Bonsma who is interested in 17,050,000 Ordinary Shares representing approximately 5.7 per cent. of the Enlarged Ordinary Share Capital, has undertaken that for a period of one year following Admission he will not make any disposal of Ordinary Shares without first seeking to make such disposal through Ocean Equities (or the Company's broker from time to time), so as to maintain an orderly market in the Ordinary Shares.

Further details of these lock-in and orderly marketing arrangements are set out in paragraphs 13.1 and 13.4 of Part VI of this document.

## **21. Taxation**

Information regarding United Kingdom taxation is set out in paragraph 18 of Part VI of this document. If you are in any doubt as to your tax position, you should consult an appropriate professional adviser immediately.

## **22. Additional Information**

Your attention is drawn to the additional information set out in Parts II to VI of this document which contains, *inter alia*, further information on the Group.

## PART II

### RISK FACTORS

In addition to the other relevant information set out in this document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the contents of this document or the action you should take, you are strongly recommended to consult a professional adviser authorised under FSMA who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority. In particular, the Company's performance may be affected by changes in legal, regulatory and tax requirements in the UK, Australia and South Africa and elsewhere as well as overall global financial conditions.

Investors should also consider discussion points and conclusions identified by ProMet Engineers Pty Ltd and Continental Resource Management Pty Ltd in the Competent Persons' Report set out in Part III of this document.

This is a high risk investment and investors may lose a substantial portion or even all of the money they invest in the Company. An investment in the Company is, therefore, suitable only for financially sophisticated investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss that might result from such investment.

Investors should also take their own tax advice as to the consequences of owning shares in the Company as well as receiving returns from it. No representation or warranty, express or implied, is given to investors as to the tax consequences of their acquiring, owning or disposing of any shares in the Company and none of the Company, the Directors, Ambrian nor Ocean Equities will be responsible for any tax consequences for any such investors.

#### 1. Specific Risk Factors

##### *Risks relating to the Group's Operations and Industry*

###### *Early stage of operations*

The Group's operations are at an early stage of development and success will depend on the Directors' ability to manage the current projects and to take advantage of further opportunities which may arise. There can be no guarantee that the Company or any member of the Group can or will be able to, or that it will be commercially advantageous for it, to develop all or any part of the Project. Further, the Group currently has no assets producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future and its ability to access equity markets for its development requirements.

An investment in the Company is speculative and involves a high degree of risk. Future results, including recovery factors and work program plans and schedules, may be affected by changes in market conditions, commodity price levels, political and regulatory developments, timely completion of exploration program commitments or projects, the outcome of commercial negotiations and technical or operating factors.

###### *Mineral reserve and resource estimates are uncertain and subject to change*

The estimation of mineral reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgements made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate and the economic viability of mining a deposit may differ materially from the Group's estimates. The exploration of mineral rights is speculative in nature and is frequently unsuccessful. The Group may therefore be unable to discover and/or exploit reserves successfully.

Estimated mineral reserves or mineral resources may also have to be recalculated based on changes in iron ore or other commodity prices, further exploration or development activity and/or actual production experience. As further information becomes available through additional fieldwork and analysis the estimates may change, which could result in: (i) alterations to development and mining plans which may, in turn, adversely affect the Group's operations; and (ii) a material adverse effect on estimates of the volume or grade of mineralisation, estimated recovery rates or other important factors that influence reserve or resource estimates.

Any significant difference between the Group's actual reserves and resources and its current estimates, could have a material adverse effect on the Group's business, results of operations, financial condition and/or growth prospects.

#### *Exploration, development and operating risks*

Mining operations generally involve a high degree of risk. The Group's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of iron ore, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, pit wall failure and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimise risk will be taken, mining operations are subject to hazards such as fire, equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

The exploration for and development of mineral deposits is speculative and involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into producing mines. Once iron ore is discovered it can take several years to determine whether reserves exist. During this time the economic viability of production may change. Substantial expenditure may be required to locate and establish mineral resources or reserves through drilling, metallurgical and other testing techniques, to develop metallurgical processes to extract iron from the iron ore and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programmes planned by the Group will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices that are highly cyclical; and (iii) government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

There is no certainty that the expenditures made by the Group towards the exploration and evaluation of mineral deposits will result in discoveries or development of commercial quantities of ore.

The Group may consider from time to time the acquisition of iron ore reserves, development properties and operating mines, either as stand-alone assets or as part of companies. Its decisions to acquire these properties will be based on a variety of factors including historical operating results, estimates of and assumptions about future reserves, cash and other operating costs, the iron ore price and projected economic returns, and evaluations of existing or potential liabilities associated with each property and its operations. Other than historical operating results, all of these parameters may differ significantly from the Group's estimates and assumptions. The exact effect of these factors cannot be accurately predicted, but a combination of any of these factors may result in the Company not receiving an adequate return on invested capital.

#### *Exploitation risks*

There can be no assurance that any resources recovered can be brought into profitable production. Market price fluctuations, increased production costs or reduced recovery rates, or other factors may render the present estimated or inferred resources of the Group uneconomical or unprofitable to develop at a particular site or sites.

Further the Group may not be able to exploit commercially viable discoveries which it owns or in which it acquires an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Group's control. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Group may not be able to meet. As a result of such delays, the Group may incur additional costs, losses or lose revenue or part or all of its equity in a licence. If at any stage the Group is precluded from pursuing its exploration programme or the exploration programme is not continued, the Group's business, result of operations, financial condition and/or growth prospects may be materially adversely affected. Additionally, should the regulatory regime in an applicable jurisdiction in which the Group operates or wishes to exploit mining rights be modified in a manner which adversely affects natural resources facilities or projects, including taxes and permit fees, the returns to the Group may be adversely affected.

#### *Operational targets and delays*

The Group's operational targets will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. The Group will not generate any material income until mining has successfully commenced. In the meantime the Group will continue to expend its cash reserves.

#### *Prospecting and exploration licences and mining concessions*

The Group has secured a prospecting right for the Project. Prior to the commencement of mining and processing activities, mining licences and all other permits and regulatory consents will need to be obtained.

Although the Group has submitted its mining right application for the Project and the Directors believe that the mining right, permits and other regulatory consents required for the commencement of mining and production activities should be forthcoming, there can be no assurance regarding these matters. The prospecting and exploration licences currently held by the Group and any mining or prospecting and exploration licences acquired by the Group in the future will be subject to licence requirements, which include, *inter alia*, certain financial commitments which, if not fulfilled, could result in the suspension or ultimate forfeiture of the relevant licences.

Failure by the Group to obtain the necessary mining licences, government consents, revocation of an existing licence, failure to renew a licence or failure to obtain a licence that is required to move from one stage of the industry cycle to another (including, for example, the exploration phase to the exploitation phase) could have a material adverse effect on the Group's financial performance, may lead to a reduction in the carrying value of assets and may materially jeopardise the viability of the Group's projects. Where the Group fails to comply with its respective obligations under any such licences or permits, then such licence or permit may be lost, forfeited or not renewed by the grantor.

#### *Commodity prices*

The profitability of the Group's operations will be to an extent dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Group. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in mineral prices. Such external economic factors can in turn be influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations.

Furthermore, reserve calculations and life-of-mine plans using significant lower iron prices could result in material write-downs of the Group's investment in mining properties and increased amortisation, reclamation and closure charges.

In addition to adversely affecting the Group's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular mining project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the Project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

#### *Competition*

The mining industry is intensely competitive in all of its phases and the Group competes with many companies possessing greater financial and technical resources than itself. Competition in the minerals and mining industry is primarily for mineral rich properties that can be developed and produced economically; the technical expertise to find, develop, and operate such properties; the labour to operate the properties; and the capital for the purpose of funding such properties. Many competitors not only explore for minerals, but conduct refining and marketing operations on a global basis. Such competition may result in the Group being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its properties. Existing or future competition in the mining industry could materially adversely affect the Group's prospects for mineral exploration and success in the future.

#### *Requirement for further funding*

In the opinion of the Directors, having made due and careful enquiry and taking into account the net proceeds of the Placing, the working capital available to the Company will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission. However, the Company may need to raise further funds after the initial 12 month period from the date of Admission in order to fulfil its stated objectives. There is no guarantee that the then prevailing market conditions at that time will allow for such a fundraising or that new investors will be prepared to subscribe for Ordinary Shares at the same price as the Placing Price or higher. Failure to obtain additional further funding after the initial 12 month period after Admission, on acceptable terms or at all, could have a material adverse effect on the results of operations, financial condition and prospects of the Group.

#### *Infrastructure*

Mining, processing, development and exploration activities depend, to a significant degree, on adequate infrastructure. As part of the project development the Company will need to construct and support the construction of infrastructure, which includes permanent water supplies, power, rail and maintenance facilities, port and logistics services and access roads. Reliable port and rail facilities, roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, Government or other interference in the maintenance or provision of such infrastructure could adversely affect the Group's operations, financial condition and results of operations.

Any such issues arising in respect of the supporting infrastructure or on the Group's site could materially and adversely affect the Group's results of operations or financial condition. Furthermore, any failure or unavailability of the Group's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could adversely affect the production output from its mines or impact its exploration activities or development of a mine or project.

#### *Environmental factors*

The Group may be involved in operations that may be subject to environmental and safety regulation (including regular environmental impact assessments and permitting). This may include a wide variety of matters, such as prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The regulations may change in a manner that may require stricter or additional standards than those currently in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from exploration and development activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which the Group may

become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions. There is no assurance that future changes in environment regulation will not adversely affect the activities of the Group.

#### *Currency risk*

The Company will after Admission report its results in Australian dollars and will hold the majority of its cash in Australian dollars/South African rand. However, expenditure will be in three different currencies, being Australian dollars, pound Sterling and South African rand. The Group's substantial costs related to exploration costs are expected to be predominantly in South African rand.

Fluctuations in exchange rates between currencies in which the Group invests, reports or derives income, particularly a weakening in the value of Australian dollars as compared to the South African rand and pound Sterling, may cause fluctuations in the Company's financial results that are not necessarily related to the Group's underlying operations. This may result in additions to the Company's reported costs or reductions in the Company's reported revenues.

#### *Dependence upon key employees*

The Group's future success is substantially dependent upon the continued services and performance of its senior management and other key personnel in the various areas of the Group's business. The loss of the services of certain key employees or the inability to recruit personnel of the appropriate calibre, could have a material adverse effect on the business of the Group.

#### *Uninsured risks*

The Group, as a participant in exploration and mining programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. The Group may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury. Any such liability could materially adversely affect the performance of the Group.

#### *Limited operating history*

The Company does not have an established operating track record. The Company has not earned profits since incorporation and there is no assurance that it or the Group will earn profits in the future. The Group is not currently generating positive cash flow and its ultimate success will depend on its ability to generate positive cash flow from its investments in the future.

#### *Lack of dividends for the foreseeable future*

For the foreseeable future, the Group intends to retain any future earnings for the business and therefore the Company does not anticipate paying dividends in the short to medium term.

#### *Dilution of Shareholders' interests*

The Company is likely to need to raise additional funds in the future to finance its investments and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the Shareholders may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. The Directors propose that the Company should be able to issue new Ordinary Shares as consideration for further acquisitions and/or raise additional working capital for the Company as required. Insofar as such new Ordinary Shares are not offered first to existing Shareholders, then their interests in the Company will be diluted.

### ***Legal, Tax and Regulatory Risks***

#### *Due diligence costs*

The Company plans to seek further growth opportunities via joint ventures and/or acquisition of other iron ore projects. The Group may incur costs in conducting due diligence into potential opportunities that may not result in an acquisition being made.



### *Litigation risks*

Legal proceedings may arise from time to time in the course of the Group's activities. There have been several cases where the rights and privileges of mining and exploration companies have been the subject of litigation. The Directors cannot preclude that such litigation may be brought against the Company or a member of the Group in the future from time to time.

### *City Code*

The City Code will not apply to the Company. However, the Company is subject to the takeovers provisions as set out in the Corporations Act and other relevant Australian legislation a summary of which is set out in paragraph 25 of Part VI of this document.

### *Economic, political, judicial, administrative, taxation or other regulatory factors*

The Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in South Africa (which is where the Group will operate and hold its major assets), in Australia, in the UK or elsewhere. These risks and uncertainties include, but are not limited to: hyperinflation; labour unrest; risk of war or civil unrest; expropriation and nationalisation; renegotiations or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; terrorist activities; extreme fluctuations in currency exchange rates; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplied from, a particular jurisdiction. Please see below for further detailed risks relating to South Africa.

### ***Risks relating to South Africa***

#### *Black Economic Empowerment and Social Development*

The Company must comply with and remain compliant with the South African Mining Charter, the Mining Codes and the black economic empowerment participation requirements and the approved social and labour plan in order to retain prospecting and mining rights. Any failure by the Company to satisfy and to continue to satisfy the black economic empowerment requirements of the MPRDA, the Charter, the approved Social and Labour Plan and/or the Mining Codes could jeopardise the Prospecting Rights held by the Company.

Key requirements under the South African Charter are (i) a minimum of 26 per cent. meaningful economic participation by historically disadvantaged South Africans, (ii) a minimum of 40 per cent. of capital goods, 70 per cent. of services and 50 per cent. of consumer goods are procured from BEE entities, (iii) at least 5 per cent. of the payroll is spent on skills development. Compliance with the requirements of the Charter may increase the costs of the Company's operations and affect profitability.

#### *Inherent uncertainties in the formalities required to acknowledge the new BEE structure*

In November 2010, the Company entered into arrangements to change its BEE structure. According to Section 11 of the MPRDA, this new BEE structure does not require ministerial consent as the "controlling interest" (as defined in the MPRDA) has not changed. However, the Turquoise Moon Prospecting Right contains a "Transfer Restriction Provision" demanding a ministerial consent for any change in the ownership structure. The legal consensus, though yet untested, favours the interpretation of the section 11 of the MPRDA over the provision in the Turquoise Moon's Prospecting Right. Unless new developments arise and/or there are changes in the general legal consensus, it appears that the Government's endorsement for the new BEE structure is needed but does not require a formal regulatory approval. This is supported by the Directors' interpretation of their recent discussions with the DMR, having taken independent expert advice on the matter.

#### *Water Supply*

The Project is located in semi-arid area with no direct access to reliable source of water. Due to the size of the water requirements for the concentrator, a water storage pond is needed. The Company is contemplating various solutions to secure reliable access to water. The Company may be required in the future to apply for and obtain water use licences from the relevant governmental authorities. The process

for obtaining a water use licence is a lengthy process and the Company's mining operations may be adversely affected in the event that the relevant licences are not obtained in a timely manner. An inadequate water supply would negatively affect the Project.

#### *Electricity Supply*

The Moonlight deposit is located in a remote area and there is at present only very limited local power available. The nearest existing transmission line is 15 km west of the site (running from Villa Nora to Tom Burke substation) with approximately 18 MW spare capacity and could be extended to the mine to provide that level of power supply. Eskom would typically supply the 132 kV mine/plant switchyard including two transformers and this is included in the cost estimate below. Customer tie-in point would be the transformer medium voltage terminals. Local 22 kV infrastructure can possibly be utilized for construction power, up to 2 MW to 3 MW. This would eliminate the need for a diesel generating station, other than for backup power. At present there is limited additional generating capacity (network strength); however, the Directors envisage that additional power will become available starting from June 2012 when the first Medupi generating unit (rated 800 MW) is scheduled to come on line. The remaining 5 units will then be brought into service at 8 month intervals. The Directors envisage, therefore, that the network will be significantly strengthened before the mine and plant begin operation, and continuity of supply is not regarded as a major concern.

## **2. General Risk Factors**

### ***Risks relating to the Ordinary Shares***

#### *Investment in AIM securities*

Investment in shares traded on AIM is perceived to involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List and traded on the London Stock Exchange's Main Market for listed securities. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

#### *Potentially volatile share price and liquidity*

The share price of emerging companies quoted on AIM can be highly volatile and shareholdings illiquid. The price at which the Ordinary Shares are quoted and the price at which investors may realise their Ordinary Shares may be influenced by a significant number of factors, some specific to the Company, the Group and their operations and some which affect quoted companies generally. These factors could include the performance of the Group, large purchases or sales of Ordinary Shares, legislative changes and general, economic, political or regulatory conditions.

#### *Market perception*

Market perception of mining and exploration companies may change following Admission which could impact on the value of investors' holdings and impact on the ability of the Group to raise further funds by issue of further shares in the Company.

**PART III**  
**COMPETENT PERSONS' REPORT**



10 December 2010

The Directors  
Ferrum Crescent Limited  
Unit 1, 135 Great Eastern Highway  
RIVERVALE WA 6103  
Australia

Ambrian Partners Limited  
Old Change House  
128 Queen Victoria Street  
LONDON EC4V 4BJ  
United Kingdom

Ocean Equities Limited  
3 Copthall Avenue  
LONDON EC2R 7BH  
United Kingdom

Dear Sirs

**Competent Persons' Report on Ferrum Crescent Limited's Turquoise Moon Iron Project**

Continental Resource Management Pty Ltd ("CRM") and ProMet Engineers Pty Ltd ("ProMet") are together acting as Ferrum Crescent Limited ("Ferrum") competent person ("Competent Person") and have prepared an independent Competent Persons' Report ("CPR") on the material assets of Ferrum, being the Turquoise Moon Iron Project, at the request of Ferrum, its nominated adviser Ambrian Partners Limited, and its broker Ocean Equities Limited in connection with the proposed placing of new shares and the admission of the Company's entire share capital to trading on the AIM market of the London Stock Exchange plc ("AIM") ("Admission").

We acknowledge that this CPR will be included in the document prepared by Ferrum in accordance with the AIM Rules in connection with the Admission ("Admission Document"). The CPR has been compiled generally in accordance with the AIM Note for Mining, Oil and Gas Companies dated June 2009 ("AIM Note").

In accordance with your instructions to us and the requirements of the AIM Note, we confirm that we:

1. are professionally qualified and members in good standing of a self-regulatory organisation of engineers and/or geoscientists;
2. each have at least five years' relevant experience in the estimation, assessment and evaluation of iron ore assets;

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3. are independent of Ferrum, its directors, senior management and advisers save for the fact that Derek Macauley of ProMet is a Director of a company that has an immaterial shareholding in Ferrum as disclosed in paragraph 14.3 of the CPR;
4. will be remunerated by way of a time-based fee and not by way of a fee that is linked to the Admission or value of Ferrum;
5. are not a sole practitioner;
6. have the relevant and appropriate qualifications, experience and technical knowledge to appraise professionally and independently the mineral assets, owned by Ferrum; and,
7. consider that the scope of the CPR is appropriate and includes and discloses all information required to be included therein and was prepared to a standard expected in accordance with the AIM Guidance Note.

### **Previous CPR**

We confirm that we previously prepared a CPR for Ferrum dated 17 August 2010 (“Previous CPR”). This CPR was prepared on the basis that Ferrum had decided to pursue a Merchant Pig Iron (“MPI”) final product. This product was chosen jointly by Ferrum and ProMet based on an assessment of the relative sales values of concentrate, pellets and MPI and the costs and difficulties in making suitable transport arrangements for bulk commodities. The MPI route was found to give a superior project return than the other potential products based on information available at that time.

This current CPR was prepared on advice from Ferrum that the product offtake possibilities and transport logistics within southern Africa had changed sufficiently to warrant opening up the project basis in order to assess the economic potential of a fuller range of potential products.

We confirm that the previous CPR contained the same resource classifications as the current CPR and did not contain otherwise any other conclusions materially different from the current CPR.

### **Standard Applied**

In compiling this report we have used the definitions and guidelines set out by the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 edition, as published by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian institute of Geoscientists and Minerals Council of Australia.

### **No Material Change**

We confirm that there has been no material change of circumstances or available information since the CPR was compiled and we are not aware of any significant matters arising from our evaluation that are not covered by the CPR which might be of a material nature with respect to the proposed Admission.

### **Extraction of Information**

By a separate letter we will confirm that we have reviewed information contained in the Admission Document which relates to information contained in the CPR and will confirm whether or not that the information presented therein has been extracted from our CPR in a manner which is not misleading, is accurate and provides a balanced and complete view which is not inconsistent with the CPR.

### **Reliance on Source Data**

The CPR is based in whole or in part on information and data provided to CRM and ProMet by Ferrum and/or third parties. Both CRM and ProMet represent that they exercised reasonable care in the preparation of this report and that the report complies with published industry standards for such reports, to the extent such published industry standards exist and are applicable. However, Ferrum agrees that neither CRM nor ProMet is responsible for confirming the accuracy of information and data

supplied by third parties and that neither CRM nor ProMet attests to or assumes responsibility for the accuracy of such information or data. Ferrum confirms that it has provided all data which is relevant to this CPR and available at the time of its preparation.

### **Consent**

We hereby consent, and have not revoked such consent, to the issue by the Company of its Admission Document, the inclusion of the CPR in the Admission Document in its entirety and the inclusion in the Admission Document of the references to our reports and to our name in the form and context in which they appear in the Admission Document.

The CPR relates specifically and solely to the subject assets and is conditional upon various assumptions that are described herein. The CPR, of which this letter forms part, must, therefore, be read in its entirety.

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Yours faithfully

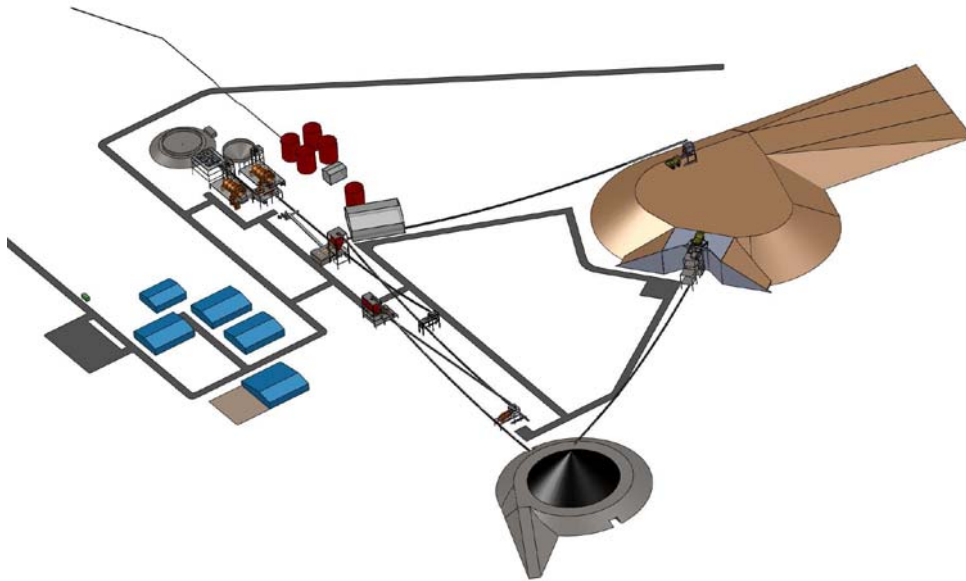
For Continental Resource Management Pty Ltd      For ProMet Engineers Pty Ltd



# FERRUM CRESCENT LIMITED

## TURQUOISE MOON IRON PROJECT

### COMPETENT PERSONS' REPORT



Rev	Date	Description	By	Check	App.
P6	20/07/10	Section 13 & 14 revision	EH	DM	EH
P7	3/08/10	Minor modifications	EH	DM	EH
0	17/08/10	Minor modifications	EH	DM/JD	EH
1	2/11/010	Final product modified	EH	DM/JD	EH

**ACKNOWLEDGEMENT AND DISCLAIMER****USE OF THIS REPORT**

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The report is based in whole or in part on information and data provided to CRM and ProMet by Ferrum and/or third parties. Both CRM and ProMet represent that they exercised reasonable care in the preparation of this report and that the report complies with published industry standards for such reports, to the extent such published industry standards exist and are applicable. However, Ferrum agrees that neither CRM nor ProMet is responsible for confirming the accuracy of information and data supplied by third parties and that neither CRM nor ProMet attests to or assumes responsibility for the accuracy of such information or data

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## EXECUTIVE SUMMARY

Ferrum Crescent Limited (“Ferrum”), through its 74% South African subsidiary, Turquoise Moon Trading 157 (Pty) Ltd (“TMT”), is the holder of a prospecting right over two separate areas of iron ore mineralisation, the “Moonlight Deposit” and the “De Loskop Prospect”, both located in the Limpopo Province of South Africa. Ferrum aims to carry out a magnetite iron ore business based on these mineralisations.

Ferrum has engaged Continental Resource Management Pty Ltd (“CRM”) and ProMet Engineers Pty Ltd (“ProMet”) to provide this Competent Persons’ Report (“the Report”) to support its AIM listing on the London Stock Exchange. CRM’s scope of work includes the Geology and Resource, Sections 3, 4 and 5, whilst ProMet’s scope of work includes ore processing, infrastructure and possible value adding secondary processing alternatives, Sections 7, 8 and 9, as well as compiling this report. As part of Ferrum’s evaluation of the Project, additional expert studies were also undertaken and the results of these studies are included in this report. The studies include:

- Mining Richard Flanagan Mining Consultancy Pty Ltd
- Water Supply Metago Environmental Engineers (Pty) Ltd

The Report’s focus is the initial development of the Moonlight Deposit, called the Moonlight Iron Project (the “Project”). The Moonlight Deposit is situated near a number of rail terminals that have rail access to Richards Bay and/or the port of Maputo in neighbouring Mozambique. The proposed minesite is within easy access to a highway and within five hours travel from a major international airport.

Given the proposed location of the mine areas relative to possible end-users, Ferrum has decided that pumping the magnetite concentrate to a nearby railhead for export and/or secondary processing would give an optimum basis for the Project.

The Moonlight Deposit’s iron mineralisation is within multiple banded iron formation (“BIF”) units. The BIFs have been recrystallised under high-grade metamorphic conditions to produce equigranular medium to coarse-grained magnetite-quartz rocks. Within the area of the deposit the BIFs are present over an east-west distance of 3 km and a north-south distance of 2 km. The BIF units vary from a few metres to 40 metres in thickness. In general, they have a flat to shallow dip and are subject to gentle cross-folding. The mineralisation reaches the surface in the south and central portions of the area.

Exploration at Moonlight commenced in 1981, when the South African Government owned, integrated steel manufacturer, ISCOR began exploration drilling. Between 1983 and 1986, ISCOR drilled 244 holes on the Farm Moonlight and in 2008, Ferrum drilled 20 vertical RC holes on the Farm Moonlight for a total of 2,087 m. The initial Ferrum holes were sited to twin a range of ISCOR drill-holes. During December 2009 and January 2010, Ferrum carried out a second RC drill program of 66 vertical holes for a total of 3,748 m. The program was designed to infill-drill areas of near surface mineralisation at sufficient density to enable the estimation of an Indicated Resource for the Project. Table 1 summarises drilling statistics by explorer and hole type.



**Table 1: Drilling Statistics by Explorer and Hole Type**

Explorer	Years	Diamond		RC		Halco	
		Holes	M	Holes	m	Holes	m
ISCOR	1983-86	78	12,154	24	3,169	142	6,783
Ferrum	2008			20	2,087		
Ferrum	2009-10			66	3,748		
<b>TOTALS</b>		<b>78</b>	<b>12,154</b>	<b>110</b>	<b>9,004</b>	<b>142</b>	<b>6,783</b>

CRM completed a resource estimate for the Moonlight Deposit and as at 26 October 2010 the total Resources are estimated at **300 Mt at 30% Fe**, with a lower block cut-off of 15%, of which 79 Mt is a near surface partially oxidised zone. It is reported in accordance with the 2004 Edition of the JORC Code. Refer Table 2.

**Table 2: Moonlight Deposit's Resource Table**

Resource Zone and Classification	Tonnes	Grade (Fe%)
<b>Indicated</b>		
Oxidised	34,000,000	30
Fresh	40,000,000	35
<b>Total Indicated</b>	<b>74,000,000</b>	<b>33</b>
<b>Inferred</b>		
Oxidised	45,000,000	30
Fresh	180,000,000	29
<b>Total Inferred</b>	<b>225,000,000</b>	<b>29</b>
Total Oxidised	79,000,000	30
Total Fresh	220,000,000	30
<b>TOTAL RESOURCES</b>	<b>300,000,000</b>	<b>30</b>

*Note: Totals may differ from sum of individual items due to rounding*

This estimate represents a summary of Ferrum's net attributable Resource status as set out in Appendix 1.

The estimate employed geostatistical Inverse Distance Squared modelling to produce ore block models ("OBMs") of the mineralisation within the deposit. The ore blocks were constrained to wireframed bodies of BIF mineralisation. The magnetite grains within the BIF are partly altered to hematite within the oxidised zone and CRM has therefore reported the Resource in two zones, an upper Oxidised Zone and a lower Fresh Zone.

It is intended that the deposit will be mined by conventional open pit methods followed by crushing, grinding and magnetic separation to produce a suitable concentrate. A metallurgical testwork program has been conducted under ProMet's supervision to provide initial estimates of the final grind size, grade, recovery and grinding characteristics of the concentrate from the Moonlight Deposit.

Being located in a semi-arid province, water demand will be reduced in the process by filtration of the tailings to conserve and recirculate water and demand on external sources of water mitigated by measures such as harvesting run-off capture in and around the mine and use of mine dewatering as a "first call" resource. In addition, alternative local water resources have been identified.

While there are no real fundamental decisions to be made with the mine plan and crushing and beneficiation processes, there are a number of possible final product forms, most including some form of secondary value-adding processes. These alternatives include:

- Magnetite concentrate:
  - for export as a pellet plant feed or sinter plant feed; or
  - within South Africa as a sinter feed blend.
- Pellets
  - using the project's concentrate;
  - using a blended mix of concentrate and South African sourced hematite fines.
- Merchant pig iron or granulated iron.
- Semi-finished steel products.

For transport requirements, the Project is serviced by South Africa's mature road and rail transport network. There is access to a sealed national highway within 10 km and rail within 170 km of the Project. The local rail authority, Transnet, has committed substantial investment over the near term to upgrade and maintain the rail network and rolling stock.

In addition, the governments of Botswana and Mozambique signed a Memorandum of Understanding to develop a deep water port at Techobanine Point, south of Maputo, and connect it to Botswana Railway's network. This means that there could be an alternative rail access approximately 128 km to the east that would overcome the congestion problems of railways and ports in South Africa.

With respect to the other assets of Ferrum:

- The De Loskop Prospect: There is no record of any exploration for iron ore within Ferrum's tenement and hence no Mineral Resource can be reported. However, the BIF unit was drilled along strike to the east of the tenement by ISCOR, which reported an in situ grade of 37.8% Fe.
- Australian exploration tenements: Ferrum has entered into an agreement whereby its Australian tenements, which are considered by Ferrum to be non-core assets, are to be sold.

**CONTENTS****ACKNOWLEDGEMENT AND DISCLAIMER: USE OF THIS REPORT****EXECUTIVE SUMMARY**

1.	INTRODUCTION .....	1
1.1	General .....	1
1.2	Sources of Data .....	2
1.3	Description of the Resources and Project.....	3
1.3.1	Resources .....	3
1.3.2	Project Outline .....	3
2.	OVERVIEW OF THE ASSETS, REGION AND LOCATION.....	6
2.1	Assets .....	6
2.1.1	Tenements.....	6
2.1.2	Other Assets.....	6
2.2	Physical.....	8
2.3	Environment .....	8
2.4	Regional Setting.....	9
2.5	Existing Infrastructure .....	10
2.5.1	Transport .....	10
2.5.2	Power .....	12
2.5.3	Water .....	12
3.	GEOLOGY - MOONLIGHT .....	13
3.1	Regional Geological Section .....	13
3.2	Local Geological Setting .....	13
3.3	Mineralisation .....	17
3.4	Exploration History .....	19
3.4.1	ISCOR 1981-1997 .....	19
3.4.2	Ferrum 2008 .....	21
3.4.3	Ferrum 2009-10.....	23
3.4.4	Drilling Summary .....	23
4.	MINERAL RESOURCES - MOONLIGHT .....	25
4.1	Resource Estimation Methodology .....	25
4.2	Mineral Resources .....	25
4.3	Conversion of Mineral Resources to Mineral Reserves .....	26
5.	DE LOSKOP.....	27
5.1	Geology and Mineralisation.....	27
5.2	Previous Exploration .....	28
5.3	Exploration Target.....	28
6.	MINING .....	29
6.1	General .....	29
6.2	Mining to Maximise the Use of the Oxidised Zone.....	29
7.	ORE PROCESSING.....	31
7.1	Overview .....	31
7.2	Initial Testwork .....	31
7.3	Additional Testwork.....	32
7.4	Design Basis .....	33
7.5	Process Description .....	35
7.5.1	Primary Crushing and Stockpiling .....	35

7.5.2	Primary Grinding.....	35
7.5.3	Rougher Magnetic Separation (“RMS”).....	35
7.5.4	Secondary Grinding.....	35
7.5.5	Cleaner Magnetic Separation (“CMS”).....	35
7.5.6	Concentrate Handling and Filtering.....	36
7.5.7	Tailings Dewatering and Thickening.....	36
8.	SITE INFRASTRUCTURE.....	37
8.1	Site Access.....	37
8.2	Power Generation and Reticulation.....	37
8.3	Water Supply.....	37
8.4	Fuel Unloading and Storage Facility.....	41
8.5	Offices, Workshops, Lunch Rooms, etc.....	41
8.6	Accommodation.....	41
9.	FINAL PRODUCT.....	42
9.1	Alternatives.....	42
9.2	Concentrate.....	43
9.3	Pellets.....	44
9.4	Blended Iron Ore Pellets.....	45
9.5	Merchant Pig Iron.....	45
9.6	Semi-Finished Products.....	46
10.	EXPORT LOGISTICS.....	47
10.1	Mine to Port.....	47
10.2	Ports 48	
10.2.1	Maputo.....	48
10.2.2	Richards Bay.....	50
10.2.3	Techobanine Point.....	51
11.	IMPLEMENTATION.....	52
11.1	Studies and Construction.....	52
11.2	Operations.....	53
11.2.1	General.....	53
11.2.2	Workforce Organisation.....	54
11.2.3	Outsourcing.....	55
12.	DISCUSSION.....	56
12.1	Main Drivers.....	56
12.1.1	Final Product/Secondary Processing.....	56
12.1.2	Transport.....	56
12.1.3	Ore Quality.....	57
12.1.4	Water and Gas Supply.....	57
12.2	Location.....	57
12.3	Up-side Potential.....	57
13.	CONCLUSION.....	58
14.	QUALIFICATION AND BASIS OF OPINION.....	60
14.1	Overview.....	60
14.2	J. J. G. (John) Doepel.....	61
14.3	Derek Macauley.....	62
15.	GLOSSARY.....	63
16.	REFERENCES.....	68

**APPENDICES**

1. Summary of Reserves and Resources by Status
2. Moonlight Mining Right Application Acceptance

**LIST OF TABLES**

Table 3.1: QEMSCAN Results of Composite Samples of Mineralisation .....	19
Table 3.2: Analyses of Magnetic Concentrates of Mineralisation .....	20
Table 3.3: Significant Intersections from ISCOR Drilling Programs.....	21
Table 3.4: Drilling Statistics by Explorer and Hole Type.....	24
Table 4.1: Resource Table .....	25
Table 7.1: Summary Davis Tube Results .....	32
Table 7.2: Feed and Product Design Grades .....	33
Table 10.1: Rail Distances to Port .....	47
Table 10.2: Maputo Port Berth Statistics .....	49
Table 11.1: Milestone Table .....	52
Table 11.2: Personnel Numbers .....	54
Table 13.1: Resource Table .....	58

**LIST OF FIGURES**

Figure 1.1: Map of Limpopo Province.....	1
Figure 1.2: Preliminary Facility Layout.....	5
Figure 2.1: Tenement Locations on Regional Map.....	7
Figure 2.2: Moonlight Deposit Locality Map.....	9
Figure 2.3: South African (Transnet's) Major Rail and Port Network.....	11
Figure 3.1: Regional Geological Setting .....	13
Figure 3.2: Moonlight Deposit – Geological Setting.....	14
Figure 3.3: Moonlight Deposit - Geological and Drill-hole Map .....	15
Figure 3.4: Moonlight Deposit - North-South Section – Looking West .....	15
Figure 3.5: Moonlight Deposit - East-West Section – Looking North.....	16
Figure 3.6: South-Western Mineralisation - North-South Section - Looking West.....	16
Figure 3.7: BIF Outcrop on Road within Moonlight Deposit.....	17
Figure 3.8: Oxidised Mineralisation (34 – 39m in FCL007: 5m @ 37.0% Fe) .....	18
Figure 3.9: Fresh Mineralisation (94 – 100m in FCL001: 6m @ 30.1% Fe) .....	18
Figure 3.10: Cross-section along -79 700mE – Showing Twinned Near Surface Oxidised Mineralisation.....	22
Figure 3.11: Cross-section Along -79 300mE – Showing Twinned Deeper Fresh Mineralisation.....	23
Figure 4.1: Plan of OBM Footprint.....	26
Figure 5.1 De Loskop – Geological Map .....	27
Figure 6.1: Pit Optimisation Shell – Oxidised Zone .....	30
Figure 6.2: Pit and Waste Dump Footprint – Oxidised Zone .....	30
Figure 7.1: Tails Rejection Curve .....	33
Figure 7.2: Ore Processing (Magnetite Concentrator) Flow Diagram.....	34
Figure 8.1: Possible Water Sources - Regional.....	39
Figure 8.2: Possible Water Sources – MCWAP/ORWROP.....	40

Figure 8.3: Possible Water Sources – Water Harvesting .....	40
Figure 9.1: Potential Market/Export Location Map.....	43
Figure 9.2: Schematic Flow Diagram - Grate-Kiln Pellet Process .....	44
Figure 9.3: Schematic Flow Diagram of Rotary Hearth Technology.....	46
Figure 10.1: Maputo Port Cargo and Bulk Terminals, Mozambique.....	49
Figure 10.2: Port of Richards Bay, South Africa .....	50
Figure 11.1: Indicative Implementation Schedule.....	53

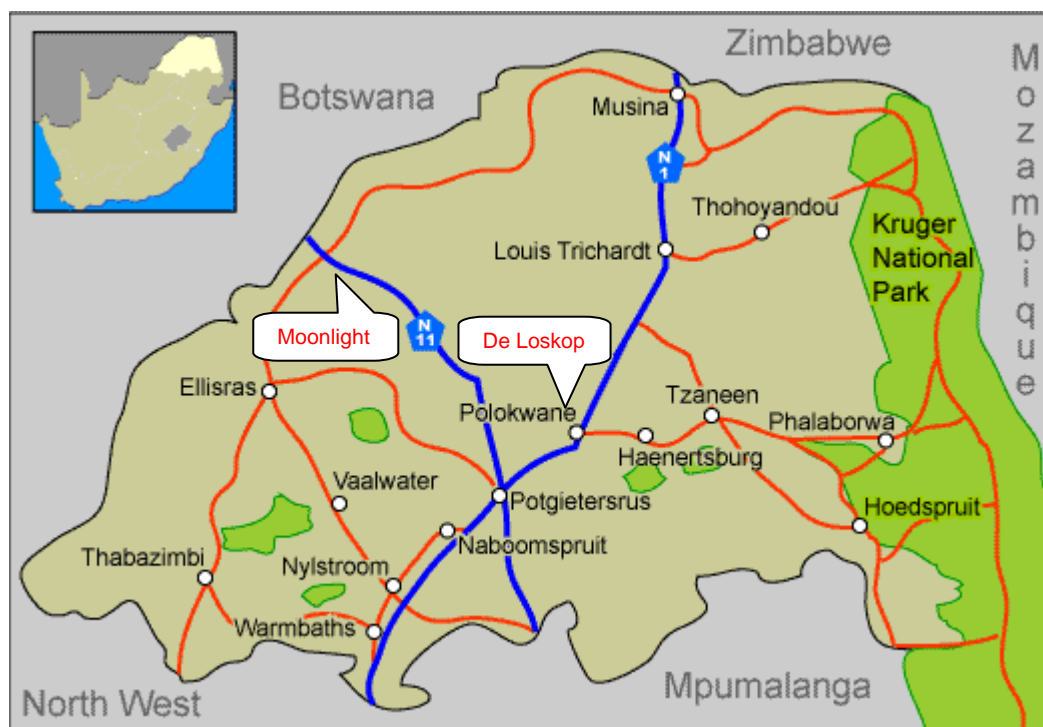
**1. INTRODUCTION**

**1.1 General**

Ferrum Crescent Limited (“Ferrum”) has retained Continental Resource Management Pty Ltd (“CRM”) and ProMet Engineers Pty Ltd (“ProMet”) to prepare this Competent Persons’ Report for its primary asset, the Turquoise Moon Iron Project. The Turquoise Moon Iron Project is targeting the production of a magnetite based final product from the iron mineralisations to be mined in the Limpopo Province of South Africa.

Ferrum, the listed parent of Turquoise Moon Trading 157 (Pty) Ltd (“TMT”), holds a 74% interest in TMT through Nelesco 684 (Pty) Ltd, Ferrum’s wholly owned South African subsidiary.

TMT is the holder of a prospecting right over the Turquoise Moon Iron Project which comprises two separate iron ore mineralisations, “Moonlight” (145 km NW of Polokwane) and “De Loskop” (50 km NNW of Polokwane). Refer Figure 1.1.



**Figure 1.1: Map of Limpopo Province**

The Moonlight Deposit has been subjected to a number of drilling programs, whereas Ferrum’s portion of the De Loskop Banded Iron Formation (“BIF”) has not been drilled to date. Therefore the Moonlight Deposit has been chosen by Ferrum as the first mine to be developed and this initial development is called the Moonlight Iron Project (the “Project”).

Ferrum also has decided to develop the Project based on pumping the magnetite concentrate to a nearby railhead or mine and where “value adding” secondary processing would be carried out.

This report outlines the geology and resource/exploration target for both mineralisations and the mining, mineral processing and potential secondary processing alternative with their associated infrastructure.

## **1.2 Sources of Data**

CRM is primarily responsible for Sections 3, 4 and 5 of this report and has:

- been provided with digital files of the ISCOR drilling collar, assay, and geological logging files;
- been provided with digital copies of the Ferrum drill database;
- obtained original laboratory assay files from Intertek Testing Services, Jakarta for the Ferrum drilling;
- obtained copies of historical geological reports; and
- been provided with digital photographic images of Ferrum reverse circulation (“RC”) chip trays.

In addition, John Doepel, Principal Geologist of CRM, visited the Moonlight Deposit during Ferrum’s drilling programs in April 2008 and in December 2009.

ProMet is primarily responsible for Sections 7 through 9 as well as compiling the report, which included the Executive Summary and the remaining sections of this report. ProMet has:

- been provided by Ferrum with:
  - an AutoCAD drawing with the outline of the lease boundaries;
  - reports and Excel spreadsheets of laboratory testwork results;
  - reports/figures relating to the work undertaken by their sub-consultants, refer additional studies below; and
  - its list of Australian tenements and shares and their forward plans associated with these assets.
- obtained copies of regional and local information from the web.

Otherwise, ProMet has used its internal database for the process plant and secondary processing alternatives, etc. In addition, representatives of its South African office visited the Moonlight site in 2008 to view available local infrastructure.

As part of Ferrum’s evaluation of the Project, additional studies were also undertaken and the results of these studies are included in this report. The studies include:



- Mining Richard Flanagan Mining Consultancy Pty Ltd
- Water Supply Metago Environmental Engineers (Pty) Ltd

Both CRM and ProMet accept responsibility for this report for the purposes of the AIM Rules. Having taken all reasonable care to ensure that such is the case, the information contained in this report is to the best of our knowledge in accordance with the facts and contains no omission likely to affect its import.

### **1.3 Description of the Resources and Project**

#### **1.3.1 Resources**

The prospecting right covers two known BIF mineralisations:

- The Moonlight Deposit
- The De Loskop Prospect.

The deposits are located approximately 145 km north-west of Polokwane and 50 km north of Polokwane respectively, refer Figure 1.1.

The minerals to be mined consist of iron oxides derived from Archaean BIFs. At depth, the fresh mineralisation consists of magnetite. Closer to the surface the magnetite grains are partly oxidised to hematite, with, in simplistic terms, a hematite rim being formed around a remnant magnetite core.

The mineralisation style is similar at Moonlight and De Loskop.

#### **1.3.2 Project Outline**

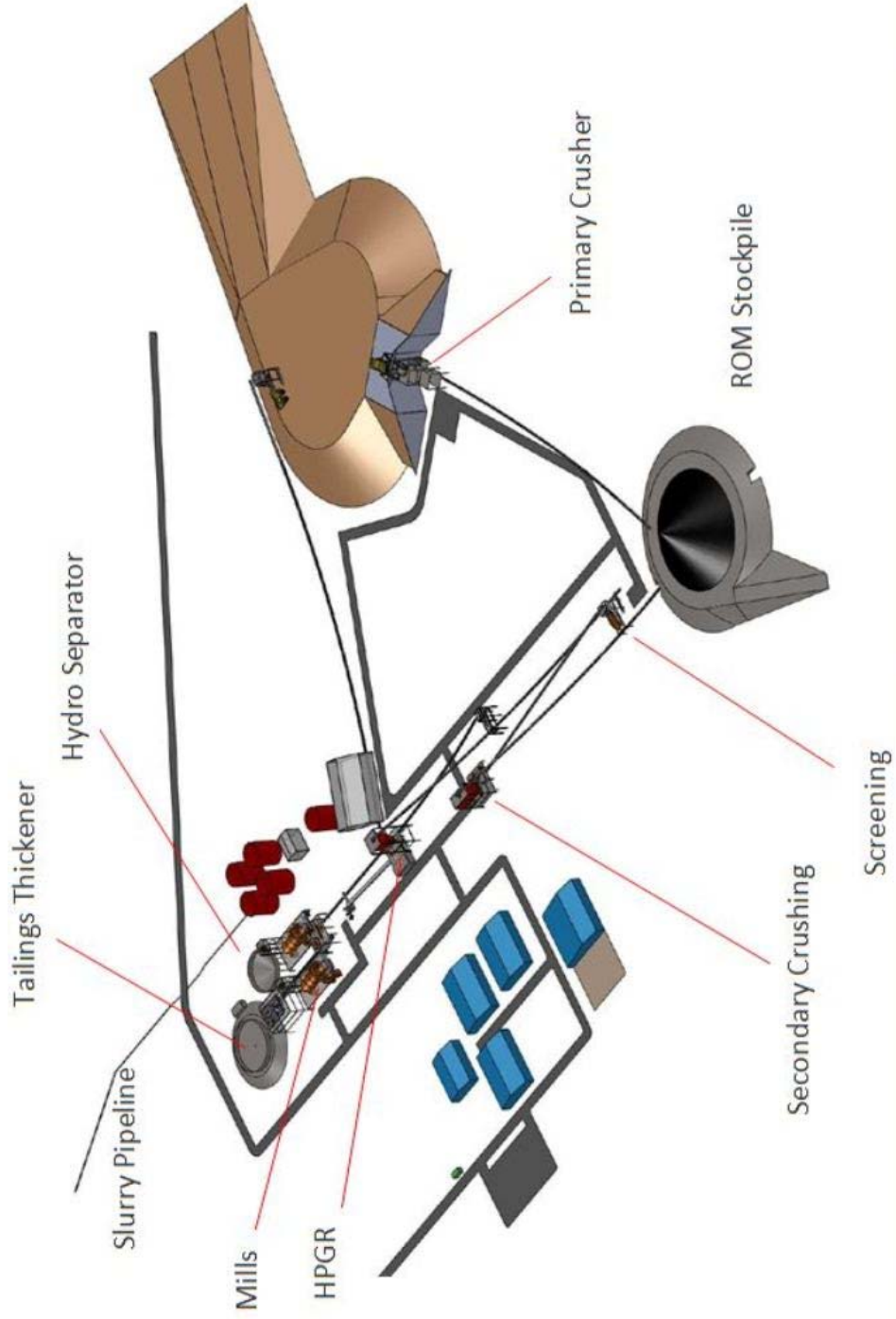
The proposed Project, excluding secondary processing, will comprise the following:

- Mine
  - Mining operations – on a contract mining basis.
- Ore Processing Plant
  - Primary crushing
  - Magnetite ore beneficiation plant
  - Concentrate storage tanks
  - Tailings disposal.

- Export Infrastructure
  - Pumping station(s)
  - Overland slurry pipeline
  - Concentrate storage tanks
  - Filtration plant
  - Filtered concentrate storage
  - Rail/port transfer, storage and handling facilities.
- External Infrastructure
  - Accommodation village and housing
  - Power plant
  - Fuel farm.
  - Water supply.

The preliminary layout of the proposed ore processing facility is shown in Figure 1.2.

Figure 1.2: Preliminary Facility Layout



## **2. OVERVIEW OF THE ASSETS, REGION AND LOCATION**

### **2.1 Assets**

#### **2.1.1 Tenements**

TMT is the holder of new order Prospecting Right ("PR") 210/2006, registered as 34/2008PR, in the Administrative District of Polokwane, granted on 9 March 2006 for a period of three years and renewed from 8 March 2009 for a further three years. Refer Figure 2.1. Nelesco 684 (Pty) Limited, a wholly owned subsidiary of Ferrum, has a controlling 74% interest in TMT.

The Moonlight section has a combined area of ~53 km<sup>2</sup> and comprises three farms:

- The Remaining Extent of the Farm Moonlight 111LR
- Gouda Fontein 76LR, Portions 2 and 3
- Julietta 112LR.

Ferrum's net attributable reserve and resource status is detailed in Appendix 1.

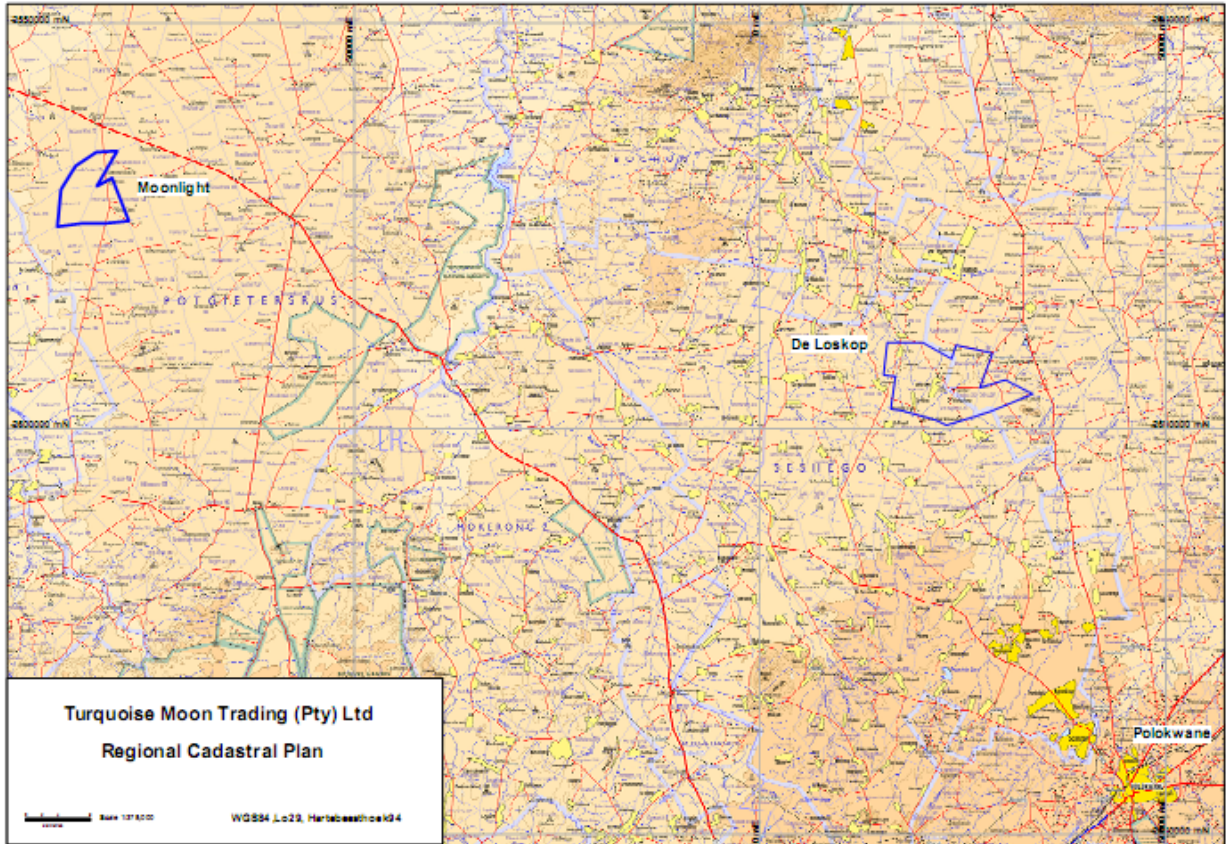
The De Loskop section has a combined area of ~120 km<sup>2</sup> and consists of the:

- The Farms Lekkerlach 206LS, Zandput 202LS, Van Wijks Put 201LS, Westheim 191LS and Trieste 192LS;
- Remaining Extent and Portion 1 of the Farm Soho 204LS;
- Remaining Extent of the Farm and Remaining Extent of Portions 1,2 and 3, Portions 4 - 8 of Meanderthal 188LS; and
- Remaining Extent and Portions 1 and 2 of Persie 200LS.

An application for a mining right pertaining to iron and manganese ore, nickel, marble and limestone, over the same ground, has been submitted, and the application formally accepted by the Department of Mineral Resources and the Department of Energy on 25 June 2010. Refer Appendix 2.

#### **2.1.2 Other Assets**

Ferrum has entered into an agreement whereby its Australian tenements, which are considered by Ferrum to be non-core assets, are to be sold.



**Figure 2.1: Tenement Locations on Regional Map**

## **2.2 Physical**

The Moonlight Deposit is located at approximately 23°15'S and 28°15'E and is ~900 m above sea level.

Road access to the deposit is via 8 km unsealed road to Marnitz, which is located 155 km by sealed road from Mokopane, formerly Potgietersrus, along national highway N11. This highway is one of the main roads to Botswana and carries moderate volumes of heavy vehicle traffic. Refer Figure 1.1. Mokopane is some 250 km from Johannesburg.

Access from Marnitz is by a good unsealed secondary road and then, within the tenement, by farm tracks. The district is comprised of farms, which are primarily used as grazing land for cattle and game. Most of the deposit is covered by uncleared bush. The road from Marnitz runs south through the deposit. Refer Figure 2.2.

The nearest regional airport with regular air services is Gateway International, located at Polokwane (formerly Pietersburg), approximately 170 km or 2 hours drive away. Currently, South African Airlines flies to and from Polokwane from Johannesburg four times a day using a J41 passenger jet that has a carrying capacity of 29 people. The air time from Johannesburg or Tambo International Airport to Polokwane is approximately 45 minutes.

## **2.3 Environment**

The region's climatic type is classified as "Lowveld semi-arid". Most rainfall occurs during the summer with temperatures in the low 30s (°C). In the winter, it is cold at night with temperatures less than 10°C. Average rainfall is 435 mm and winds are predominantly from the east all year round.

The Project area's terrain is "fairly" flat with undulations, rocky outcrops and occasional hills. Vegetation is consistent with typical "Limpopo province Bushveld scrub" or low level thorny scrub veldt.

Livestock farming is the predominant activity in the Project area.



**Figure 2.2: Moonlight Deposit Locality Map**

#### 2.4 Regional Setting

The following description was obtained from the Limpopo provincial government web site.

“Limpopo is the natural resource treasure chest of South Africa, if not the whole of southern Africa. It boasts some of the greatest reserves of agriculture, mineral and tourism resources many of which remain hugely

under-exploited. The province is also linked to the Maputo Development Corridor through Phalaborwa Spatial Development Initiative, a network of road and rail corridors connecting to the major seaports that will open up Limpopo and surrounding regions for trade and investment. This is complimented by the presence of airports in major centres of the province including Lephalale (formerly Ellisras), Makhado, Musina, Phalaborwa, Mokopane, Thabazimbi, Tzaneen, Thohoyandou and Bela-Bela as well as the Gateway International airport in Polokwane.

A unique feature of this province is that it shares international borders with three countries: Botswana to the west and north-west, Zimbabwe to the north, and Mozambique to the east. Limpopo is the link between South Africa and countries further afield in sub-Saharan Africa. On its southern flank, the province shares borders with Gauteng, with its Johannesburg-Pretoria axis, the most industrious metropole on the continent. The port of Durban, Africa's busiest, is served directly by the province, as are the ports of Richards Bay and Maputo.

Thus the province is placed at the centre of the vortex of developing markets, regional, national and international.

In terms of agriculture, Limpopo could be described as the garden of South Africa and or the whole continent, given its rich fruit and vegetable production. The province produces 75% of the country's mangoes, 65% of its papaya, 36% of its tea, 25% of its citrus, bananas, and litchis, 60% of its avocados, two thirds of its tomatoes, 285,000 tons of potatoes. Other products include coffee, nuts, guavas, sisal, cotton and tobacco, timber with more than 170 plantations. Apart from all these, there is cotton, sunflower, maize, wheat cultivation as well as grape. Most of the higher lying areas are devoted to cattle and game ranching, earning a reputation for quality biltong, a popular South African delicacy of salted, dried meat.

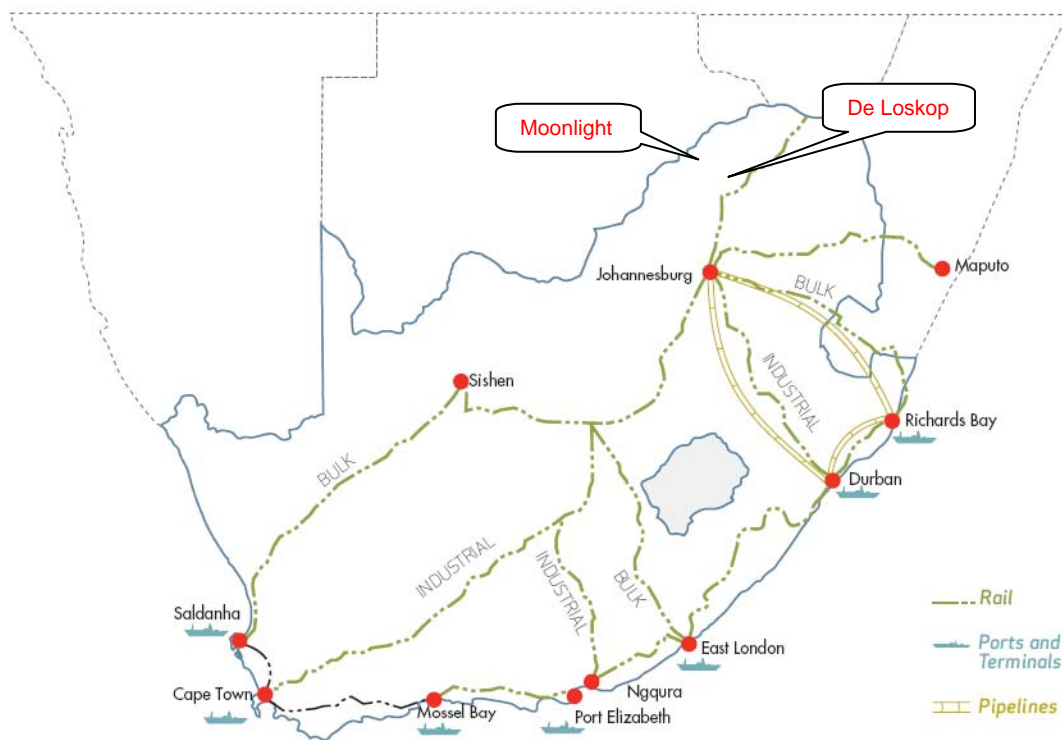
Limpopo is also endowed with the abundance of its mineral resources, locating mining as the critical sector of the economy in the Province, which contributes 22% of the GDP. The platinum group include platinum itself, chromium, nickel, cobalt, vanadium, tin, limestone and uranium clay. Other reserves include antimony, phosphates, fluorspar, gold, diamonds, copper, emeralds, scheelites, magnetite, vermiculite, silicon, mica, black granite, corundum, feldspar and salt."

## **2.5 Existing Infrastructure**

### **2.5.1 Transport**

The nearest towns with access to Transnet's national freight rail network and hence export facilities are Polokwane and Mokopane, 145 km SE or Lephalale, 75 km SW of the site. Refer Figure 1.1. Thus the Project is situated a combined 715 km by road and rail from the port of Maputo and 912 km from the port of Richards Bay. Refer also to the map of the South African major rail and port network in Figure 2.3.





**Figure 2.3: South African (Transnet’s) Major Rail and Port Network**

Generally, the national rail network is “narrow” gauge @ 1,067 mm with 20 t to 22.5 t axle loads but some designated bulk commodity routes, e.g. iron ore or coal are “standard” gauge @ 1,435 mm with 30 t axle loads.

The Waterberg coal field, near Lephalale, with its 75.7 billion tonnes of in-situ inferred resources, is expected to be a major future coal source for South Africa. The field’s Grootegeeluk Coal Mine currently feeds approximately 13 Mt/a to the Matimba Power Station and expansion plans include more coal for an expanded power station, coal for export, char, coke, coal liquefaction, activated carbon and coal-bed methane. As part of the expansion plans it is recognised that the capacity of the current rail link would need to be upgraded or supplemented by a new rail link via Polokwane.

In addition, the Botswana and Mozambique governments, in July 2010, signed a Memorandum Of Understanding to develop a deep water port at Techobanine Point, south of Maputo and connect it with a new 1,100 km narrow gauge railway line to Botswana Railway’s Francistown container terminal via Zimbabwe. This means that there would be an alternative rail access utilising the existing Botswana railway system ~128 km to the east.

### **2.5.2 Power**

Eskom is the sole provider of grid power in the Project area. It operates a major power station, Matimba Power Station, with an installed capacity of 3,990 MW, just outside Lephalale. Matimba is the largest direct dry cooling power station in the world, an innovation necessitated by the shortage of large quantities water in the area. Adjacent to the Matimba Power Station is the Medupi Power Station which is under construction and will have 4,800 MW of installed capacity.

Whilst the Project area is serviced by a 132 kV network, it is assumed that there is insufficient capacity in the network/transmission lines to supply a Project of this scale.

Note there is also a 400 kV transmission line ~35 km to the south of the Project area linking Polokwane to the Matimba Power Station and with the commissioning of the Medupi power station this line is planned to be upgraded some time in the future.

### **2.5.3 Water**

At present water in the Project area is limited to water wells and is controlled by the local Water Allocations Committee and the Department of Water and Environmental Affairs.

The Lephalala River, 22 km west of the mine, and Limpopo River, 30 km to the north west of the deposit, are possible sources of water. These rivers are already tapped for farming irrigation and are only reliable for three to five months of the year. Other less significant rivers in the area are considered to be unreliable as a water source.

In addition, there are two existing water augmentation schemes that could possibly be considered as water sources. They are the:

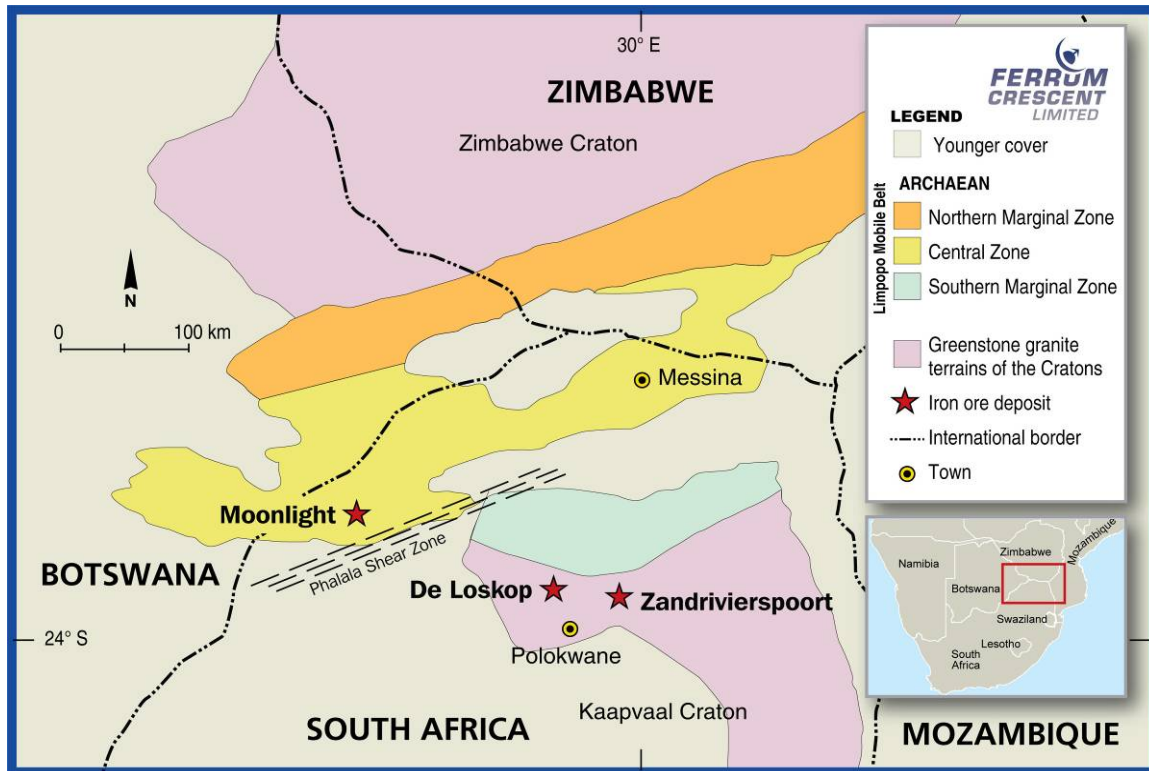
- Mokolo Crocodile Water Augmentation Project.
- Olifants River Water Resource Development Project.



**3. GEOLOGY - MOONLIGHT**

**3.1 Regional Geological Section**

The Moonlight Deposit is situated within the Archaean Limpopo Mobile Belt (“LMB”), which lies between the greenstone and granite terrains of the Kaapvaal and Zimbabwe Cratons, refer Figure 3.1.



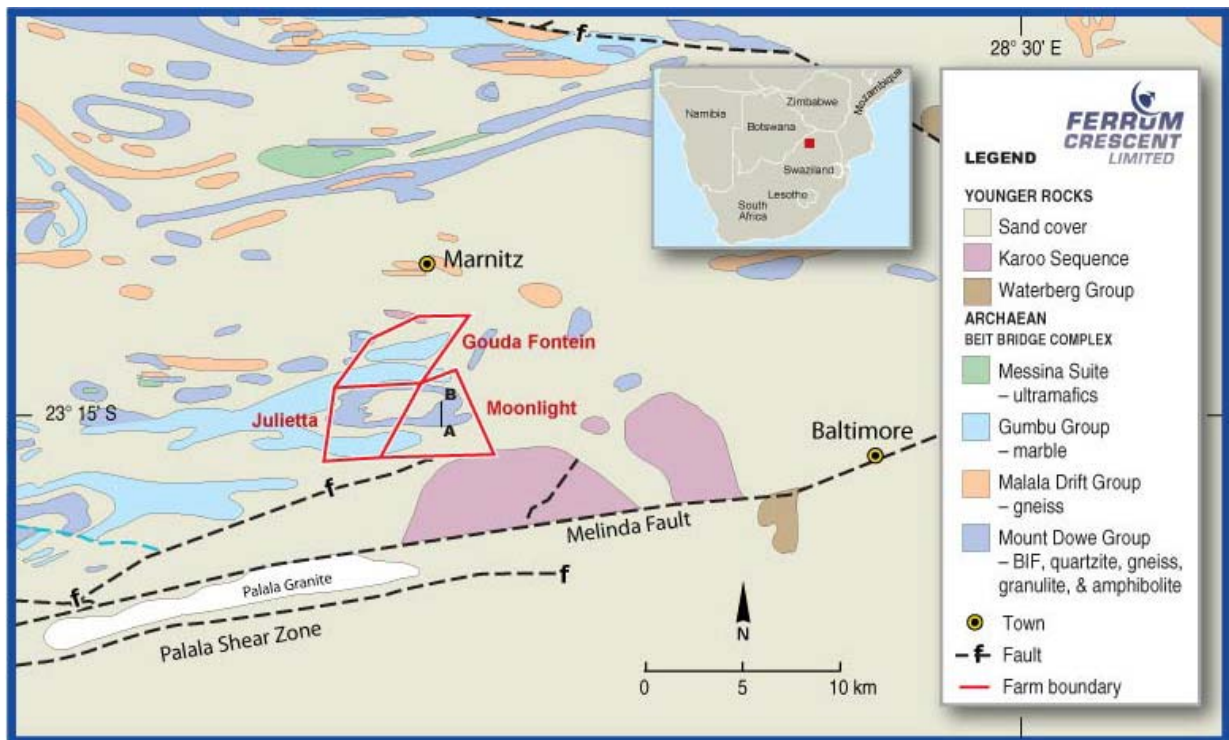
*Note: After du Plessis et al*

**Figure 3.1: Regional Geological Setting**

The LMB is subdivided into three domains, termed the Central Zone, the Southern Marginal Zone, and the Northern Marginal Zone. The borders between these zones, as well as the borders between the LMB and the Kaapvaal and Zimbabwe Cratons, are prominent fault zones. Each zone is distinct in its dominant rock type and structural history, although all are characterised by high-grade metamorphism.

**3.2 Local Geological Setting**

The Moonlight Deposit is located in the Central Zone of the LMB, within which the major rock types are gneiss, granulite, quartzite, marble, and metamorphosed banded iron formation of the Beit Bridge Complex. The iron mineralisation is within multiple BIF units of the Mount Dowe Group, the oldest group of the Beit Bridge Complex, refer Figure 3.2.

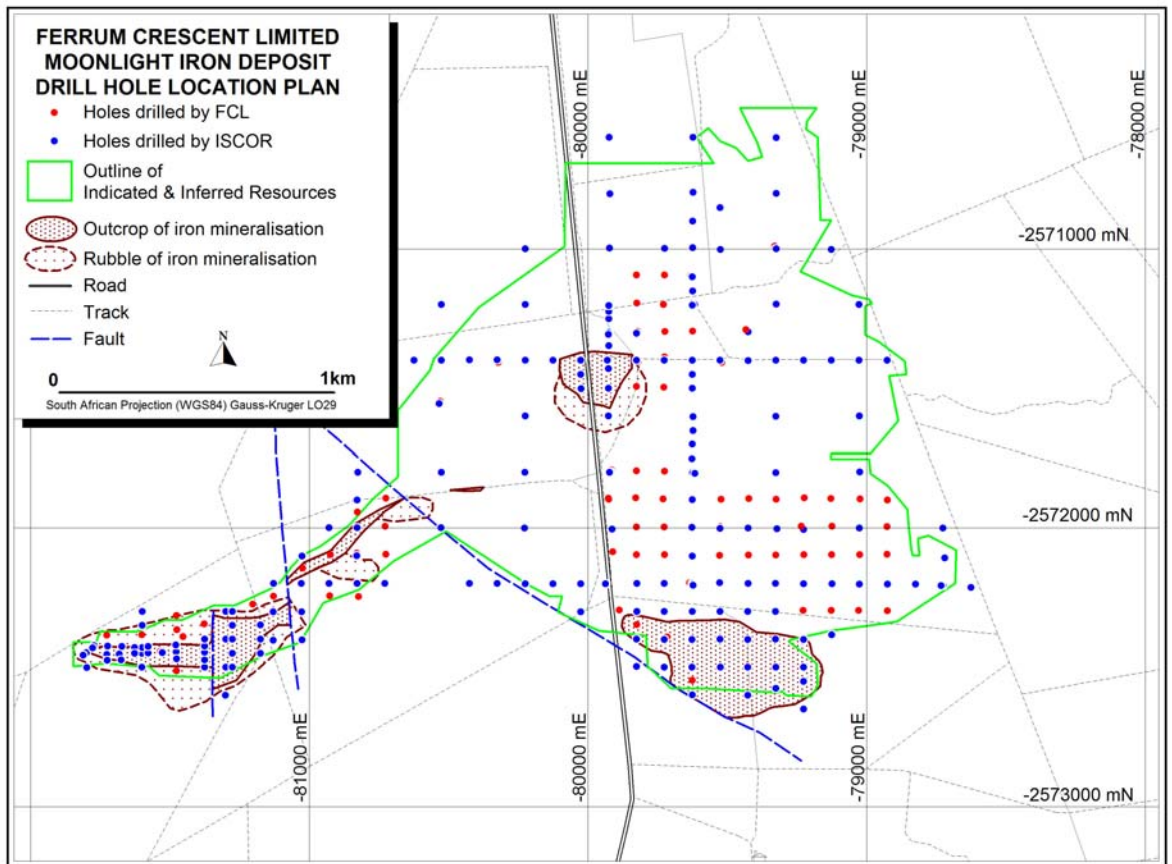


Note: After G.S.S.A. 1:250,000 Map

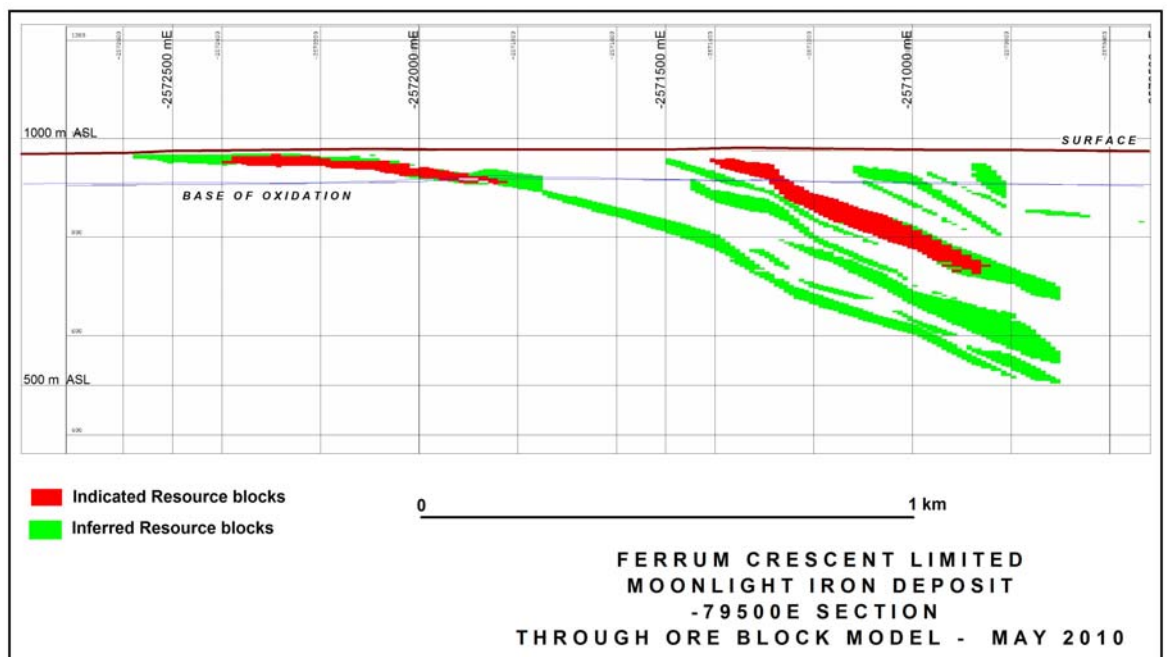
**Figure 3.2: Moonlight Deposit – Geological Setting**

The BIFs have been recrystallised under high-grade metamorphic conditions to produce equigranular medium to coarse-grained magnetite-quartz rocks. Within the Farm Moonlight they are present over an east-west distance of 3 km and a north-south distance of 2 km (refer Figure 3.3). The BIF units vary from a few metres to 40 m in thickness. In general, they have a flat to shallow dip to the north, although the dip in the north of the deposit is to the northeast. The deepest drill intersection of mineralisation, which has a grade of 30.1% Fe, is at the northern end of the deposit, within MT034B from a depth of 449 m to 454 m (refer Figure 3.4). The stratigraphy is subject to gentle cross-folding (refer Figure 3.5). The OBM blocks shown in Figures 3.3 to 3.5 fill wireframes constructed around individual BIF units.

The mineralisation reaches the surface in the south and central portions of the area and is interpreted to be bounded in part by faults (Figure 3.3). The mineralisation in the southwest, to the west of the curved northwest trending fault, is comprised of two sub-horizontal units, the larger, thicker, and laterally more consistent of which is exposed along a low ridge. Figure 3.6 is a north-south section through the south-western mineralisation.



**Figure 3.3: Moonlight Deposit - Geological and Drill-hole Map**



**Figure 3.4: Moonlight Deposit - North-South Section – Looking West**

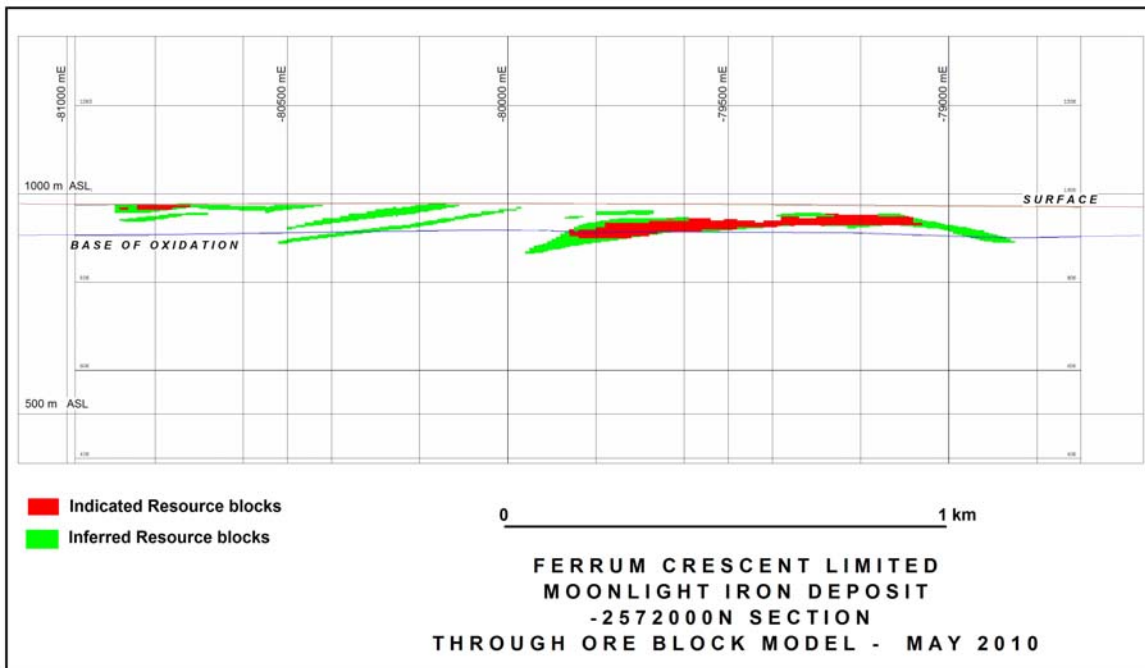


Figure 3.5: Moonlight Deposit - East-West Section – Looking North

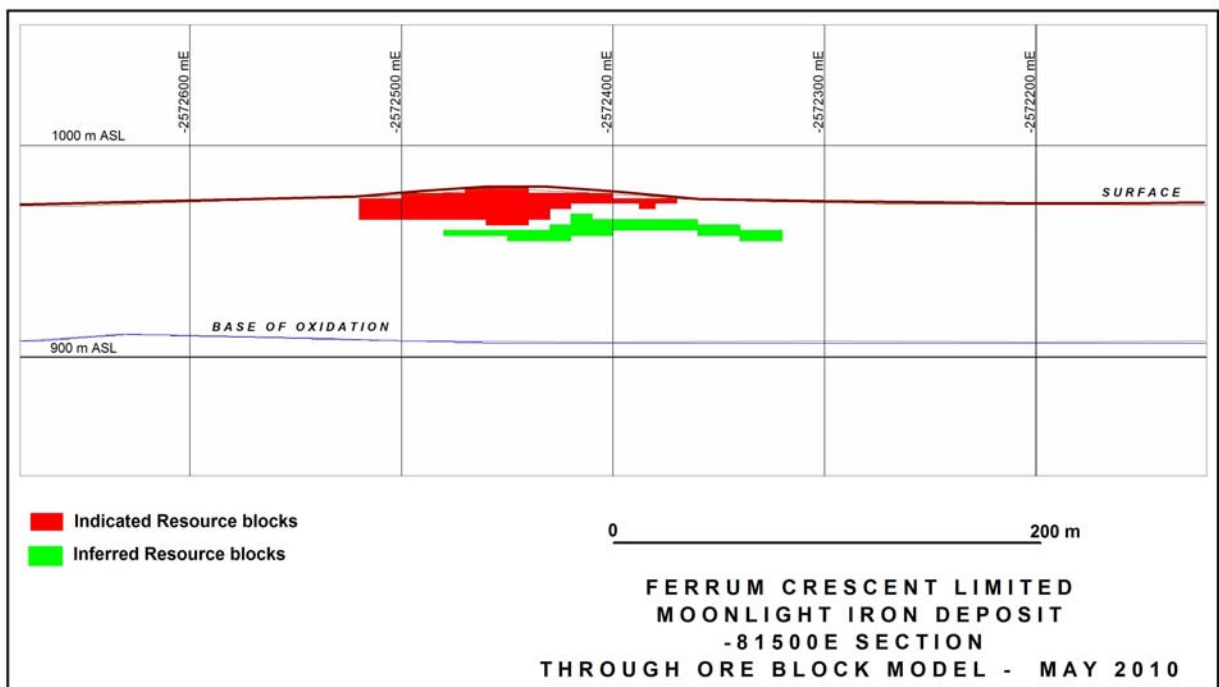


Figure 3.6: South-Western Mineralisation - North-South Section - Looking West

Associated interbedded lithologies include major gneiss, and granulite, with minor calc-silicates, marble, and quartzite. Intrusive lithologies are serpentinite, pegmatite, granite and dolerite. Serpentinite bands are present within some BIF units in the southeast.

Outcrop in the area is poor, with the basement rocks largely obscured by Tertiary colluvium that has an average thickness of ~3 m. Small, scattered areas of BIF outcrop on subdued rounded ridges that rise only a few metres above the plain. Refer Figure 3.7. The depth of oxidation is between 50 m and 65 m below surface. Within the oxidised zone the BIF is weathered to a hematite-quartz-magnetite rock and it retains coherence and strength. The other lithologies, however, do not and are converted, at least in part, to saprolitic clays.



**Figure 3.7: BIF Outcrop on Road within Moonlight Deposit**

### **3.3 Mineralisation**

The BIF units comprise the iron ore mineralisation. The magnetite grains within the BIF are partly altered to hematite within the oxidised zone and CRM has therefore reported the Moonlight Resources in two zones, an upper Oxidised Zone and a lower Fresh Zone. Figure 3.8 and Figure 3.9 are of chip trays containing intervals of oxidised and fresh mineralisation. Clear boundaries can be seen between the mineralisation and the non-mineralised lithologies.



**Figure 3.8: Oxidised Mineralisation (34 – 39m in FCL007: 5m @ 37.0% Fe)**



**Figure 3.9: Fresh Mineralisation (94 – 100m in FCL001: 6m @ 30.1% Fe)**

Ferrum submitted a sample of oxidised mineralisation and a sample of fresh mineralisation, composited from RC drill chips from its 2008 drilling, to AMMTEC Ltd for mineralogical determination by Quantitative Automated Mineralogical Analysis (“QEMSCAN”). A split of the oxidised sample had a grade of 37.4% Fe and of the fresh 35.1% Fe. A summary of the results is shown in Table 3.1.



**Table 3.1: QEMSCAN Results of Composite Samples of Mineralisation**

Mineral	Oxidised (Mass %)	Oxidised - Average grain size ( $\mu\text{m}$ )	Fresh (Mass %)	Fresh - Average grain size ( $\mu\text{m}$ )
Magnetite	14.4	59	37.4	105
Hematite	39.5	110	2.7	49
Goethite	0.1	29	0.1	21
Quartz	42.5	232	42	198
Feldspar	1.4	155	4.9	165
Smectites / Talc	1.5	56	4.6	104
Amphibole	0.6	74	3.9	114
Other	0.1		1.4	

Within the Oxidised Zone, the magnetite grains are partly oxidised to hematite, with, in simplistic terms, a hematite rim being formed around a remnant magnetite core.

Analyses of magnetic concentrates produced from the composites at various grind sizes are summarised in Table 3.2. The results indicate the approximate iron grades and levels of contaminants that could be expected if magnetic concentration was carried out on the mineralisation.

### 3.4 Exploration History

#### 3.4.1 *ISCOR 1981-1997*

Exploration at Moonlight commenced in 1981, when the South African Government owned, integrated steel manufacturer, ISCOR evaluated the economic potential of a number of relatively low-grade, but favourably located, iron ore deposits, despite having a large high-grade reserve at its flagship Sishen mine and smaller high-grade reserves at Thabazimbi.

Between 1983 and 1986, ISCOR drilled 244 holes on the Farm Moonlight in the vicinity of the mineralisation, for a total of 12,154 m of diamond core drilling and 9,951 m of percussion drilling. The holes, all of which were vertical, comprised:

- 78 Diamond core holes – the MT series; 21 m to 475 m in depth (average 161 m)
- 24 RC drill holes – the MTL series; 55 m to 208 m in depth (average 132 m)
- 142 Halco Wagon drill holes - the MTH series; 10 m to 50 m in depth (average 48 m).

**Table 3.2: Analyses of Magnetic Concentrates of Mineralisation**

<b>Zone</b>	<b>Grind Size (<math>\mu\text{m}</math>)</b>	<b>Fe (%)</b>	<b>SiO<sub>2</sub> (%)</b>	<b>Al<sub>2</sub>O<sub>3</sub> (%)</b>	<b>P (%)</b>	<b>S (%)</b>	<b>TiO<sub>2</sub> (%)</b>
Oxidised	500	61.5	11.7	0.23	0.011	0.003	0.040
Oxidised	250	67.3	4.6	0.19	0.009	0.003	0.039
Oxidised	125	68.8	1.9	0.19	0.007	0.003	0.033
Oxidised	75	69.7	1.1	0.17	0.006	0.012	0.031
Oxidised	45	69.7	1.2	0.16	0.006	0.042	0.033
Fresh	500	60.3	14.6	0.41	0.008	0.008	0.065
Fresh	250	69.1	3.6	0.27	0.002	0.006	0.006
Fresh	125	70.6	1.1	0.23	0.0005	0.053	0.054
Fresh	75	71.3	0.6	0.22	0.0005	0.005	0.054
Fresh	45	71.4	0.6	0.20	0.0005	0.004	0.052
<b>Zone</b>	<b>Grind Size (<math>\mu\text{m}</math>)</b>	<b>MnO (%)</b>	<b>CaO (%)</b>	<b>MgO (%)</b>	<b>K<sub>2</sub>O (%)</b>	<b>Na<sub>2</sub>O (%)</b>	<b>Zn (%)</b>
Oxidised	500	0.08	0.07	0.24	0.004	0.008	0.004
Oxidised	250	0.08	0.03	0.14	0.002	0.001	0.005
Oxidised	125	0.09	0.02	0.10	0.001	0.007	0.005
Oxidised	75	0.11	0.02	0.08	0.002	0.0005	0.011
Oxidised	45	0.13	0.02	0.18	0.0005	0.0005	0.028
Fresh	500	0.09	0.42	0.71	0.038	0.023	0.006
Fresh	250	0.10	0.14	0.28	0.006	0.003	0.006
Fresh	125	0.10	0.07	0.17	0.001	0.005	0.006
Fresh	75	0.11	0.05	0.15	0.002	0.006	0.006
Fresh	45	0.12	0.04	0.15	0.001	0.0005	0.007

Intersections from this drilling of over 30 m at a grade of 20% Fe or higher are listed in Table 3.3

**Table 3.3: Significant Intersections from ISCOR Drilling Programs**

Hole	East (m)	North (m)	From (m)	Length (m)	Fe (%)
MT15AD	-79896	-2571046	0.0	37.1	42.4
MT25	-79598	-2571501	48.0	32.9	30.3
MT26	-79899	-2571000	0.0	46.0	38.9
MT32	-80199	-2571099	136.7	43.7	28.5
MT35	-80199	-2570899	189.2	38.3	31.0
MT51	-79299	-2570700	154.3	43.6	38.4
MT56	-79299	-2570501	256.2	62.4	34.2
MT57	-79599	-2570800	115.0	50.5	41.1
MT08L	-79799	-2571099	0.0	44.0	37.6
MT09L	-79700	-2571100	0.0	43.0	37.3
MT21L	-80300	-2571099	144.0	30.0	33.5
MT22L	-80400	-2571099	103.0	41.0	32.8

The diamond drilling was accompanied by:

- down hole surveys;
- a geotechnical study of the drill core;
- mineralogical studies; and
- metallurgical testwork.

Beneficiation testwork indicated that a simple process of low intensity magnetic separation is suitable for optimum concentration. Separation at a grind size of 80% passing 150  $\mu\text{m}$  achieved a mass recovery of 50%, with final product grades of 69.7% Fe, 2.05%  $\text{SiO}_2$ , 0.40%  $\text{Al}_2\text{O}_3$ , and 0.01% P (du Pleiss *et al*, 1997).

ISCOR undertook several estimates of the tonnes and grade of the in situ mineralisation. As these estimates were not reported in accordance with the JORC Code they have not been included in this report.

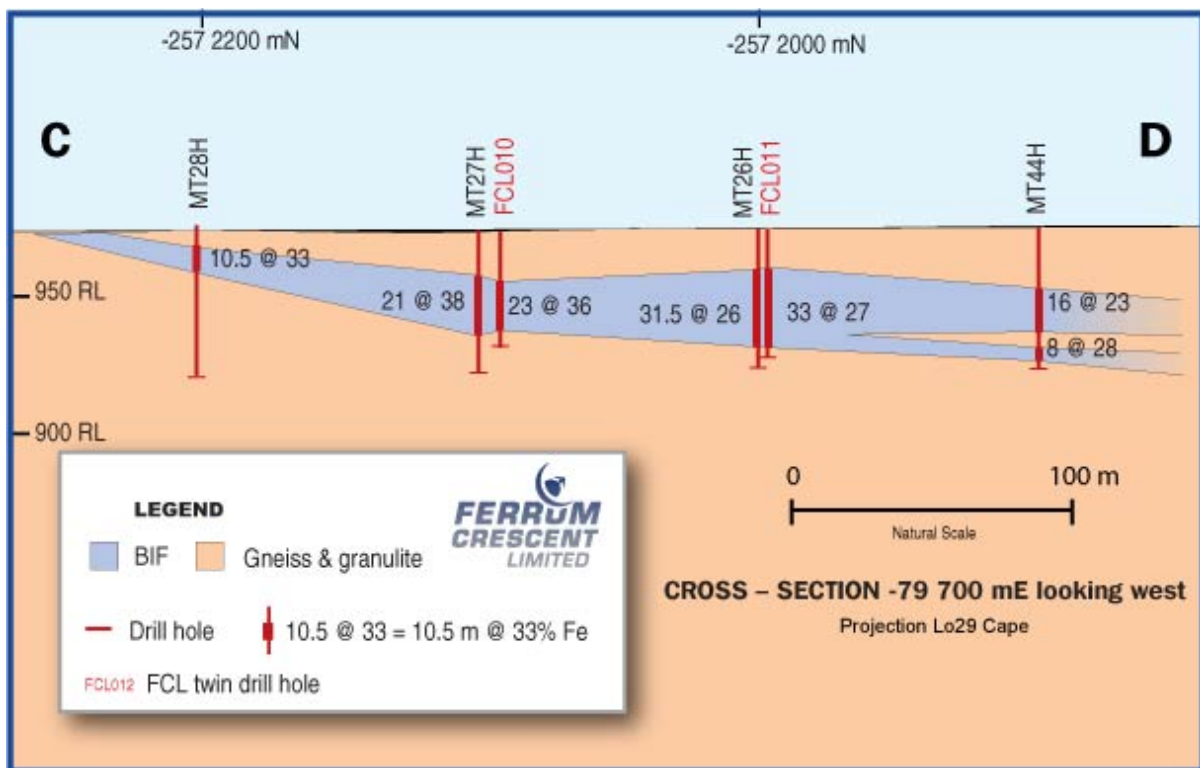
In 1993, the exploration focus shifted to evaluate mineralisation on the farms Julietta and Gouda Fontein. From 1993 to 1997, some 80 diamond core holes for 14,500 m were completed and additional BIF mineralisation was intersected and added to ISCOR's resource inventory.

### 3.4.2 Ferrum 2008

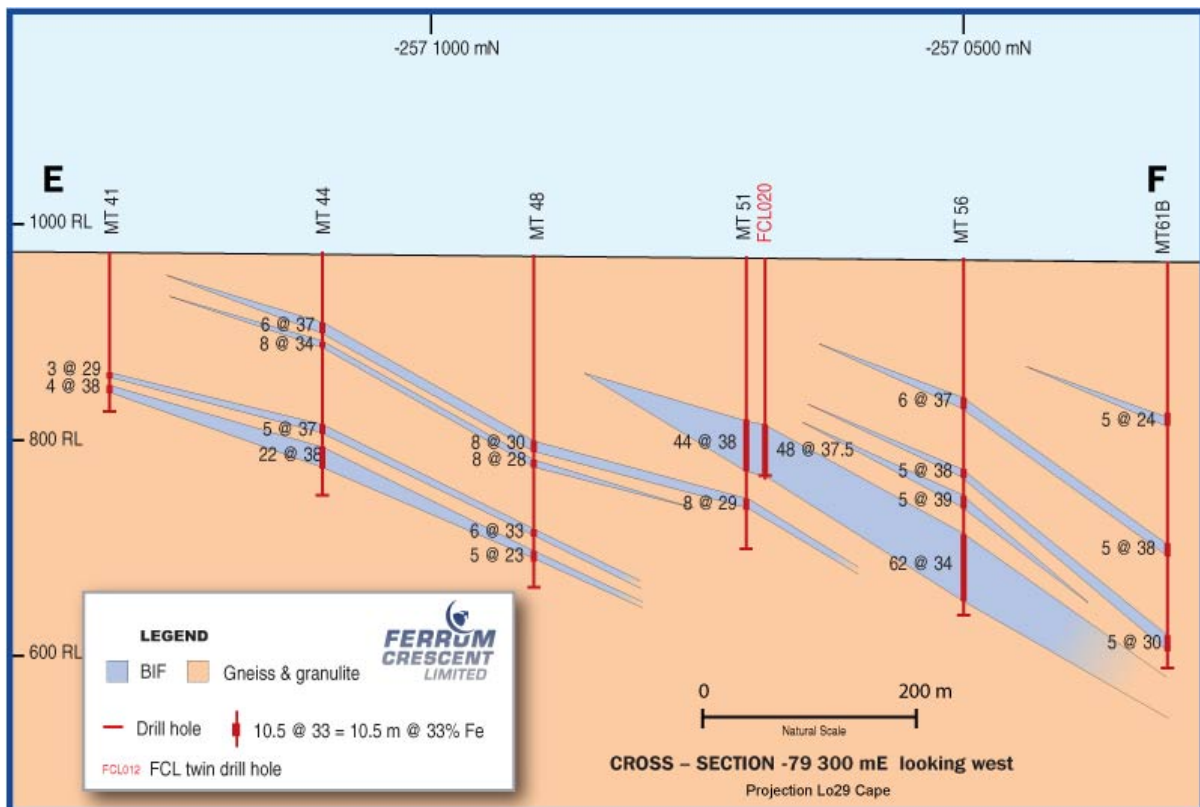
During 2008, Ferrum drilled 20 vertical RC holes (FCL001 to FCL020) on the Farm Moonlight for a total of 2,087 m. The holes were sited to twin a range of ISCOR drill-holes.

The Ferrum drilling program verified the tenor, position, and width of significant intersections of both partially oxidised and fresh BIF mineralisation reported by ISCOR. A comparison of all of the twinned intersections, using a minimum intersection width of 5 m, a minimum grade of 20% Fe, and a maximum internal waste intersection of 5 m, gave a total of 657 m @ 33.2% Fe in the 20 Ferrum holes compared to 704 m @ 32.7% Fe reported for the historical twinned ISCOR holes.

A typical section that includes pairs of twinned holes across the shallower oxidised portion of the deposit is shown as Figure 3.10; and a section across the deeper fresh portion of the mineralisation is shown as Figure 3.11.



**Figure 3.10: Cross-section along -79 700mE – Showing Twinned Near Surface Oxidised Mineralisation**



**Figure 3.11: Cross-section Along -79 300mE – Showing Twinned Deeper Fresh Mineralisation**

**3.4.3 Ferrum 2009-10**

During December 2009 and January 2010, Ferrum carried out a second RC drill program of 66 vertical holes (FCL021 to FCL086) for a total of 3,748 m. The program was designed to infill-drill areas of near surface mineralisation at sufficient density to enable the estimation of an Indicated Resource that would form the basis for the initial 20 to 25 years of mining at the Project.

The holes were sited to complete 100 m x 100 m grid patterns in three areas: southwest, southeast, and northeast (refer Figure 3.3). The drilling confirmed both the continuity and the tenor of the mineralisation.

**3.4.4 Drilling Summary**

Table 3.4 summarises drilling statistics by explorer and hole type.

Ferrum’s drill holes were surveyed and the locations of many ISCOR drill-holes were recovered, further verifying the ISCOR database.

It is CRM’s opinion that the sampling, sample preparation, and analytical procedures employed by Ferrum during both of its drill programs were planned and performed to high industry standards.

**Table 3.4: Drilling Statistics by Explorer and Hole Type**

Explorer	Years	Diamond		RC		Halco	
		Holes	m	Holes	m	Holes	m
ISCOR	1983-86	78	12,154	24	3,169	142	6,783
Ferrum	2008			20	2,087		
Ferrum	2009-10			66	3,748		
	<b>Totals</b>	<b>78</b>	<b>12,154</b>	<b>110</b>	<b>9,004</b>	<b>142</b>	<b>6,783</b>

#### 4. MINERAL RESOURCES - MOONLIGHT

##### 4.1 Resource Estimation Methodology

At the request of Ferrum, CRM completed a resource estimate for the Moonlight Deposit in April 2010 (and reconfirmed on 26 October 2010). The estimate was completed by John Doepel, Principal Geologist. It is reported in accordance with the 2004 edition of the JORC Code. The estimate employed geostatistical Inverse Distance Squared modelling to produce ore block models (“OBMs”) of the mineralisation within the deposit. The final combined OBM comprises 22 separate OBMs, each of which was made within a separate wireframe that was constructed to enclose a unit of mineralisation.

OBM block dimensions were 20 m EW, 20 m NS, and 5 m vertical. The blocks were constrained to wireframed bodies of BIF mineralisation. The wireframes were constructed to include mineralisation with grades of more than 15% Fe, thickness of more than 5 m, and included waste of less than 5 m. The minimum thickness of waste units was also 5 m.

##### 4.2 Mineral Resources

The OBM contains resources that, at a lower block-cut of 15% Fe, total 300 Mt at 30% Fe, refer Table 4.1, and were classified according to the following criteria:

- Indicated Resources - Blocks interpolated from 43 plus points
- Inferred Resources - Blocks interpolated from less than 43 points.

The magnetite grains within the BIF are partly altered to hematite within the oxidised zone and CRM has therefore reported the Resource in two classifications, an upper Oxidised Zone and a lower Fresh Zone.

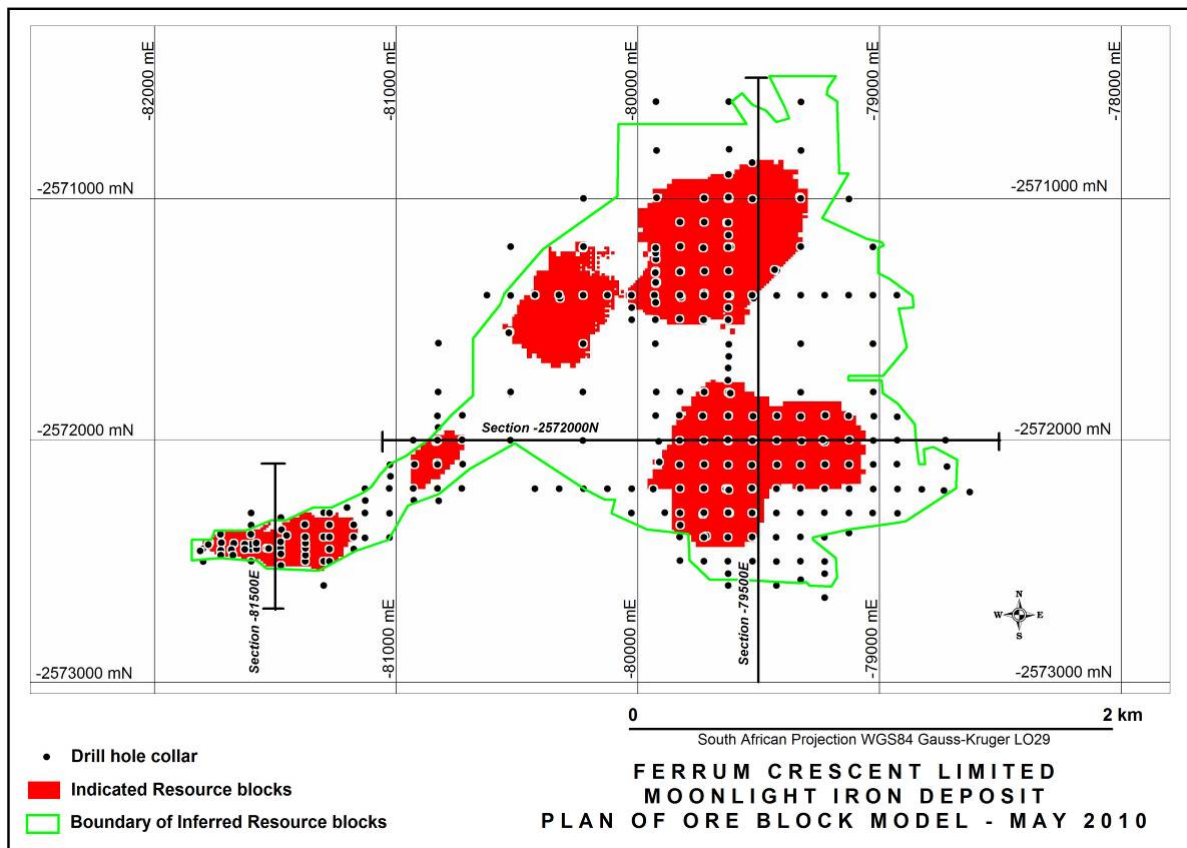
**Table 4.1: Resource Table**

Resource Zone and Classification	Volume (m <sup>3</sup> )	Tonnes	Grade (Fe%)
<b>Indicated</b>			
Oxidised	10,000,000	34,000,000	30
Fresh	12,000,000	40,000,000	35
<b>Total Indicated</b>	<b>22,000,000</b>	<b>74,000,000</b>	<b>33</b>
<b>Inferred</b>			
Oxidised	14,000,000	45,000,000	30
Fresh	54,000,000	180,000,000	29
<b>Total Inferred</b>	<b>68,000,000</b>	<b>225,000,000</b>	<b>29</b>
Total Oxidised	24,000,000	79,000,000	30
Total Fresh	66,000,000	220,000,000	30
<b>TOTAL RESOURCES</b>	<b>90,000,000</b>	<b>300,000,000</b>	<b>30</b>

*Note: Totals may differ from sum of individual items due to rounding*

The estimate represents a summary of Ferrum’s net attributable Resource status as set out in Appendix 1.

The distribution of the Indicated and Inferred portions of the resource is shown in Figure 4.1.



**Figure 4.1: Plan of OBM Footprint**

Figure 3.4 to Figure 3.6 are sections through the OBM that show the base of oxidation and the distribution of Indicated and Inferred blocks within the BIF units.

For the upgrading of the resource classifications from Inferred to Indicated and from Indicated to Measured further infill drilling will be required.

**4.3 Conversion of Mineral Resources to Mineral Reserves**

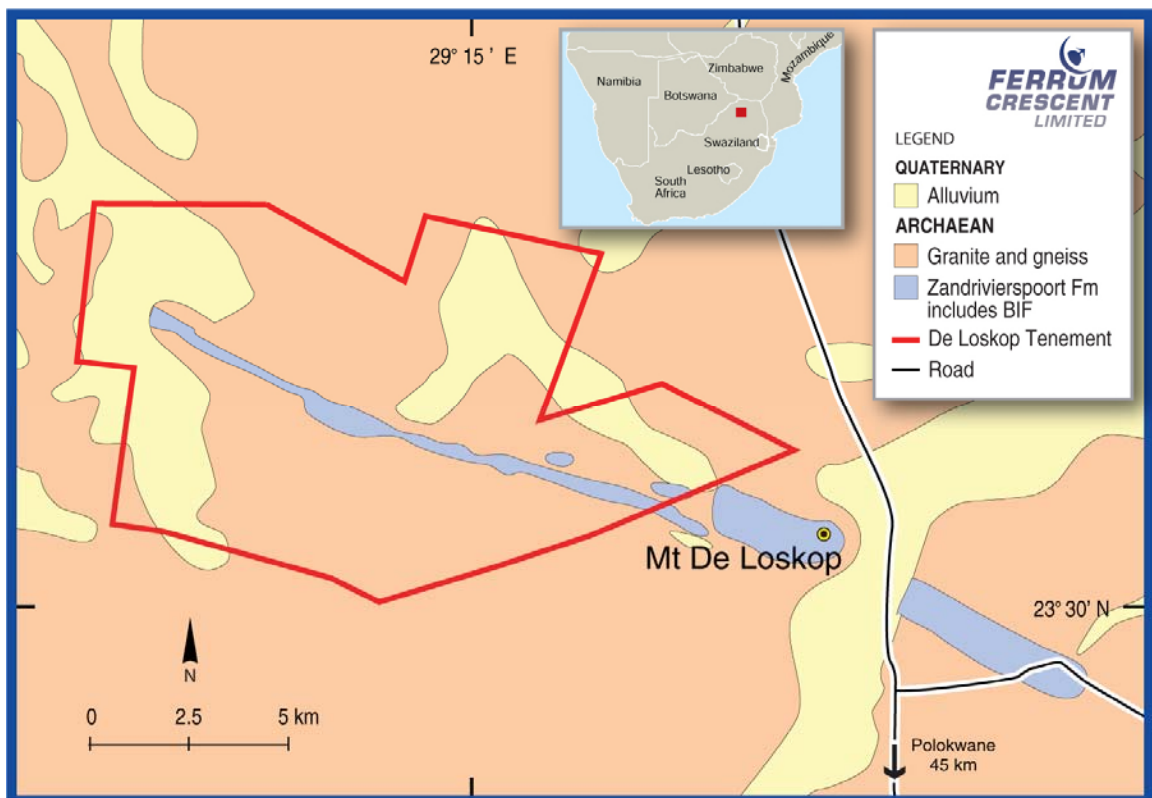
CRM is of the opinion that, for the Indicated Mineral Resource to be converted to a Probable Ore Reserve, systematic metallurgical testwork will need to be carried out on a full range of samples of mineralisation, in order that recoveries of Fe to concentrate can be quantified for the relevant portions of the deposit.



**5. DE LOSKOP**

**5.1 Geology and Mineralisation**

As at Moonlight, mineralisation at De Loskop is present within BIF horizons. The BIFs are within the Zandriviervoort Formation, which is flanked by granitic gneisses and which contains BIFs, schists, amphibolites, quartzites, and calc-silicate rocks. (Refer Figure 5.1).



**Figure 5.1 De Loskop – Geological Map**

The Zandriviervoort BIF hosts iron ore mineralisation of the De Loskop Deposit immediately to the east of Ferrum’s tenement. The mineralisation, which outcrops over a width of about 100 m on Mt De Loskop, was drilled by ISCOR in the 1990s. The Zandriviervoort Formation also hosts the Kumba Resources’ (“Kumba”) Zandriviervoort iron ore deposit about 35 km to the southeast, which contains an Indicated Mineral Resource of 447 Mt at a grade of 34.9% Fe. Refer Figure 3.1.

Relief within the prospect area is low, although the moderate to steeply dipping BIF units outcrop to various extents along a subdued west-northwest striking ridge that has a length of 14 km within Ferrum’s tenement.

## **5.2 Previous Exploration**

There is no record of any exploration for iron ore within the Ferrum tenement. However, as described above, the BIF unit was drilled along strike to the east of the tenement by ISCOR, which reported an in situ grade of 37.8% Fe for the mineralisation in the vicinity of Mt De Loskop.

## **5.3 Exploration Target**

CRM has estimated an exploration target for Ferrum's De Loskop Prospect. CRM's estimation is summarised below:

*"An exploration target for iron mineralisation is present within the De Loskop Prospect. The potential mineralisation within the target area is within the range of 200 Mt to 1,000 Mt at a grade of between 30% Fe and 40% Fe.*

*The target horizon is a meta-BIF unit within the Zandriverspoort Formation, which within the tenement area has a length of 14 km and a steep dip, but incomplete outcrop. The width of the BIF unit is not known, but along strike, immediately to the east of the tenement, it has a thickness of about 100 m at the De Loskop Deposit on Mt De Loskop, where it is reported to have an in-situ grade of 37.8% Fe.*

*The potential quantity and grade of the target is conceptual in nature, as there has been insufficient exploration to define a Mineral Resource, and it is uncertain if further exploration will result in the determination of a Mineral Resource."*

## **6. MINING**

### **6.1 General**

Richard Flanagan Mining Consultancy Pty Ltd has undertaken a preliminary mining study on the Moonlight Deposit.

It is assumed that the mining will be undertaken on a contract basis using conventional open pit methods, i.e. drill and blast and load and haul to the ROM pad or crusher. The mining contractor will provide his own equipment (using hydraulic excavator or loader and rigid body mine trucks and ancillary equipment) and labour and charge on a “per tonne delivered” basis.

In the absence of any geotechnical data, pit wall angles have been assumed based on 10 m benches and 5 m berms with bench wall slope angles of 71° in fresh and 56° in weathered material. This results in the following overall pit slope angles being used in the optimisation:

- Fresh hanging wall exposures 55°
- Weathered hanging wall exposures 45°.

However, in the areas where the orebody thickness is smaller, mining may need to consider smaller bench heights or some selective mining.

### **6.2 Mining to Maximise the Use of the Oxidised Zone**

As the Oxidised Zone overlays the Fresh Zone, a pit optimisation and a likely extraction sequence using the OBM provided by CRM was undertaken to determine the applicable mining rate for a life of mine set at 24 years.

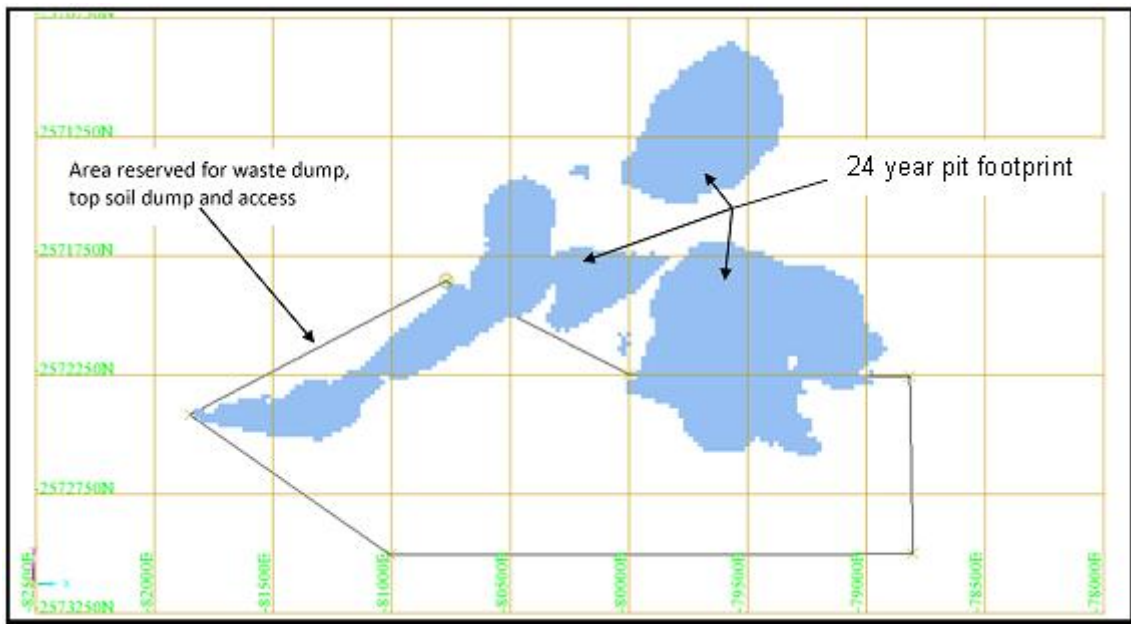
With an assumed mining dilution of 5% along with a mining recovery of 98% the resultant typical optimisation pit shell is shown in Figure 6.1 and results in an average strip ratio of 1:1 and a mining rate of 4.3 M/ta for the nominated 24 year mine life. This optimised pit shell used all of the Oxide Zone's Inferred and Indicated Resource.

A provisional waste dump with 20° overall batter slope angled to a height of 40 m on the southern side of the open pit has also been considered. Some in pit backfill has been incorporated with the waste dump covering the shallow southern section of the open pit. Refer Figure 6.2. As a result of the above, an initial 24 year pit has a footprint of ~500 ha (pit and waste dump).



FCL2A Run 2 Optimisation Shell 4

**Figure 6.1: Pit Optimisation Shell – Oxidised Zone**



**Figure 6.2: Pit and Waste Dump Footprint – Oxidised Zone**

## **7. ORE PROCESSING**

### **7.1 Overview**

In order to supply the required feed for slurry pumping that also meets the needs of possible “value adding” secondary processing, the ore processing product size needs to be 45  $\mu\text{m}$ .

In addition, use of the partially oxidised ore with its lower Fe from the Moonlight Deposit as the design ore to the process plant means that the ore will contain both magnetite and hematite. Therefore, the process plant also needs to separate the magnetite at the largest size possible to maintain the required Fe grade so as to maximise the recovery of hematite.

### **7.2 Initial Testwork**

Ferrum commissioned ProMet to undertake the initial or sighter metallurgical testwork on three composite samples from its Moonlight Deposit in December 2008. The samples had been selected by Ferrum as being representative of the three types of mineralisation expected to be found in the Project area, namely:

- Altered (partially oxidised): Fe is present as magnetite and hematite in varying proportions and generally at depths of less than 60 m below surface
- Transition: depths of between 50 m and 80 m below surface
- Fresh (non-oxidised): Fe occurs predominantly as magnetite and is generally at depths of greater than 60 m below surface.

The scope of work for this initial testwork included preliminary optimum grinding testwork and Bond Work Index testwork.

The testwork conducted on the three composite samples yielded ‘good’ results with silica levels in the concentrate lower than:

- 5%  $\text{SiO}_2$  at a very coarse grind size ( $P_{80}$  of 220 to 238  $\mu\text{m}$ ), i.e. suitable for blast furnace use
- 1%  $\text{SiO}_2$  at a finer grind size ( $P_{80}$  of 100 to 125  $\mu\text{m}$ ), i.e. suitable for direct ironmaking processes.

The Bond Work Indices for all the three composite samples are considered relatively ‘high’ based on ProMet’s extensive work on magnetite deposits throughout the world.

A modified Davis Tube test method was developed to cater for the larger optimum grind size results from the optimum grinding testwork. This Davis Tube method utilises a 75  $\mu\text{m}$  screen and aims to provide a product with a  $P_{80}$  of 45  $\mu\text{m}$  for grinding testwork.

The altered or partially oxidised sample yielded lower weight recoveries at the finer grind sizes and therefore it is recommended that further testwork based

on using the WHIMS process be performed on this sample to improve the weight recovery.

### 7.3 Additional Testwork

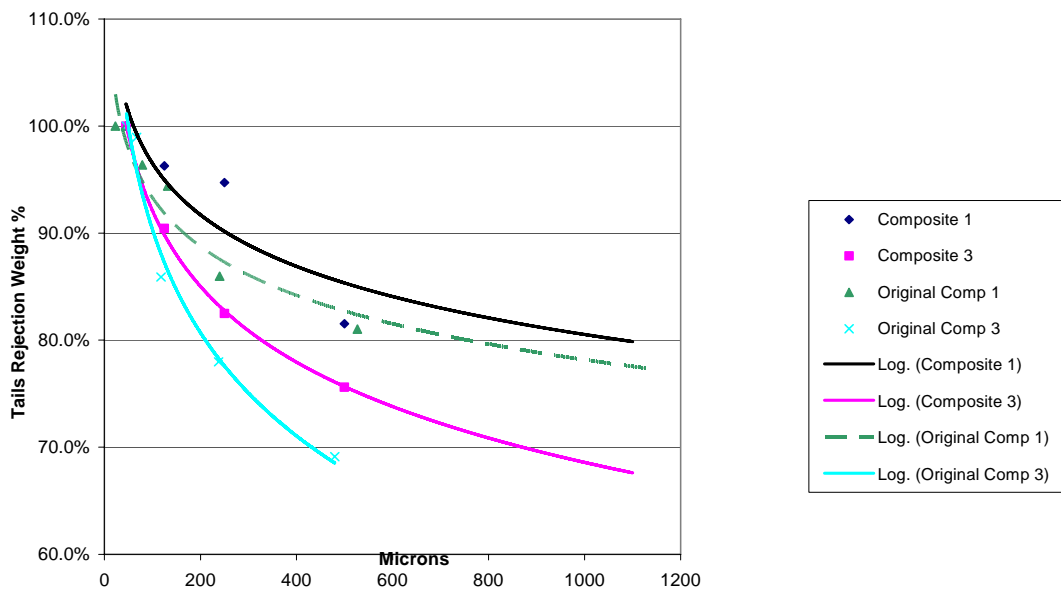
Ferrum has subsequently repeated Davis Tube testing on samples from Composite 1 (Fresh) and Composite 3 (Oxidised). A summary of the test results for the oxidised ore is shown in Table 7.1. The results were similar to previous results, i.e. same trends but overall the oxidised ore Fe contents were 1%-2% lower.

**Table 7.1: Summary Davis Tube Results**

DTR PRODUCT	Wt. Distb. (%)	Fe Grade (%)	Fe Distb. (%)	SiO <sub>2</sub> Grade (%)	SiO <sub>2</sub> Distb. (%)	Al <sub>2</sub> O <sub>3</sub> Grade (%)	Al <sub>2</sub> O <sub>3</sub> Distb. (%)
Composite 3, 500 µm							
Mags	47.1	62.47	81.5	11.03	11.4	0.24	14.6
N-Mags	52.9	12.65	18.5	76.60	88.6	1.27	85.4
Calc'd HEAD	100.0	36.10	100.0	45.73	100.0	0.78	100.0
Composite 3, 250 µm							
Mags	42.3	66.40	79.6	4.81	4.4	0.23	11.1
N-Mags	57.7	12.45	20.4	75.95	95.6	1.33	88.9
Calc'd HEAD	100.0	35.25	100.0	45.89	100.0	0.86	100.0
Composite 3, 125 µm							
Mags	36.7	68.49	70.0	1.88	1.5	0.22	10.3
N-Mags	63.3	17.03	30.0	70.74	98.5	1.11	89.7
Calc'd HEAD	100.0	85.52	100.0	72.62	100.0	1.33	100.0

The tails rejection results were also compared to the original test data and plotted in Figure 7.1.

Care must be taken in comparing the results of the two samples as only three DTR size fraction tests were run (no fine or coarse) on the new samples and only four (no coarse) were performed on the original samples. The results do indicate similar but slightly higher tails rejection rates for the latest samples. To be conservative, the original tails rejection curves which results in higher power consumption is proposed to be used in the design.


**Figure 7.1: Tails Rejection Curve**

#### 7.4 Design Basis

The design basis for the ore processing plant is a circuit utilising High Pressure Grinding Rolls (“HPGR”) crushing to approximately 80% passing 1,800  $\mu\text{m}$ , followed by rougher magnetic separation and wet ball milling and magnetic separation at 125  $\mu\text{m}$ . Refer Figure 7.2. The magnetic separation concentrate will be ground to 80% passing 45  $\mu\text{m}$  and the final cleaning will be performed via a hydroseparator. Approximate feed and product design grades are shown in Table 7.2.

**Table 7.2: Feed and Product Design Grades**

Item	% Fe	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>
Feed	30.0	37.2	1.20
Concentrate	69.5	1.40	0.22





## **7.5 Process Description**

### **7.5.1 Primary Crushing and Stockpiling**

A gyratory primary crusher will reduce the ROM from a top size of 850 mm down to a top size of 125 mm. The crusher product will be discharged onto an apron feeder before transfer to the Crushed Ore Stockpile ("COS"). The COS will serve as a supply buffer between the mine and the primary milling section. The ore will be removed from the COS and will be fed to the plant feed bin via a front end loader. The ore will be then conveyed to a secondary cone crusher with the crusher's product screened and the oversize will be returned to the cone crusher feed. The screen undersize will continue on to the HPGR feed bin.

### **7.5.2 Primary Grinding**

The HPGR will be used to reduce the size to 1,800  $\mu\text{m}$ . The HPGR product will be screened and the oversize will be passed through the HPGR again. The undersize will be fed to the first stage of magnetic separation.

### **7.5.3 Rougher Magnetic Separation ("RMS")**

The HPGR screen undersize will be pumped to the Rougher Magnetic Separation ("RMS") section. The RMS section will consist of multiple single drum units which will beneficiate the HPGR undersize into magnetic concentrate and a coarse tails.

The RMS stage will reject approximately 74% of all tails which will lower the throughput to the secondary and tertiary grinding stages and thus will reduce grinding power requirements. The coarse tails will be pumped to the coarse tails cyclones to separate out the coarse material which will bypass the thickener and fine material which will need settling in the tailings thickener before disposal. More detail is provided below in the tailings disposal section.

### **7.5.4 Secondary Grinding**

The secondary grinding section will be based on the use of ball mill(s) to further reduce the size of the concentrate. The RMS concentrate will be pumped to the ball mill discharge hopper(s) where it will be mixed with the ball mill discharge. The slurry mixture, consisting of mill discharge and fresh feed, will be then pumped to the ball mill(s) cyclone nest to produce an overflow stream with a  $P_{80}$  of 125  $\mu\text{m}$ .

The coarse cyclone underflow stream that will be produced will be recycled back to the ball mill(s). The cyclone underflow stream will be controlled at 80% solids. This arrangement will allow classification of the fresh feed before milling to minimise the mill throughput and will prevent over grinding.

### **7.5.5 Cleaner Magnetic Separation ("CMS")**

The ball mill cyclone overflow will gravitate to the Cleaner Magnetic Separation ("CMS") section to recover the liberated magnetite. The CMS

stage will reject a further 19% of total tails from the circuit to send directly to a tailings thickener. At this stage, 93% of the non-magnetics will have been removed. There will be multiple triple drum CMS units operating in parallel.

The CMS concentrate will report to the Derrick screens. The Derrick screens will be a component of the recirculating load section of the secondary grinding area as they will return oversize material, commonly low density fractions high in silica - misreporting to the cyclone overflow to the ball mill feed. Derrick screen undersize will gravitate to concentrate handling and filtering circuit.

#### **7.5.6 Concentrate Handling and Filtering**

The Derrick screen undersize will be fed to the thickening cyclone where the underflow reports to a tertiary ball mill(s) to further reduce the concentrate size to 80% passing 45  $\mu\text{m}$ . The cyclone overflow will be mixed with the tertiary mill(s) product and fed to a hydroseparator which deslimes the concentrate to reduce the silica content to final specifications. The hydroseparator overflow gravitates to the tailings thickener.

The underflow from the hydroseparator will be then fed to storage tanks ahead of the slurry pumping station.

#### **7.5.7 Tailings Dewatering and Thickening**

The RMS tailings will gravitate to a collection hopper from where it will be pumped to a tailings cyclone nest for classification. The tailings cyclone will produce a coarse particle underflow and a fines overflow. The tailings cyclone overflow will be combined with the other fine tailings streams from the CMS and concentrate thickener/hydroseparator sections before entering the tailings thickener.

The tailings thickener will produce a thickened slimes underflow of approximately 55% solids and a clear process water overflow. The process water will be recovered in the process water tanks from where it will be redistributed for use in the plant. The thickened fines tails will be pumped to a tailings disposal sump where it will be combined with the tailings cyclone underflow to make up a coarse and fines tailings mixture. This mixture will be fed to the tailings belt filter and the filter cake will be trucked to the tailings disposal area.

## **8. SITE INFRASTRUCTURE**

### **8.1 Site Access**

Access to the Moonlight area will have to be upgraded and new roads constructed to provide all weather access.

Access roads on site will be also constructed to enable access to the support infrastructure associated with the mine site and process plant such as the power station, water supply and accommodation village.

In addition, it is possible an all-weather airstrip at the mine may be required to cater for emergency evacuations and regular plane flights for personnel during construction and operations. Alternatively, arrangements could be made with one of the local farm airstrips in the area.

### **8.2 Power Generation and Reticulation**

Years of neglect and lack of investment have seen the South African power supply situation deteriorate to a state where power is now in critically short supply with power cuts severely affecting business countrywide. This state of affairs makes it unlikely that the Project will be able to source any significant amount of reliable power from the government-owned power utility, Eskom, and hence will have to be entirely self-sufficient for its power needs.

Therefore a suitably sized powerstation will be required that would comprise multiple diesel, gas or dual fuel generating units. The power will then be reticulated to the various user locations by overhead transmission lines.

### **8.3 Water Supply**

The magnetite concentrator process design includes measures to limit water consumption such as filtering of the tailings and the overland slurry pumping system includes a return water pipeline . Further, the process water for the concentrator does not need to be potable water. Saline water is suitable, with total dissolved solids of greater than 30,000 ppm acceptable. It is envisaged that, due to the size of the water requirement, construction of a water storage pond is required.

As indicated in Section 2.5.3, a water supply system will need to be developed for the Project due to its location in an arid province in South Africa. Local supply is currently limited to boreholes but a number of alternative water sources have been identified to support the water needs of the Project, refer Figure 8.1. They include:

- Water catchment within the process plant and mine
- Groundwater inflow into the mine's pit and hence dewatering
- Groundwater dewatering around the open pit
- Tie into the Mokolo Crocodile Water Augmentation Project ("MCWAP") with ~80 km pipeline from Lephalele, refer Figure 8.2

- Tie into the Olifants River Water Resource Development Project (“ORWRDP”) with ~110 km pipeline from north of Mokopane, refer Figure 8.2
- Water harvesting, refer Figure 8.3, including off-channel storage facility to harvest water with high flows; store in off-channel dam and/or store in surrounding aquifers i.e. aquifer storage and recovery from
  - Lephalala River – west of mine, ~22 km.
  - Limpopo River – north-west of mine, ~35 km.
- Purchase irrigation rights from:
  - in and around the mine (< 20 kms)
  - Tolwe irrigation scheme and south of Tolwe, ~35 km to the north east
  - Irrigation allocations at Limpopo River

For the purposes of the Report it has been assumed that the water supply for the Project will be from:

- Water catchment within the process plant and mine
- Groundwater inflow into the mine’s pit and hence dewatering
- Groundwater dewatering around the open pit
- A well field within 15 km of the mine which will require up to 20 wells.

Mine dewatering as a source of process water would not normally be available in the initial years of operation but will be available as the pit deepens and goes below the water table.

Due to the size of the workforces at the mine, potable water supplies will be also needed. This could also be used to supply improved water quality to the local township(s), if required.

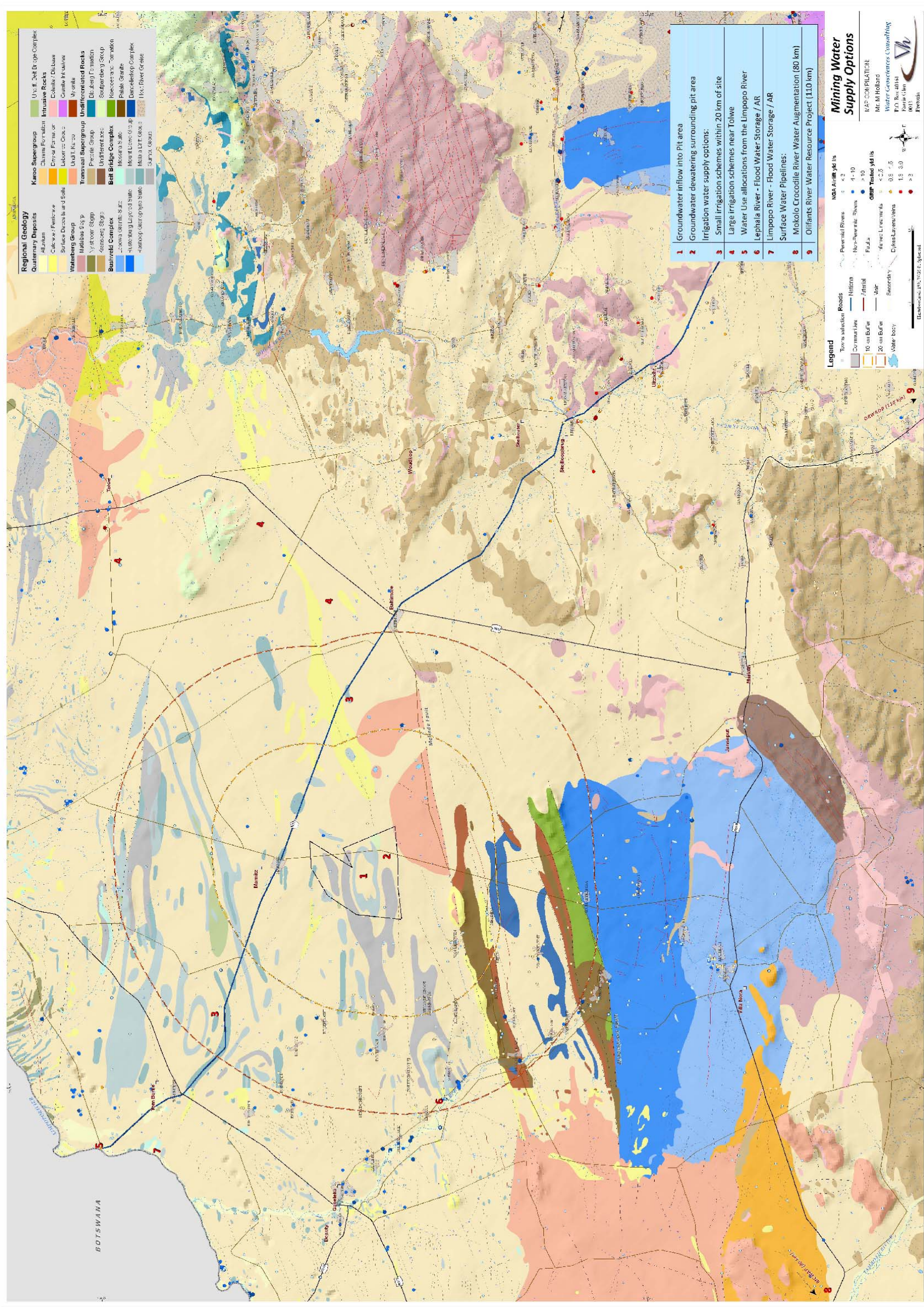


Figure 8.1: Possible Water Sources - Regional



**Figure 8.2: Possible Water Sources – MCWAP/ORWROP**



**Figure 8.3: Possible Water Sources – Water Harvesting**

**8.4 Fuel Unloading and Storage Facility**

A fuel storage facility of approximately three to four weeks supply will be required at the mine. The facility will also include for bowsers for fuelling the mining fleet, trucking fleet as well as light vehicles.

It is anticipated that this facility could be owned and operated by a fuel supply company.

**8.5 Offices, Workshops, Lunch Rooms, etc**

The mine based operations will have offices, workshops, lunch rooms and change rooms located within the mine boundaries. These are envisaged to be transportable type or pre-fabricated type wherever possible.

Corporate offices are assumed to be located off site.

**8.6 Accommodation**

Accommodation village will be built at the mine site to house the construction workforce. This village would be upgraded for the administration, operations and maintenance personnel as construction work is completed.

The village's permanent common use buildings will generally be constructed of higher grade materials whereas accommodation facilities will be of the transportable type. The village will include its own sewage plant.

Further, there will be a requirement to provide local housing at the mine for permanent employees during operations.

## **9. FINAL PRODUCT**

### **9.1 Alternatives**

Several alternatives have been identified for the final product form for the Project. An assessment of the potential alternatives will need to take into account the following:

- Potential domestic and international markets for the range of alternative final products
- Geographic location of the Project
- Railheads on existing and future proposed networks
- Ports for shipment
- Existing mines and industrial nodes in the vicinity
- Domestic iron and steel works and their capabilities in being able to utilise the potential products
- Availability of power, water and other utilities.

The alternatives, in no order of preference, include:

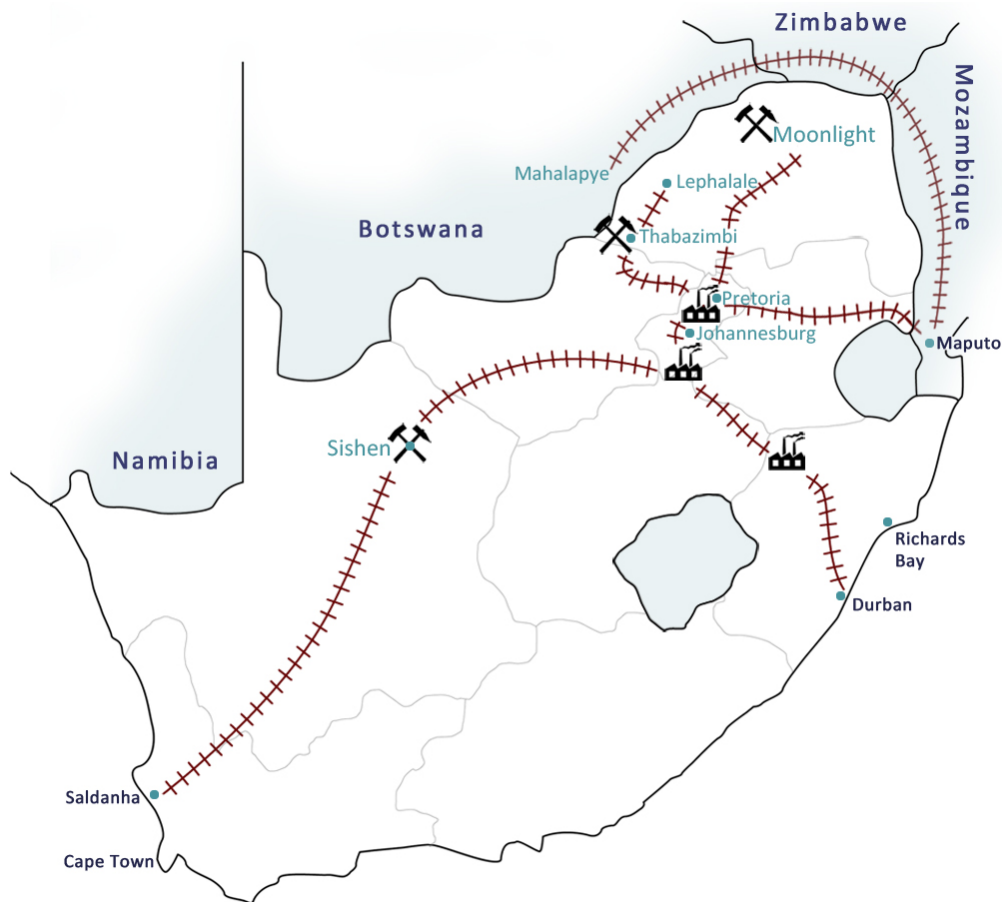
- Magnetite concentrate:
  - for export as a pellet plant feed or sinter plant feed; or
  - within South Africa as a sinter feed blend
- Pellets
  - using the project's concentrate
  - using a blended mix of concentrate and South African sourced hematite fines
- Merchant pig iron or granulated iron
- Semi-finished steel products.

These alternatives, which have not been evaluated technically or economically, may be applicable to both domestic and international markets though some are more suited to the domestic market.

Due to the logistical constraints of moving bulk type products overland from the mine site to the market, secondary processing of the concentrate is not envisaged at the mine site. Rather, the alternatives being considered envisage the pumping of concentrate as a slurry, with a return water pipeline, and employing proven technology which has been used with success on many similar applications. The return water pipeline will allow plant make-up water and additional raw water to be conveyed from existing available sources along its length for use on the mine site or by other consumers in the mine vicinity.

Figure 9.1 indicates the location of the mine and possible locations of secondary processing plants in relation to the rail networks, ports of shipment and potential existing iron and steel making customers within South Africa.





**Figure 9.1: Potential Market/Export Location Map**

## 9.2 Concentrate

In this alternative, it is envisaged concentrate will be pumped via pipeline across to a railhead at either Mahalapye (Botswana), Polokwane, Mokopane or Lephalele.

At the railhead, the concentrate will be dewatered using disc or belt filters. The filtration process will aim to dewater the concentrate to a cake less than 8.5% moisture. This product will be transferred to stockpiles before being loaded onto rail wagons for transport to either Maputo or the proposed new deep water port at Techobanine Point, south of Maputo, for stockpiling and shipment to export markets.

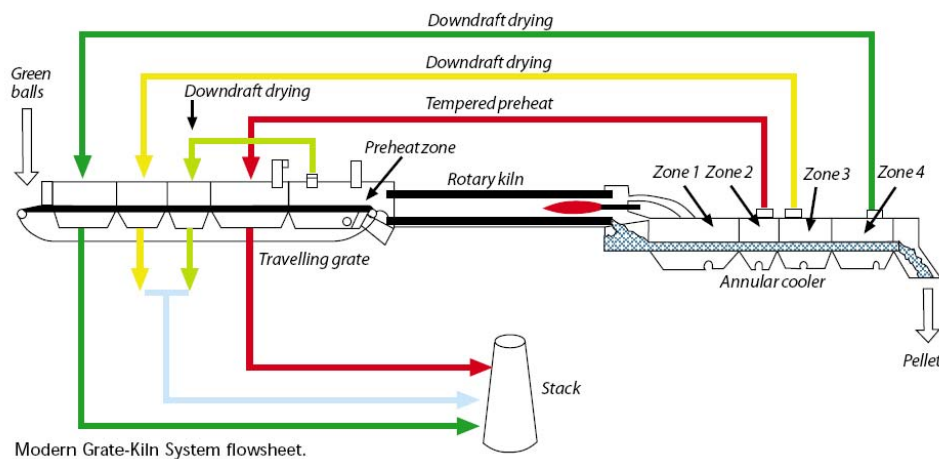
If the pipeline is to either Polokwane, Mokopane or Lephalele then concentrate could be railed to customers within South Africa. One of the potential uses of the concentrate is as a part of the ferrous material blend presently used at the sinter plants at the Arcelor steel plants. This option may entail revamping of the existing sinter plants to allow an increase in production (common solution used by other steelmakers) or a new sinter strand.

Whilst the previous ore processing section has focused on producing the more common Blast Furnace (“BF”) grade concentrate with modifications to the circuit, it would also be possible to produce higher Fe grade concentrate suitable for secondary processing into Direct Reduction (“DR”) pellets.

**9.3 Pellets**

Similar to the concentrate based alternative, the concentrate, either BF or DR grade, will be pumped via pipeline across to railheads at either Mahalapye (Botswana), Polokwane, Mokopane or Lephalale.

Adjacent to the railhead it is envisaged that the concentrate will be dewatered, stockpiled and fed to a pellet plant, refer Figure 9.2 for a typical flow diagram.



**Figure 9.2: Schematic Flow Diagram - Grate-Kiln Pellet Process**

Fuel can be waste wood, oil, coal or gas. Coal bed methane is assumed for the purposes of this Report.

From the stockpiles, the pellets are loaded onto rail wagons for transport to either Maputo or the proposed new deep water port at Techobanine Point, south of Maputo, for stockpiling and shipment to export markets.

If the pipeline is to either Polokwane, Mokopane or Lephalale then the pellets could be railed to customers within South Africa. The smaller rotary kiln/EAF based steel plants within South Africa could make use of the pellets directly but will not be able to consume major quantities. For example, the Saldanha Bay steel mill currently imports pellets, estimated at 400,000 to 600,000 t/a from South America and the Project’s pellets could act as a direct replacement if they were economically competitive.

The blast furnaces of Arcelor are also a potential user of pellets. However, it is believed these do not have the requisite pellet handling capabilities and therefore material handling system modifications will be required.

#### **9.4 Blended Iron Ore Pellets**

The hematite iron ore mine at Thabazimbi which is owned by ArcelorMittal and operated on its behalf by Anglo's Kumba Iron Ore is approaching the end of its life. The mine has decreasing production volumes and an increasing ratio of fines to lump ore being produced. ProMet understands the mine currently produces approximately 2.4 Mt/y for consumption by South African steel producers. This presents an opportunity for the concentrate from the Project to be blended with the Thabazimbi fines.

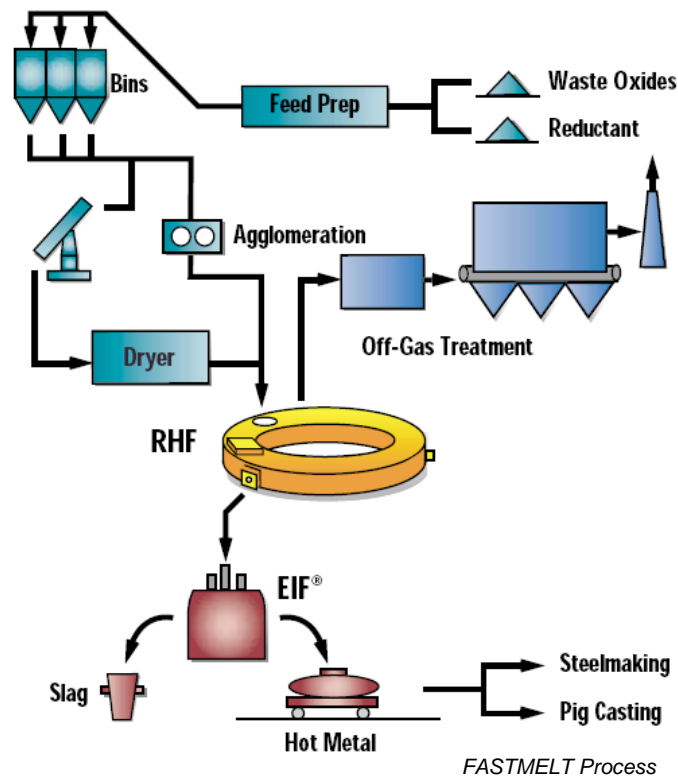
In this alternative, it is envisaged concentrate will be piped to the Thabazimbi mine where, after dewatering, the concentrate will be blended with an approximately equal quantity of surplus hematite fines and fed to a pelletising plant similar to that described in Section 9.3. Before the blending can occur, the Thabazimbi fines will also have to be ground down to 45 µm.

With the reduction in mine production at Thabazimbi, the existing rail line linking the mine with ArcelorMittal's steel works and other steel producers to the South-East is currently underutilised compared with its 4 Mt/y historical carrying capacity. This implies that a minimum production of 1.6 Mt/y of pellets could currently be accommodated on the rail link, increasing with time in proportion to the reduction in Thabazimbi mine's production of lump ore. Production is envisaged up to the original 4 Mt/y design capacity of the rail line and higher, if rolling stock inventories and other rail infrastructure permit.

#### **9.5 Merchant Pig Iron**

In this alternative, it is envisaged again that the BF grade concentrate will be pumped via pipeline to railheads at either Mahalapye (Botswana), Polokwane, Mokopane or Lephalale. Adjacent to the railhead it is envisaged that the concentrate will be dewatered, stockpiled and fed to an ironmaking plant.

A number of ironmaking technologies are available. The rotary hearth furnace ("RHF") technology, refer Figure 9.3, is considered the most appropriate proven technology for a plant capacity of ~1.0 Mt/a, and there are a number of internationally recognised providers of this technology. The hot metal from the electric melter will be cast into ingots or granulated depending on the customer needs.



**Figure 9.3: Schematic Flow Diagram of Rotary Hearth Technology**

1.4 Mt/y of concentrate will allow the production of 1 Mt/y of merchant pig iron. Similar to the concentrate and pellet alternatives, the merchant pig iron can be exported via ports in Mozambique or sold domestically.

**9.6 Semi-Finished Products**

As a further step in value-adding, aligned with the South African Government’s policy of maximising in-country secondary processing of natural resources, this alternative proposes to add a steel mill to the plant envisaged in Section 9.5 to produce semi-finished products including, possibly, hot rolled coil for which there is a local, regional and export market.

It is envisaged the steel mill will utilise the hot metal produced in Section 9.5 and be situated adjacent to and be fully integrated with the ironmaking plant near the railhead in South Africa. From this location it will be possible to access the existing rail network for transport to potential markets.

## 10. EXPORT LOGISTICS

### 10.1 Mine to Port

As the basic decision of pumping the magnetite concentrate to a railhead for export or value adding secondary process, the rail transport options are to three possible port locations:

- Maputo, Mozambique
- Techobanine Point, Mozambique (proposed)
- Richards Bay, South Africa

A map of the South African major rail and port network is given in Figure 2.3 and Figure 9.1.

The rail distances to the potential ports from potential rail transfer terminals are shown in Table 10.1. For Techobanine Point, the distances to Maputo are plus ~100 km.

**Table 10.1: Rail Distances to Port**

Terminal	Rail Distance (km)	
	Maputo	Richards Bay
Polokwane	615	965
Mokopane	680	900
Lephalale	915	1,035
Thabazimbi	995	930
Mahalapye (Botswana)	1,330	1,290

Discussion would need to be undertaken with either Transnet or Botswana Railways, during the study phase of the Project and contracts signed shortly after financial close to ensure the necessary lead time to:

- finalise additional rolling stock purchases and/or
- undertake track upgrades/duplications to ensure necessary train slots are available.

A rail only export option is possible from the mine site if either existing or proposed rail networks are extended to the mine. The closest towns with access to the national freight rail network are Polokwane or Mokopane (~150 km SE), Lephalale (formerly Ellisras, ~80 km SW) and Botswana Railway's terminal at Mahalapye (~140 km W). Extending lines from these centres will add to the capital cost of the Project and potentially increase the construction time as the land acquisition for the right of way would be a complex process. There is also potential, in the future, for the Project to tie into the proposed rail link between Lephalale and Polokwane associated with the development of the Waterburg coal field.

Further, Ferrum may be able to make use of the existing links into South African steelworks via Lephalale as the Grootegeluk coal mine exports 1.7 Mt/a of coal to steelworks at Vanderbijlpark, Newcastle (KZN) and Saldanha (WC) and the Thabazimbi area, a further 120 km by rail to the south of Lapahale, exports 2.5 Mt/a of iron ore to steelworks at Vanderbijlpark and Newcastle.

## **10.2 Ports**

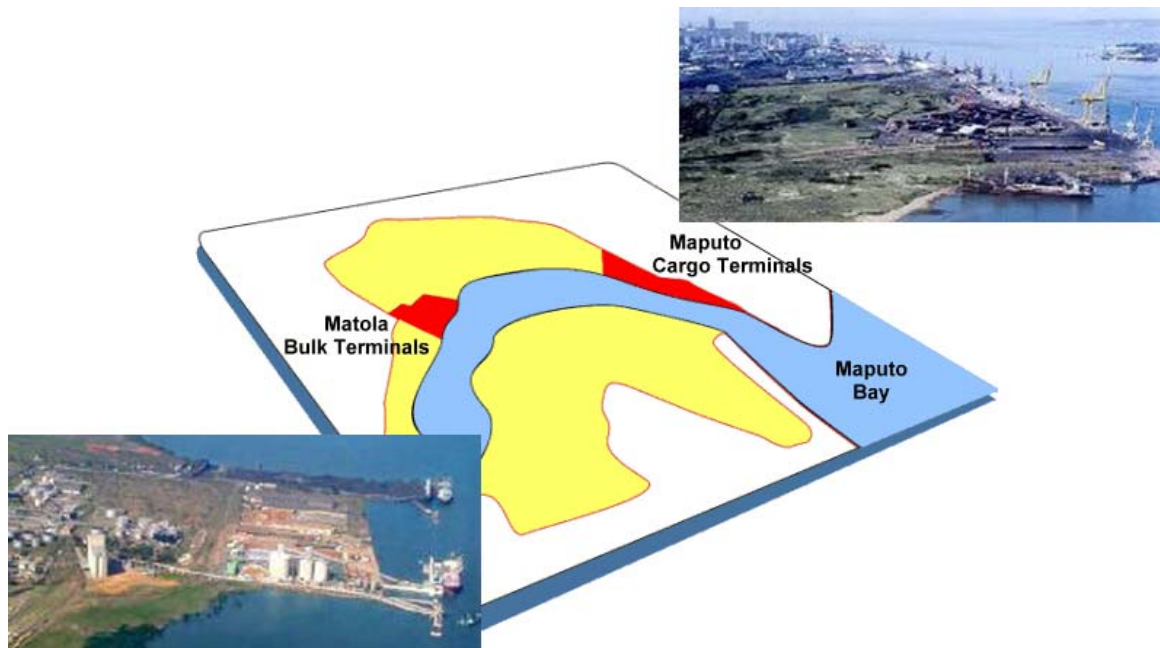
### **10.2.1 Maputo**

Maputo is the closest port to the Project. The port is undergoing a continuous modernisation and expansion program and combined with the region's improving cross-border road and rail links, is being marketed as a "secure, modernised and cost efficient alternative to South African ports". The rail corridor into South Africa carried ~5 Mt/a of freight in 2007 and is expected to expand to almost 17 Mt/a by 2010 and its current capacity is ~60 trains per week.

Among the major companies now exporting through the port are Transvaal Sugar, Capespan, BHP Billiton, Manganese Metal Company, Delta EMD, Xstrata, Ore and Metal, Highveld Steel, Rio Tinto and Columbus Stainless.

In 2007/8, 4 Mt of South African coal was exported from Maputo and this could be expected to increase to almost 6Mt in 2010. Similarly, with magnetite, the port handled 1 Mt of South African magnetite in 2007/8 through the bulk terminal and this is expected to increase to 2 Mt in 2009 and possibly to over 4.6 Mt in 2010. (This forecast is based on demand for the ore in China.) Only 6,000 t of South African export ferro-chrome was exported in 2005 and this is expected to increase to 1.2 Mt by 2010.

There are two main components to the port, the Maputo Cargo Terminals, which include the Citrus, Sugar, Container, Ferro and Scrap terminals, and 6 km further upriver, the Matola Bulk Terminals with four deepwater berths for handling bulk minerals, petroleum, aluminium and grain. Refer Figure 10.1.



**Figure 10.1: Maputo Port Cargo and Bulk Terminals, Mozambique**

Table 10.2 indicates the size of the berths and their depths.

**Table 10.2: Maputo Port Berth Statistics**

<b>Terminal</b>	<b>Length (m)</b>	<b>Depth* (m)</b>
<b>Cargo</b>		
Container terminal	300	11
Citrus terminal	380	11
Bulk sugar terminal	170	10.5
Molasses terminal	179	10.5
Coastal terminal	300	8
Bagged sugar terminal	200	10.5
<b>Bulk</b>		
Grain terminal	210	9.5
Aluminium terminal	210	12.6
Petroleum terminal	230	10.5
Coal terminal	205	10.5

*All depths are below chart zero and the actual tide is to be added (max. 3.9 m and minimum 0.2 m).*

With an entrance channel depth of 9.4 m, vessel sizes are limited to 'Panamax' class of ships which are typically 35,000 DWT to 50,000 DWT.

### 10.2.2 Richards Bay

Richards Bay consists of a Dry Bulk Terminal, a Multi Purpose Terminal and the privately operated Coal Terminal. Other private operators within the port include several wood chip export terminals and a bulk liquid terminal. Refer Figure 10.2.



**Figure 10.2: Port of Richards Bay, South Africa**

Today the port occupies roughly 2,157 hectares of land and 1,495 hectares of water with space for expansion which makes it one of the largest ports in the world. The port currently has 21 berths, excluding the dredger and tug berths, and is supported by a railway network supply system.

The Multi-Purpose Terminal, with its six 13.5 m and one 17.5 m berths, currently handles

- Aluminium
- Bagged cargo
- Containers
- Ferro alloys
- Forest products - pulp/paper/timber/logs
- General cargo
- Granite
- Heavy lifts
- Pig iron
- Steel

During the 2005/06 financial year, Richards Bay handled a total of 1,735 ships and 89 Mt of cargo, of which 84.6 Mt was bulk cargo and 4.4 Mt breakbulk.

The port of Richards Bay has an entrance channel that is dredged to –19.5 m, giving it a maximum permissible draught of 17.5 m. Berthing depth varies



between 8 m (small craft berth) and 19 m (coal berths). As such the port is capable of handling 'Cape' size bulk carriers and the largest ship handled in the port so far was the 372,201 DWT "Brazilian Pride", which had a length of 363.7 m, a beam of 63.4 m and a maximum draught of 21.8 m.

### **10.2.3 Techobanine Point**

The announcements around the Memorandum Of Understanding between Botswana and Mozambique governments indicate the following:

- The new port will handle vessels up to 300,000 DWT and 50 Mt/a of heavy cargo per year
- The rail will be used to transport Botswana's export minerals, cutting transit time from six days to 22 days
- The main cargo expected to use the new port is coal from Botswana. The country has an estimated 212 billion tonnes of coal reserves. Using Techobanine would free Botswana from dependence on the South African ports of Durban and Richards Bay which, apart from congestion problems, give priority to South African exports.

The description implies that it port should be suitable for handling any of the proposed final products discussed in Section 9.

**11. IMPLEMENTATION****11.1 Studies and Construction**

The Project will undergo a series of development phases from the Facilities Report issued by Ferrum as part of the Mining Rights Application to the production of a final product.

The anticipated development phases are:

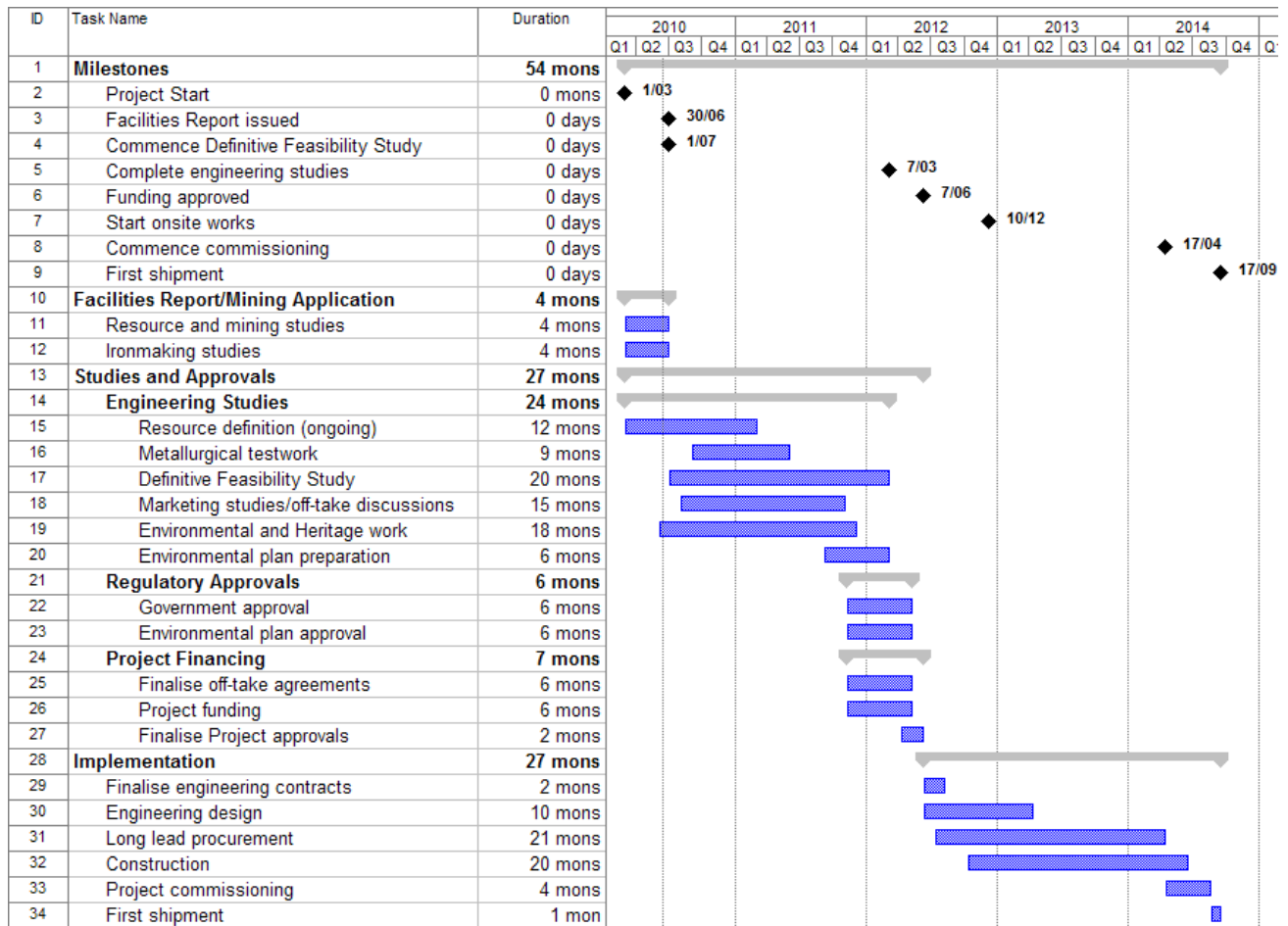
- studies into possible product forms
- continuing resource drilling, metallurgical testwork;
- Definitive Feasibility Study and environmental investigations;
- regulatory approvals;
- project financing;
- implementation (design, construction and commissioning); and
- production and ramp-up to full capacity.

The indicative schedules for these phases and completion dates, assuming port access is available, are indicated in Table 11.1 and Figure 11.1.

**Table 11.1: Milestone Table**

<b>Task</b>	<b>Completion Date</b>
Facilities Report	July 2010
Resource drilling and testwork/studies into alternative product forms	June 2011
Environmental and Heritage investigations	December 2011
Definitive Feasibility Study	March 2012
Receipt of Regulatory Approvals/Project Financing	June 2012
Mobilise to site	October 2012
Commissioning and first shipment	September 2014
Ramp-up to full capacity	September 2016

The schedule may be reduced if the major engineering contracts can be finalised before final Project approval to allow the early procurement of long lead equipment.


**Figure 11.1: Indicative Implementation Schedule**

## 11.2 Operations

### 11.2.1 General

All components of the Project will operate 24 hours a day.

The operations and maintenance personnel will be employed on a four-panel continuous 12-hour rotating shift roster. Supervisory personnel will generally be employed on a standard five-day week and eight hours per day. It is estimated that the mine and ore processing plant and associated infrastructure will require

### 210 personnel.

Administration and management personnel for the Project including all accounting, purchasing, payroll and the like will be based at the site.

The majority of personnel will be recruited from within South Africa but some skilled operators, supervisors and management with specific mine, ironmaking, rail and/or port operations experience will be recruited

internationally. If required, Western expatriate staff will be on a rotation cycle of six weeks on site and two weeks off site at a location of their choosing.

The key operations executives and technical personnel will be recruited and in place early in the Project.

### **11.2.2 Workforce Organisation**

The Project labour requirements were derived by ProMet based on its experience of similar type operations worldwide.

The organisation will comprise a Managing Director supported by five function managers heading the following departments:

- Mine Operations including sub-managers for mine and concentrator
- Export Operations including engineering and maintenance
- Sales and Marketing
- Finance and Administration
- Human Resources.

The personnel to be directly employed by the Project are broken down as indicated in Table 11.2. Other personnel will be employed directly by the contract miner, trucking company and other service providers.

**Table 11.2: Personnel Numbers**

<b>Category</b>	<b>No. Off</b>
Unskilled	25
Semi skilled	78
Skilled	46
Supervisors	35
Superintendents and engineers	18
Managers	7
Senior manager	1
<b>TOTAL</b>	<b>210</b>

*Note: excludes contract mining and trucking personnel*

The needs of the mining and beneficiation operations and the requirement to have the support of external suppliers and manufacturing/fabricating facilities will add considerably to this. Statistics indicate that typically in a “second world economy”, for every one person employed directly on a project, up to 15 people will be indirectly employed in support of that one person and his family, e.g. in government services, schools, healthcare, shopping centres, etc.

### **11.2.3 Outsourcing**

Outsourcing to third party service providers will be an inherent feature of the operations. Outsourcing may include Build, Own and Operate (“BOO”) or supply and maintain type contracts.

Outsourcing, excluding BOO or similar operations, being considered includes the following:

- Access roads and, if required, airstrip maintenance
- Plant shutdowns
- Mobile equipment maintenance
- Local transport
- Information technology support
- Cleaning of offices and amenities
- Gardening and landscaping.

The use of BOO or supply and maintain contracts minimises risks and therefore these contracts will be used where significant operating benefits could be achieved by bringing in contractors with specific skills. This alleviates the need for the Project to replicate the skills and ensures the highest standard of performance at all times. To this end, BOO or supply and maintain type outsourcing to be considered includes:

- Contract mining (assumed in base case)
- Crushing and screening
- Power
- Water supply
- Fuel unloading and storage
- Accommodation facilities
- Mobile equipment.

## **12. DISCUSSION**

### **12.1 Main Drivers**

#### **12.1.1 *Final Product/Secondary Processing***

Whilst the Project has not yet fixed the final product form, the alternatives which are applicable to both domestic and international markets offer some unique market niches. Whilst concentrate and pellets are common type products and there is a known and increasing market for these products, the production of pellets by blending with Thabazimbi ore and merchant pig iron production also make reasonable cases.

For instance, there are two basic sources of merchant pig iron product:

- Produced by plants where production is wholly for sale to third parties.
- From integrated steel mills with merchant pig iron surplus to steelmaking requirements.

Apart from some minor cases, all blast furnace producers need to purchase their iron ore and coking coal on the open market. This leaves these producers in a difficult position in that merchant pig iron prices tend to follow the scrap price index. Therefore the blast furnace based pig iron producer can be squeezed between the cost of supply of iron ore/coking coal, which have risen considerably, and the scrap setting price which is independent of the iron ore/coal market.

The net effect of this situation is that a particular merchant pig iron producer can find its margins totally insufficient for its needs and has to temporarily cease production. The blast furnace operator will still continue to operate at this time but will endeavour to minimise its spare pig iron production for the same reason.

In contrast, the Project would be relatively unique by being independent of the vagaries of the ore/coking coal markets in that:

- it has its own ore; and
- it uses steaming coal, which has a lower base cost than coking coal and its price structure is more stable.

The Project, therefore, should be able to continue to operate at full capacity and produce merchant pig iron that it can sell at positive margin.

#### **12.1.2 *Transport***

Transport costs are a known project driver and hence the preference for some form of a value added final product. However, even with value adding, it is still a substantial impost for the Project to bear. This, compounded with anecdotal discussions about congestion on the bulk material rail network and bulk material ports, means transport is also a key project driver.

### **12.1.3 Ore Quality**

The metallurgical testwork undertaken to date is limited to one composite in the oxidised zone. Further testwork is essential to understand the variability of the ore within this zone and to optimise the beneficiation circuit design. Options to be investigated should also include improved hematite recovery, e.g. through treating the tails through a WHIMS circuit.

Further, if the iron making alternative is chosen, metallurgical samples from a pilot plant will be required to be supplied to potential rotary hearth furnace suppliers to undertake their testing. It is anticipated that at least 500 kg will be required, i.e. 2.2 t of ore per supplier will need to be processed through the pilot plant.

### **12.1.4 Water and Gas Supply**

The ore processing plant is dependent upon water supply (Section 8.3) and some of the secondary processing is dependent upon CBM gas to supply the heat/reduction atmosphere and neither is currently available. Whilst options exist for their supply, the resolution of these, the timing and their costs will be key to the success of the Project.

## **12.2 Location**

At this stage, no attempt has been made to optimise the location of the main plant. While the mine operation and primary crushing would be naturally located at the minesite, there is some flexibility in locating the beneficiation plant and the secondary processing facilities. Access to water, CBM, etc. will need to be assessed to obtain the most optimum project configuration.

## **12.3 Up-side Potential**

Several up-side potentials for the Project exist and these include the following:

- Eliminating the need to capitalise the pre-strip for initial mining operations
- Increased use of CBM, if available
- Containerised product to avoid bulk handling rail and port issues.

### 13. CONCLUSION

The Report has concluded that:

- The Moonlight Deposit contains total Mineral Resource of **300 Mt at 30% Fe**, of which the near surface Oxidised Zone contains 79 Mt @ 30% Fe. It is reported in accordance with the 2004 edition of the JORC Code. Refer Table 13.1.

**Table 13.1: Resource Table**

Resource Zone and Classification	Volume (m <sup>3</sup> )	Tonnes	Grade (Fe%)
<b>Indicated</b>			
Oxidised	10,000,000	34,000,000	30
Fresh	12,000,000	40,000,000	35
<b>Total Indicated</b>	<b>22,000,000</b>	<b>74,000,000</b>	<b>33</b>
<b>Inferred</b>			
Oxidised	14,000,000	45,000,000	30
Fresh	54,000,000	180,000,000	29
<b>Total Inferred</b>	<b>68,000,000</b>	<b>225,000,000</b>	<b>29</b>
Total Oxidised	24,000,000	79,000,000	30
Total Fresh	66,000,000	220,000,000	30
<b>TOTAL RESOURCES</b>	<b>90,000,000</b>	<b>300,000,000</b>	<b>30</b>

*Note: Totals may differ from sum of individual items due to rounding*

- The mine pit optimisation work indicates an average **strip ratio of 1:1** for the first 24 years of mine production.
- Metallurgical testwork has indicated that:
  - the iron mineralisation is amenable to upgrading to produce a suitable ironmaking feedstock at relatively high grind sizes; and
  - standard concentrator plant design, i.e. crushing, grinding and magnetic separation process steps, is all that is required.
- Several different final product forms are possible, most including some form of secondary value-adding processes. These alternatives are based on pumping the slurry to a nearby railhead or existing mine for further processing and export. These include:
  - Magnetite concentrate:
    - for export as a pellet plant feed or sinter plant feed; or
    - within South Africa as a sinter feed blend.
  - Pellets
    - using the Project's concentrate;
    - using a blended mix of concentrate and South African sourced hematite fines.



- Merchant pig iron or granulated iron.
- Semi-finished steel products.
- The Project is located favourably to access the raw materials necessary for secondary value-adding processes such as good quality bituminous coal, CBM gas and fluxes.
- A number of factors that will influence the viability of the Project include:
  - transport logistics;
  - market assessment and price; and
  - the availability of water and gas,

**14. QUALIFICATION AND BASIS OF OPINION****14.1 Overview**

This report was prepared by CRM and ProMet and reviewed by both CRM's J.J.G. Doepel and ProMet's Derek Macauley, who both have relevant and appropriate experience, competence, and independence to appraise this Project and to be considered a "Competent Person" under the AIM Rules.

Details of the qualifications and independence of the CRM and ProMet directors involved in the preparation and/or review of this report are set out in the following sections.

Readers of this report are also directed to Ferrum's Admission Document and the section entitled "Risk Factors" when reading this report. The identified risk factors apply where appropriate to the contents and conclusions of this report.

**14.2 J. J. G. (John) Doepel****B.Sc. (Hons), GradDipForSc, DipTeach, MAusIMM, MGSA**

I, John Doepel, Principal Geologist and Director at Continental Resource Management Pty Ltd of 10 Hehir St, Belmont, WA, 6984, declare the following:

1. I hold the following degrees:
  - (a) BSc (Hons) in Geology (1966), University of Western Australia
  - (b) Diploma of Teaching (1976), Western Australian Institute of Technology
  - (c) Diploma in Forensic Science (2003), University of Western Australia.
2. I am a member of the following professional organisations:
  - (a) The Australian Institute of Mining and Metallurgy (AusIMM)
  - (b) The Geological Society of Australia (GSA).
3. I have over 30 years of relevant experience and I am qualified as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2004 Edition) and hence 'AIM Rules for Companies'.
4. My contribution to this report "Turquoise Moon Iron Project Competent Persons' Report" is based on my geological knowledge and the data provided to me by Ferrum Crescent Pty Ltd., from public sources, and from the non-confidential files of Continental Resource Management Pty Ltd. I have undertaken field inspections of the Moonlight Deposit.
5. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the assets described in the above-named report or in the securities of Ferrum Crescent Pty Ltd. Also, I confirm I am otherwise independent of Ferrum Crescent Pty Ltd, its directors, employees and their advisers.
6. Fees are being charged at commercial rates for the preparation of this report, the payment of which are not contingent upon the conclusions of this report nor upon the admission of the Ferrum Crescent Pty Ltd to AIM.

Signature

**John Doepel****Competent Person's Statement:**

*The geological information in this report which relates to Exploration Results and Mineral Resources is based upon information compiled by Mr J.J.G. Doepel, B.Sc (Hons), GradDipForSc, Dip Teach, Principal Geologist of Continental Resource Management Pty Ltd. Mr Doepel is a member of the Australasian Institute of Mining and Metallurgy and has sufficient expertise and experience which is relevant to the style of mineralisation and to the type of deposit under consideration 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 Doepel consents to the inclusion in the report of the matters based on his information in the form and context in which they appear.*

**14.3 Derek Macauley****B.Sc. Hons (Chem Eng), CEng, FIChemE, FAusIMM, CSci, CPMet,**

I, Derek Macauley, Technical Consultant and Director at ProMet Engineers Pty Ltd of 267 St Georges Terrace, Perth, WA declare the following:

1. I hold the following degree:
  - (a) B.Sc. (Honours) Chemical Engineering (1967) Nottingham University, England,
2. I am a registered professional of the following:
  - (a) AusIMM Chartered Professional, Metallurgy (CPMet.)
3. I am a Fellow of the following professional organisations:
  - (a) Institution of Chemical Engineers. UK
  - (b) Australian Institute of Mining and Metallurgy
4. My contribution to the report entitled "Turquoise Moon Iron Project Competent Person's Report" is based on my ironmaking metallurgical and processing knowledge and experience. I have over 30 years experience in the field of iron ore use and both conventional ironmaking (blast furnace route) and alternative ironmaking technologies.
5. I have no direct interest nor do I expect to receive any interest, direct or indirect, in the assets described in the above-named report or in the securities of Ferrum Crescent Pty Ltd. Also, I confirm I am otherwise independent of Ferrum Crescent Pty Ltd, its directors, employees and their advisers.
6. I am a director of a company that holds among other investments a small number of Ferrum Crescent shares.
7. Fees are being charged at commercial rates for the preparation of this report, the payment of which are not contingent upon the conclusions of this report nor upon the admission of the Ferrum Crescent Pty Ltd to AIM.

Signature

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**Derek Macauley**

**15. GLOSSARY**

Al	The chemical symbol for the metallic element aluminium.
Amphibolite	A medium-grade metamorphic rock containing significant amounts of the mineral amphibole.
Archaean	The oldest rocks of the Precambrian Era; older than about 2,500 million years.
Banded Iron Formation	Chemical sedimentary rock composed mainly of finely alternating layers of silica and iron oxide.
Beneficiation	A process whereby extracted ore from mining is reduced to particles that can be separated into valuable minerals and waste, the former suitable for further processing or direct use.
Berm	Flat sections on the batter slopes in open cut mines to control erosion.
BIF	See Banded Iron Formation
BOO	Build Own Operate
Burnt Lime	Lime sand or limestone which has been calcined to calcium oxide.
Ca	The chemical symbol for the metallic element calcium.
Calcining	A thermal treatment process applied to ores and other solid materials in order to bring about a thermal decomposition, phase transition, or removal of a volatile fraction. The calcination process normally takes place at temperatures below the melting point of the product materials.
Calc-silicate	A metamorphic rock consisting largely of carbonate and calcium bearing silicate minerals; formed by the metamorphism of carbonate sediments.
CBM	See coal bed methane
CMS	Cleaner Magnetic Separation
Coal bed methane	A fuel gas containing virtually 100% methane (CH <sub>4</sub> ) produced from coal seam reservoirs.
Cogeneration	Power generation utilising waste energy from another process
Colluvium	Relatively recent, surficial, sheet-form deposits emplaced by sheet wash or gravity.
Concentrate	The material produced by the process of concentration.
Concentration	The process of upgrading ores from their run-of-mine state through the rejection of impurities by a variety of mineral processing techniques.
Concentrator	The plant in which the process of concentration occurs.
COS	Crushed Ore Stockpile

Craton	An old and stable part of the continental crust that has survived the merging and splitting of continents and supercontinents for at least 500 million years.
CRM	Continental Resource Management Pty Ltd
Diamond (core) drilling	Method of obtaining cylindrical core of rock by drilling with a diamond-set or diamond-impregnated bit.
Dip	The angle that a rock unit or structure makes with the horizontal.
Dolerite	A dark-coloured, fine to medium-grained, mafic intrusive igneous rock.
DRI	Direct Reduced Iron, also called sponge iron
EAF	Electric Arc Furnace
Exploration Target	An occurrence of potentially economic mineralisation over which insufficient exploration has been carried out to enable sufficient quantification of the amount and grade for an estimation of a Mineral Resource to be made.
Fault	A fracture in rock along which there has been relative displacement of the two sides.
Fe	The chemical symbol for the metallic element iron.
Ferrum	Ferrum Crescent Ltd
Filter cake	The solid material produced from the filtering of a slurry.
Filtrate	The liquid produced by the process of filtration.
Filtration	The process of passing a slurry through a cloth to separate the solids from the liquid. The liquid passes through the cloth while the solids are entrained on the cloth surface in a cake-like material. The slurry may be induced to flow through the cloth by either pressure or vacuum.
Flowsheets	Engineering diagrams used to show the basic steps in an industrial process.
Fold	A bend in rock strata or structure.
Formation	A formal name for an, often sedimentary, rock unit.
Fresh Zone	The zone of the Earth's crust within which decomposition by air and ground water has not taken place.
Geostatistical	The estimation of a mineral resource by means of the statistical analysis of the distribution of analytical values within the mineralised body using a software package
Geotechnics	The study of rock mechanics and the physical properties and responses to stress of rock units; in particular in relation to mining and the stability of the walls of a mine.

Gneiss	High-grade metamorphic rock composed of alternating bands respectively rich in light and dark coloured minerals.
Grade (of metamorphism)	Expression of relative intensity of metamorphism (e.g. high-grade).
Grade (of mineralisation)	Expression of relative quality of mineralisation (e.g. high-grade) or of numerical quality (e.g. 1.2% Ni).
Granite	A light coloured, relatively coarse-grained igneous rock formed at depth beneath the Earth's surface; comprises large sections of continental crust.
Granulite	A granular high-grade metamorphic rock formed as a result of extreme heat and pressure at depth beneath the Earth's surface.
Green balls	Round agglomerates of approximately 9 to 16 millimetres diameter formed by rolling fresh filter cake mixed with a small quantity of binder and water in a balling drum or balling disc.
Greenstone	A field term for metamorphosed mafic and ultramafic igneous rocks.
Halco Wagon	A type of open-hole percussion drilling.
Hematite	Iron oxide in its fully oxidised form and having the chemical formula Fe <sub>2</sub> O <sub>3</sub> .
HPGR	High Pressure Grinding Rolls
High Pressure Grinding Rolls	A process in which solid material particles are reduced in size principally through the mechanism of pressure.
Indicated Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade, and mineral content can be estimated with a reasonable level of confidence.
Induration	The process of drying and heat-hardening green balls at a maximum temperature of approximately 1300°C to form fired pellets.
Inferred Resource	That part of a Mineral Resource for which tonnage, grade, and mineral content can be estimated with a low level of confidence.
ISCOR	ISCOR Limited, previously, now split into Kumba Resources SA and Arcelor-Mittal SA.
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves
K	The chemical symbol for the metallic element potassium.
Limestone Lithology	A sedimentary rock composed principally of the mineral calcium carbonate The characteristics of a rock; especially mineral content, structure, grain size, and classification.
LMB	Limpopo Mobile Belt
Magnetic Separation	A process used in concentration where a slurry is passed through a magnetic field and the magnetic portion of the solids is separated from the non-magnetic.

Magnetite	Iron oxide having the chemical formula $Fe_3O_4$ and having the property of being attracted to a low intensity magnet.
Marble	A metamorphic rock consisting largely of calcium and or magnesium carbonate; formed by the metamorphism of limestone or dolomite.
MCWAP	Mokolo Crocodile Water Augmentation Project
Metallurgy	The science of the extraction or processing of metals
Metamorphism	The process by which the minerals of rocks adjust to varying conditions of heat, pressure, and / or fluids within the Earth's crust.
Mg	The chemical symbol for the metallic element magnesium.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality, and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics, and continuity are known, estimated, or interpreted from specific geological evidence and knowledge.
Mineralisation	The concentration of metals and their minerals within a body of rock.
Mineralogy	The science of the study of minerals.
Mn	The chemical symbol for the metallic element manganese.
Mobile Belt	A long, relatively narrow crustal region within which intense folding, metamorphism, and igneous activity has taken place.
MPI	Merchant Pig Iron
Na	The chemical symbol for the metallic element sodium.
O	The chemical symbol for the element oxygen.
OBM	Ore Block Model
Ore Reserve	The economically minable part of a Measured and/or Indicated Mineral Resource.
ORWRDP	Olifants River Water Resource Development Project
Outcrop	An exposure of bedrock at the surface.
Oxidation	Near surface decomposition by exposure to the atmosphere and ground water.
Oxide Zone	The near surface zone of the Earth's crust within which decomposition by air and ground water has taken place.
Oxidised	A rock that has been exposed to air and water causing its minerals to change by the addition of oxygen (and perhaps carbon and water).
P	The chemical symbol for the element phosphorous.



Pegmatite	Very coarse-grained igneous intrusive body, usually granitic and in dyke or sill form; may contain economically important minerals.
Pelletising	The entire process of the production of fired pellets from a filter cake, including green balling and indurating.
Percussion drilling	A drilling method in which the drill bit breaks the rock by a hammering action.
Pig iron	Usually refers to solid blast furnace iron produced by casting the liquid hot metal into ingots (pigs) using a pig caster. Also used to refer to solid iron produced in other melting or smelting processes. Contains approximately 95% Fe and 4% C.
Probable Ore Reserve	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
ProMet	ProMet Engineers Pty Ltd
Quartz	A mineral composed of silicon and oxygen; forms as hard colourless crystals; a common component of sand.
Quartzite	A granular metamorphic rock composed predominantly of quartz; usually derived from quartz sandstone.
RC	"Reverse Circulation"; a percussion drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality, and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics, and continuity are known, estimated, or interpreted from specific geological evidence and knowledge.
Reverse Circulation	A percussion drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
RHF	Rotary Hearth Furnace
RMS	Rougher Magnetic Separation
ROM	Run of Mine
S	The chemical symbol for the element sulphur.
Saprolite	A soft clay-rich rock, formed in place by weathering of originally fresh rocks.
Schist	A medium or coarse-grained metamorphic rock with a platy texture due to

the subparallel orientation of micaceous minerals.

Semi-Autogenous Milling	The process of reduction of the size of solid material particles in a rotary grinding device where part of the grinding action arises from the impact of material particles on themselves and the balance of the grinding action arises from a grinding medium such as grinding balls.
Serpentinite	A rock consisting predominantly of serpentine group minerals derived from the alteration of ultramafic igneous rocks.
Si	The chemical symbol for the element silicon.
Silica	One of the major impurities in iron ore, having the chemical formula SiO <sub>2</sub> .
Slurry	A dense mixture of a liquid and a finely ground solid held in suspension.
Smelting (of iron ore)	Direct melting of iron ore without prior reduction. Melting and reduction takes place in a single step.
Tailings	The stream of reject material from the process of concentration.
Terrain	A regional-scale group of rocks and the area in which it occurs.
Tertiary	The period of geological time between about 2 and 65 million years ago.
Thickening	A process for increasing the density of a slurry by allowing the solids to settle in a large diameter, shallow, cylindrical tank. The dense material is drawn to the centre by rakes and withdrawn from the bottom, while the excess liquid overflows from the top of the tank.
Ti	The chemical symbol for the metallic element titanium.
TMT	Turquoise Moon Trading 157 (Pty) Ltd.
Twinned hole	A second parallel drill-hole collared near to an original hole.
Weathering	The processes by which rocks at or near the Earth's surface change in mineralogical and chemical composition due to the action of air, water, plants, and temperature changes.
Zn	The chemical symbol for the metallic element zinc

## 16. REFERENCES

1. du Pleiss G., Jonck G.J., & Kruger R., 1997, Potential low-grade iron ore deposits in metamorphosed banded iron formations, Northern Province, South Africa; Mineralium Deposita, 32: 362-370.

**APPENDIX 1**

**SUMMARY OF RESERVES**

**AND**

**RESOURCES BY STATUS**

**SUMMARY OF RESERVES AND RESOURCES BY STATUS**
**Minerals & Ore**

Category	Gross			Net attributable			Operator
	Tonnes (millions)	Grade (% Fe)	Contained metal	Tonnes (millions)	Grade (% Fe)	Contained metal (Mt Fe)	
<b>Ore/Mineral reserves per asset</b>							
Proved							
Provable							
<b>Sub-total</b>							
<b>Mineral resources per asset</b>							
Measured							
Indicated	74	33	24	55	33	18	Ferrum
Inferred	225	29	65	166	29	48	Ferrum
<b>Sub-total</b>	300	30	89	221	30	66	Ferrum
<b>Total</b>	300	30	89	221	30	66	Ferrum

**Source:** J.J.G. Doepel

**Note:** "Operator" is name of the company that operates the asset  
 "Gross" are 100% of the **reserves** and/or **resources** attributable to the licence whilst "Net attributable" are those attributable to the **AIM company**  
 Metal equivalent grades are not acceptable and should not be used in reporting.

**APPENDIX 2**

**MOONLIGHT**

**MINING RIGHT APPLICATION**

**ACCEPTANCE**

Z 1512 (02/11/99/3)



REPUBLIC OF SOUTH AFRICA

# RECEIPT AH 771941

**MINERALS AND ENERGY**  
PRIVATE BAG X9467

2010-06-25

Official date stamp  
KWANE, 0700

REGIONAL MANAGER  
LIMPOPO PROVINCE

Turquoise Moon Trading 157 (pty) Ltd

P.O. Box 877  
Konehill  
Sandton

code 2067

Received from

Name

Address

App. for Mining Right, LP 0185 MR

Description

R	Millions	Thousands	One
A	One	Hundred	Ten
N	/	/	/
D	/	/	ONE

Drawer

Cheque No.

Cheque date

Amount

R	1000-00
---	---------

Payment method

- Cash
- Cheque
- Postal orders
- Other (specify)

Hundred		Ten		Cent	
Hundred	Ten	One			One
ZERO	ZERO	ZERO	ZERO	ZERO	ZERO

Issued by  
*AMM*



**Department of Mineral Resources**

Private Bag X 9467, Polokwane, 0700, Tel: 015-287 4700, Fax: 015-287 4729  
**101 Dorp Street, Polokwane, 0699**  
From: Directorate Mineral Regulation: Limpopo Region  
Enquiries: Mpoi Charles Hamese Ref: LP30/5/1/2/2/185 MR  
E-mail: [mpoi.hamese@dmr.gov.za](mailto:mpoi.hamese@dmr.gov.za)

**The Director**  
**Turquoise Moon Trading 157 (Pty) Ltd**  
**P.O. BOX 877**  
**Lonehill**  
**Sandton**  
**Gauteng**  
**2067**

**Fax: 086 219 5701**  
**Attention: Huntly Kevin Scott**

**ACCEPTANCE FOR A MINING RIGHT IN TERMS OF SECTION 22 OF THE MINERAL AND PETROLEUM RESOURCES DEVELOPMENT ACT 28 2002: TURQUOISE MOON TRADING 157 (PTY) LTD ON THE FARM JULIETTA 112 LR, LEKKERLACH 206 LS, REMAINING EXTENT AND PORTION 1 OF SOHO 204, REMAINING EXTENT, REMAINING EXTENT OF PORTIONS 1, 2, 3 AND PORTIONS 4, 5, 6, 7 & 8 OF MEANDERTHAL 188 LS, ZANDPUT 202 LS, VAN WYKS PUT 201 LS, WESTHEIM 191 LS, TRIEST 192 LS, REMAINING EXTENT AND PORTIONS 1 & 2 OF PERSIE 200 LS, REMAINING EXTENT AND PORTIONS 1, 2 & 3 OF MOONLIGHT 111 LR AND REMAINING EXTENT OF THE FARM GOUDAFONTEIN 76 LR, IN THE MAGISTERIAL DISTRICT OF LEPHALALE / MODIMOLLE.**

I refer to the abovementioned matter and I confirm that your application for a mining right of **Iron ore, Limestone, Manganese, Marble & Nickel** in terms of section 22(1) of the Mineral and Petroleum Resources Development Act, 2002 (Act 28 of 2002) has been accepted.

**In terms of Section 22 (4) of the Act, you are therefore required to submit the following:**

- (a) to conduct an environmental impact assessment and submit seven copies or folds of Environmental Management

Programme on or before the 26<sup>th</sup> December 2010 (180 days) but not earlier than the 29<sup>th</sup> July 2010 (30 days).


- (b) to submit a Scoping report in terms of Regulation 49(2) on or before 29<sup>th</sup> July 2010 (30 days).
- (c) to notify in writing and consult with the landowner or lawful occupier and any other affected party; and
- (d) to consult with the Department of Land Affairs if the land is state owned, in the event that the land is subject to land restitution consult office of the Commission of Restitution for Land Rights and submit the result of such consultation to this office on or before the 29<sup>th</sup> July 2010.
- (e) It is important that you comply with the requirement mentioned under point (b) and your Environmental Management Plan will only be accepted once the results of the consultation as referred to in (c) has been submitted.

Acceptance of your application does not grant you the right to commence with prospecting operations. Your application will be evaluated / processed and a recommendation on the granting / refusal of the right will be forwarded to the Minister or her delegate. **Please note that the department should finalize your application by no later than May 2011.** Any person operating without a prospecting / mining right or mining permit will be in contravention of Section 5(4) of the MPRDA and would be guilty of an offence in terms of the relevant Act.

**Further be advised that due to a system failure, the application could not be adjudicated against the Minact data base for old order rights and therefore the following will be applicable:**

Should it transpire at later stage that an old order right encumber the area under application, the Department will be entitled to refuse this application based on the fact that an old order right for the same minerals, has already been granted to another entity, as the granting thereof would be contrary to the provisions of the Minerals and Petroleum Resources Development Act, 2002 (Act 28 of 2002).

Yours faithfully

  
.....  
**REGIONAL MANAGER**  
**LIMPOPO REGION: POLOKWANE**  
DATE: 29.06.10





DEPARTMENT OF MINERALS AND ENERGY  
Mineral Resource Management System

LP NO:

REFERENCE NUMBER:

G / 2004 / 1 / 1

FARM NAME:

Julie Lta 112 LR

D185MR

APPLICATION FOR NEW MINING RIGHT ATTACHMENTS	
A	<input checked="" type="checkbox"/> Details of the land or area applied for
B	<input checked="" type="checkbox"/> Mining work program
C	<input checked="" type="checkbox"/> Financial and technical competence
D	<input checked="" type="checkbox"/> Financial plan see Regulation 13(g)
E	<input checked="" type="checkbox"/> Title Deed(s) in respect of land
F	<input checked="" type="checkbox"/> Existing rights and past compliance
G	<input checked="" type="checkbox"/> Social and labour plan
H	<input type="checkbox"/> Prescribed Fee
I	<input type="checkbox"/> Copy of identity document
J	<input checked="" type="checkbox"/> Certified copy of incorporation
K	<input checked="" type="checkbox"/> Certified copy to commence business
L	<input checked="" type="checkbox"/> Copy of Resolution, if acting in a representative capacity
M	<input checked="" type="checkbox"/> Co-ordinates in digital format (ASCII)
N	<input type="checkbox"/> Property(ies) locality_Limpopo Region
O	<input type="checkbox"/> Similar/Other application on Minact / MRMS
P	<input type="checkbox"/> EMP Submitted with the application
Q	<input type="checkbox"/> Written proof of consultation with IAP's submitted with application

DME OFFICER:(MLA)

NAME

Cate

DATE

25.06.10

SIGN

MC

APPLICANT

NAME

Scott Huntly

DATE

25 June 2010

SIGN

[Signature]

**PART IV**  
**ACCOUNTANT'S REPORT**

**RSM Tenon**  
RSM Tenon Audit Limited  
66 Wigmore Street  
London  
W1U 2SB

10 December 2010

The Directors  
Ferrum Crescent Limited  
Unit 1  
135 Great Eastern Highway  
Rivervale WA 6103

The Directors  
Ambrian Partners Limited  
Old Change House  
128 Queen Victoria Street  
London EC4V 4BJ

Dear Sirs

**Ferrum Crescent Limited (“FCL” or “the Company”)**

We report on the financial information set out in sections A to K below. This financial information has been prepared for inclusion in the AIM Admission Document dated 10 December 2010 of Ferrum Crescent Limited (“the Admission Document”) on the basis of the accounting policies set out in Section A of this financial information. This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

**Responsibilities**

The directors of Ferrum Crescent Limited are responsible for preparing the financial information on the basis of preparation set out in Section A to the financial information and in accordance with Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The directors of FCL are responsible for the document in which the financial information is included.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purpose of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of

significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document dated 10 December 2010, a true and fair view of the state of affairs of FCL as at the dates stated and of its performance, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Section A and in accordance with AAS and IFRS as described below.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

**RSM Tenon Audit Limited**

*Statutory Auditors*

The historical financial information set out in B to F below for Ferrum Crescent Limited for the 2 years and 7 months to 30 June 2010 and in G to K for Washington Resources Limited (now FCL) for the 2 years ended 30 June 2009 has been prepared by the directors of FCL on the basis of preparation set out in Section A below.

#### **A – Summary of significant accounting policies**

The following is a summary of the material accounting policies adopted in preparing the financial information in paragraphs B to K below.

##### ***Basis of preparation***

The financial information has been prepared in accordance with Australian Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial information has been prepared on a going concern and accruals basis and on the basis of historical costs except for available-for-sale and held-for-trading investments which have been measured at fair value.

The financial information is presented in Australian dollars.

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 Australian Accounting Standards Board (“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.

Accordingly, the consolidated financial statements of the FCL 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 FCL from 30 November 2009. The information from 5 December 2007 to 28 February 2009 presented in Section B to F is therefore that of FML. The financial information in G to K relates to FCL for the two years ended 30 June 2009.

##### ***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.

Prior to the transaction on 30 November 2009, FCL as Washington Resources Limited accounted for expenditure on exploration and evaluation in accordance with the ‘area of interest’ method. The financial information in G to K is prepared on this basis. Exploration and evaluation expenditure was capitalised provided the rights to tenure of the area of interest was current and either:

- The exploration and evaluation activities were expected to be recouped through successful development and exploitation of the area of interest; or alternatively, by its sale; or
- Exploration and evaluation activities in the area of interest had not at the reporting date reached a stage which permitted a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest were continuing.

When the technical feasibility and commercial viability of extracting a mineral resource had been demonstrated then any capitalised exploration and evaluation expenditure was to be reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure was to be assessed for impairment.

### ***Plant and 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 between 2 and 15 years.

### ***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 report purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of goodwill on 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.

Deferred income tax assets are recognised 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 utilised 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.

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 recognized 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 recognised 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.

### ***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.

### ***Revenue recognition***

Revenue is recognised 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 recognised:

#### *Interest revenue*

Revenue is recognised 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.

#### ***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 recognised 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.

#### *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 recognised in profit or loss.

#### *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 amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised 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 amortised cost, gains and losses are recognised in profit and loss when the investment are derecognised or impaired, as well as through the amortisation process.

#### *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 amortised cost using the effective interest method. Gains and losses are recognized in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

#### *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 recognised 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.

### ***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 recognised 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.

### ***Interest in joint ventures***

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

### ***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.

In valuing equity-settled transactions, no account is taken of 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 recognised, together with a corresponding increase in equity on the date the equity right is granted.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised 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 recognised for the award is recognised 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.

## B – Consolidated Statements of Recognised Income

The consolidated statements of recognised income of FCL for the period from 5 December 2007 to 28 February 2009 and the 16 months ended 30 June 2010 are set out below:

		<i>5 December 2007 to 28 February 2009 AUD</i>	<i>16 months ended 30 June 2010 AUD</i>
<b>Revenue and other income</b>	F1	—	21,338
Administration expenses	F2	(635,503)	(2,923,554)
Occupancy expenses		—	(106,055)
Exploration expenditure written off		(649,254)	(684,285)
Foreign exchange gain/(loss)		567,730	(118,821)
Goodwill on consolidation written off	F10	(4,254,367)	(2,019,188)
Impairment of available for sale investments		—	(1,573,981)
<b>Loss from continuing operations before income tax</b>		<u>(4,971,394)</u>	<u>(7,404,546)</u>
Income tax benefit/(expense)	F3	—	—
<b>Net loss from continuing operations after income tax</b>		<u>(4,971,394)</u>	<u>(7,404,546)</u>
Foreign currency translation gain		83,220	26,235
<b>Total comprehensive loss for the period</b>		<u><u>(4,888,174)</u></u>	<u><u>(7,378,311)</u></u>

There are no other recognised gains and losses other than as reflected above.



## C – Consolidated Balance Sheets

The consolidated balance sheets of FCL as at 28 February 2009 and at 30 June 2010 are set out below:

	<i>Note</i>	<i>28 February 2009 AUD</i>	<i>30 June 2010 AUD</i>
<b>Current assets</b>			
Cash and cash equivalents		50,563	529,225
Receivables		2,246	141,790
Available-for-sale investments	F4	—	909,678
Prepayments		20,000	—
		<u>72,809</u>	<u>1,580,693</u>
<b>Non-current assets</b>			
Plant and equipment	F5	2,367	7,578
		<u>2,367</u>	<u>7,578</u>
<b>TOTAL ASSETS</b>		<u>75,176</u>	<u>1,588,271</u>
<b>Current liabilities</b>			
Trade and other payables	F6	53,777	550,024
Provisions	F7	10,636	10,474
Unsecured Loan		375,000	11,246
		<u>439,413</u>	<u>571,744</u>
<b>TOTAL LIABILITIES</b>		<u>439,413</u>	<u>571,744</u>
<b>Net (liabilities)/assets</b>		(364,237)	1,016,527
<b>Equity/(Shareholders' deficit)</b>			
Contributed equity	F8	3,387,875	12,146,950
Accumulated losses		(4,971,394)	(12,375,940)
Reserves		1,219,282	1,245,517
		<u>(364,237)</u>	<u>1,016,527</u>

## D – Consolidated Cash Flow Statements

The consolidated cash flow statements of FCL for the period from 5 December 2007 to 28 February 2009 and the 16 months ended 30 June 2010 are set out below:

	<i>5 December 2007 to 28 February 2009 AUD</i>	<i>16 months ended 30 June 2010 AUD</i>
<b>Cash flows from operating activities</b>		
Receipt of interest	—	15,960
Payments to suppliers and employees	(1,242,381)	(2,936,672)
Net cash flows used in operating activities	F13 (1,242,381)	(2,920,712)
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(2,576)	(12,122)
Proceeds from disposal of available for sale investments	—	389,855
Cash acquired on acquisition of Ferrum Crescent Ltd	—	877,942
Borrowing received	420,000	—
Advances/repayments	5,520	—
Net cash flows provided by investing activities	422,944	1,255,675
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	870,000	2,260,098
Receipts from unsecured loans	—	11,246
Costs associated with issue of shares	—	(127,645)
Net cash flows provided by financing activities	870,000	2,143,699
Net increase in cash and cash equivalents	50,563	478,662
Cash and cash equivalents at the beginning of the period	—	50,563
<b>Cash and cash equivalents at the end of the period</b>	50,563	529,225

## E – Consolidated Statement of Changes in Equity

The consolidated statement of changes in equity of FCL for the period ended 28 February 2009 and period ended 30 June 2010 are set out below:

	<i>Issued capital AUD</i>	<i>Accumulated losses AUD</i>	<i>Option reserve AUD</i>	<i>Translation reserve AUD</i>	<i>Total equity AUD</i>
<b>Balance as at 5 December 2007</b>	—	—	—	—	—
Loss for the period	—	(4,971,394)	—	—	(4,971,394)
Other comprehensive income	—	—	—	83,220	83,220
Total comprehensive income for the period	—	(4,971,394)	—	83,220	(4,888,174)
Transactions with owners in their capacity as owners:					
Issue of share capital	3,547,875	—	—	—	3,547,875
Transactions costs on shares issued	(160,000)	—	—	—	(160,000)
Issue of share options	—	—	1,136,062	—	1,136,062
<b>At 28 February 2009</b>	<u>3,387,875</u>	<u>(4,971,394)</u>	<u>1,136,062</u>	<u>83,220</u>	<u>(364,237)</u>
Loss for the period	—	(7,404,546)	—	—	(7,404,546)
Other comprehensive income	—	—	—	26,235	26,235
Transactions with owners in their capacity as owners:					
Shares issued	8,940,887	—	—	—	8,940,887
Transactions costs on shares issued	(181,812)	—	—	—	(181,812)
<b>At 30 June 2010</b>	<u><u>12,146,950</u></u>	<u><u>(12,375,940)</u></u>	<u><u>1,136,062</u></u>	<u><u>109,455</u></u>	<u><u>1,016,527</u></u>

## F – Notes to the Financial Statements

### Note. 1 – Revenue

Revenue in 2010 comprises AUD 15,960 of interest received and AUD 5,378 profit on the sale of available-for-sale investments.

### Note. 2 – Administrative expenses

Administrative expenses include the following:

	<i>2009</i>	<i>2010</i>
	<i>AUD</i>	<i>AUD</i>
Depreciation	209	6,911
Bad debt expenses	—	23,440
Consulting services	243,923	1,577,211
Employment related	—	259,148
Corporate	391,580	515,231
Auditors' remuneration	17,820	79,070
	<u>          </u>	<u>          </u>

### Directors' and executive remuneration

#### Compensation of key management personnel

Short-term employee benefits	186,025	584,560
Post-employment benefits	8,399	17,237
Share-based payment	115,397	—
	<u>          </u>	<u>          </u>
	<u>309,821</u>	<u>601,797</u>

**Note. 3 – Income tax**

	2009 AUD	2010 AUD
Reconciliation of income tax expense/(income) to the pre-tax net loss		
<b>Loss before income tax</b>	(4,971,394)	(7,404,545)
Income tax calculated at 30% on loss before income tax	(1,491,418)	(2,221,363)
Add tax effect of: non-deductible expenses	1,133,375	174,303
Capital losses	—	499,734
Unused tax losses and temporary differences not recognised	358,043	1,547,326
Income tax expense/(income)	—	—
Unrecognised deferred tax balances		
Deferred tax liabilities		
Assessable temporary differences		
Plant and equipment	(710)	(756)
Deferred tax liabilities offset by deferred tax assets	710	756
Net deferred tax liabilities	—	—
Deferred tax assets		
Accrued expenses	—	9,000
Provisions	—	3,142
Capital raising costs	38,400	57,600
Unused tax losses	358,933	2,278,910
	397,333	2,348,652
Total unrecognised deferred tax assets	(396,623)	(2,347,896)
	710	756
Deferred tax assets offset by deferred tax liabilities	(710)	(756)
Net deferred tax assets	—	—

**Note. 4 – Available-for-sale investments**

	2009 AUD	2010 AUD
<b>Non-current</b>		
<i>At fair value</i>		
Shares in listed companies	—	909,678

**Listed shares**

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market. During the year an impairment loss of AUD 1,573,981 was recognised due to a significant decline in the value of the shares.

**Note. 5 – Plant and equipment**

	<i>Furniture, fittings and equipment AUD</i>
<b>Period ended 28 February 2009</b>	
Additions	2,576
Depreciation charge	<u>209</u>
<b>At 28 February 2009</b>	<u><u>2,367</u></u>
<b>Period ended 30 June 2010</b>	
<b>Cost</b>	
At 28 February 2009	2,576
Additions	<u>12,122</u>
<b>At 30 June 2010</b>	<u><u>14,698</u></u>
<b>Depreciation</b>	
At 28 February 2009	209
Charge for the period	<u>6,911</u>
Depreciation charge for the year	<u><u>7,120</u></u>
<b>At 30 June 2010</b>	<u><u>7,120</u></u>
<b>Net Book value</b>	
<b>At 30 June 2010</b>	<u><u>7,578</u></u>

**Note. 6 – Trade and other payables**

	<i>2009 AUD</i>	<i>2010 AUD</i>
<b>Current</b>		
Unsecured liabilities		
Trade payables <sup>(i)</sup>	53,777	510,024
Unsecured loan <sup>(ii)</sup>	—	10,000
Other payables	<u>—</u>	<u>30,000</u>
	<u><u>53,777</u></u>	<u><u>550,024</u></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 payment.

**Note. 7 – Provisions**

	<i>2009 AUD</i>	<i>2010 AUD</i>
Employee benefits	<u>10,636</u>	<u>10,474</u>

**Note. 8 – Contributed equity**

	<i>2009 AUD</i>	<i>2010 AUD</i>
Ordinary shares fully paid	<u>3,387,875</u>	<u>12,146,950</u>

Under Australian corporations legislation there is no concept of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares. Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

### 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.

#### Movements in ordinary shares on issue of the legal parent are:

	2009 Number	2010 Number
At beginning of reporting period		
– Ordinary shares	1	72,720,200
– Employee share plan shares on issue	—	—
24 April 2008		
Issue of shares for exploration assets	27,187,500	—
Issue of shares for cash	10,875,000	—
Issue of shares for services	8,657,699	—
30 April 2008	26,000,000	—
Shares issued on acquisition of subsidiary		
8 June 2009	—	1,052,103
Issue at 8.33 cents per share		
25 June 2009	—	200,000
Issue at 8.33 cents per share		
30 June 2009	—	1,110,908
Issue at 10.11 cents per share		
3 August 2009	—	84,000
Issued for services		
31 August 2009	—	9,832,789
Issued for services		
30 November 2009	—	17,000,000
Issue to Ferrum Metals Limited shareholders under business combination		
		<u>102,000,000</u>
30 November 2009	—	51,051,366
Ferrum Crescent Shares opening balance at date of business combination		
30 November 2009	—	3,870,000
Ferrum Crescent Employee Plan Shares opening balance at date of business combination		
30 November 2009	—	102,000,000
Issued to members of Ferrum Metals Ltd		
22 December 2009	—	833,333
Issued for consideration as capital raising costs		
14 January 2010	—	20,000,000
Issued at 10 cents per share		
At end of reporting period		
– Ordinary shares	72,720,200	177,754,699
– Employee share plan shares on issue <sup>(a)</sup>	—	(3,870,000)
	<u>72,720,200</u>	<u>173,884,699</u>

(a) Reserve shares are in relation to shares held under a previous employee share plan.

#### Movements in share capital:

	2009 AUD	2010 AUD
At beginning of reporting period	1	3,387,875
Issue of shares for cash	870,000	2,260,098
Issue of shares for exploration assets	193,941	—
Issue of shares to settle services provided	403,933	532,645
Issue of shares to settle loan payable	—	375,000
Deemed consideration transferred to members of Ferrum Metals Ltd	—	5,773,144
Issue of shares on acquisition of Turquoise Moon Trading 157 (pty) Ltd	2,080,000	—
Capital raising costs	(160,000)	(181,812)
At end of reporting period	<u>3,387,875</u>	<u>12,146,950</u>

**Note. 9 – Options**

	2009	2010
	<i>No of Options</i>	<i>No of Options</i>
Options		
At year end the following options were on issue:		
– 31 December 2013 Options exercisable at 40 cents per share	52,187,500	101,616,729
– 28 February 2008 Options exercisable at 25 cents per share	—	—
– 31 May 2010 Options exercisable at 35 cents per share	—	—
– 30 June 2010 Options exercisable at 25 cents per share	—	—
	<u>52,187,500</u>	<u>101,616,729</u>
Movements in 31 December 2013 Options <sup>(i)</sup>		
Beginning of the financial year	—	52,187,500
Options issued during the year	52,187,500	49,429,229
Exercised during the year	—	—
Options expired during the year	—	—
End of the financial year	<u>52,187,500</u>	<u>101,616,729</u>
Movements in 31 May 2010 Options		
Beginning of the financial year	—	—
Options existing at date of business combination	—	1,000,000
Options issued during the year	—	—
Exercised during the year	—	—
Options expired during the year	—	(1,000,000)
End of the financial year	<u>—</u>	<u>—</u>
Movements in 30 June 2010 Options		
Beginning of the financial period	—	—
Options existing at date of business combination	—	400,000
Options issued during the period	—	—
Exercised during the period	—	—
Options expired during the period	—	(400,000)
End of the financial period	<u>—</u>	<u>—</u>

- (i) At the date of the business combination (30 November 2009), the options in Ferrum Metals Ltd (formerly Ferrum Crescent Ltd) were acquired by Ferrum Crescent Ltd (formerly Washington Resources Ltd) on a 1:1 basis for Ferrum Crescent Ltd (formerly Washington Resources Ltd)

**Note. 10 – Business combinations*****Acquisition of Nelesco 684 (Pty) Ltd***

On 24 April 2008, Ferrum Crescent Limited, through its wholly owned subsidiary, Batavia Limited, acquired 100 per cent. of share capital of Nelesco 684 (Pty) Ltd “Nelesco”. Ferrum Crescent Limited acquired all of the issued capital of Nelesco for a total consideration of AUD 955,002. The consideration was paid through the issue of 28,187,500 ordinary shares in Ferrum valued at AUD 193,940 and the issue of 27,187,500 options with a fair value of AUD 386,062.



In addition to the consideration paid at completion, Ferrum will pay the Vendors an additional amount of AUD 375,000 payable upon listing of the Company.

	<i>Recognised on Acquisition US\$</i>	<i>Balance at 28 February 2009 AUD</i>
Net assets as per accounts of Nelesco at 24 April 2008	<u>124,858</u>	
Cost of combination		
Shares issued, at fair value (AUD 198,940)	185,782	
Unlisted options issued to vendors (AUD 386,062)	360,505	
Deferred consideration (AUD 375,000)	350,175	
Other costs	<u>21,435</u>	
Total cost of the business combination	<u>917,897</u>	
Goodwill on acquisition of Nelesco	<u>793,039</u>	1,233,123

#### ***Acquisition of Turquoise Moon Trading 157 (Pty) Ltd***

In 30 April 2008, Nelesco in turn entered into a share sale agreement whereby it acquired 74 per cent. of Turquoise, in consideration of the issue to the vendors of 26,000,000 Ferrum shares and the grant of 25,000,000 options.

	<i>Recognised on Acquisition ZAR</i>	<i>Balance at 28 February 2009 AUD</i>
Net assets acquired	Nil	
Cost of combination		
Shares issued, at fair value (AUD 2,080,000)	15,255,968	
Unlisted options issued to vendors (AUD 750,000)	<u>5,501,232</u>	
Total cost of the business combination	<u>20,757,200</u>	
Goodwill on acquisition of Nelesco	<u>19,357,200</u>	<u>3,021,244</u>
Total goodwill for group		<u>4,254,367</u>

The rate of exchange used on acquisition of Turquoise Moon Trading is 7.3346, which is the rate when the contract to acquire Turquoise was entered into. At 28 February 2009, the company has converted the goodwill of ZAR 19,357,200 to Australian Dollars at ZAR6.4093/AUD.

Goodwill on acquisition of Nelesco and Turquoise Moon Trading has been written off in full on consolidation.

#### ***Combination of Washington Resources Limited and Ferrum Crescent Limited***

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 reserve acquisition.

FML is based in Australia and operates exploration operations through a subsidiary in the Republic of South Africa.

Details of the fair value of assets and liabilities acquired and goodwill are as follows:

	<i>2010</i>
	<i>AUD</i>
Purchase consideration:	
51,051,366 shares (being the number of shares of the legal parent, FCL, before the business combination) multiplied by AUD 0.105 per share	5,360,393
3,870,000 treasury shares (being the number of shares under the Employee Plan of the legal parent, FCL, before the business combination) multiplied by AUD 0.105 per share	406,350
1,400,000 options (being the number of options under the Employee Option Plan of the legal parent, FCL, before the business combination)	6,400
Total purchase consideration	<u>5,773,143</u>
Fair value of net identifiable assets acquired (see below)	<u>3,753,955</u>
<b>Goodwill</b>	<u><u>2,019,188</u></u>

The goodwill acquired represents the premium arising as a result of accounting for the reverse acquisition. The directors have determined that there is no future benefit arising from this asset and accordingly have recognised an impairment loss and written off at the date of the transaction.

The movement in the goodwill since acquisition is shown below:

	<i>AUD</i>
Goodwill on acquisition	2,019,188
Impairment loss	<u>(2,019,188)</u>
At 30 June 2010	<u><u>—</u></u>

Details of the fair value of identifiable assets and liabilities of Ferrum Crescent Limited as at the date of acquisition are:

	<i>Book carrying value AUD</i>	<i>Fair value AUD</i>
<b>Assets</b>		
Cash and cash equivalents	877,942	877,942
Trade and other receivables	52,116	52,116
Plant and equipment	2,113	2,113
Investments	2,873,525	2,873,525
<b>Liabilities</b>		
Trade and other payables	<u>(51,741)</u>	<u>(51,741)</u>
<b>Net assets</b>	<u><u>3,753,955</u></u>	<u><u>3,753,955</u></u>
<b>Cash inflow on acquisition</b>		
Net cash acquired	<u><u>877,942</u></u>	<u><u>—</u></u>

The consolidated statement of comprehensive income includes revenue and net loss for the financial reporting period ended 30 June 2010 of AUD 15,960 and AUD 5,645,610 respectively as a result of the acquisition of Ferrum Crescent Ltd (formerly Washington Resources Ltd). Had the acquisition occurred at the beginning of the reporting period, the consolidated statement of comprehensive income would have included revenue and loss of AUD 37,719 and AUD 8,119,500 respectively.

**Note. 11 – Commitments**

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

	<i>2009</i> <i>AUD</i>	<i>2010</i> <i>AUD</i>
Within one year	537,000	520,000
Between one and two years	564,000	550,000
Total	<u>1,101,000</u>	<u>1,070,000</u>

The commitments may vary depending upon additions or relinquishments of the tenements, as well as farm-out agreements. The above figures are based on the mines department Emits reports as at 30 June 2010. These figures are adjusted at the anniversary date of each tenement and therefore the total can change on a monthly basis.

- (ii) The company has entered into a commercial property sub-lease. The head-lease and sub-lease expire on 1 June 2011. The amount of AUD 44,000 remains outstanding in relation to the sub-lease.

**Note. 12 – Related party transactions**

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

The following transactions were undertaken between the company, executive officers and director-related entities.

	<i>2009</i> <i>AUD</i>	<i>2010</i> <i>AUD</i>
Consulting fees were paid to Nion Business Consulting Pty Ltd, a company of which Richard Jarvis, a former director and shareholder, is a director and shareholder	<u>60,000</u>	<u>11,855</u>
Consulting secretarial fees were paid to Camcove Pty, a company of which Robert Hair, the company secretary and a shareholder, is a director and shareholder	<u>28,000</u>	<u>78,000</u>
Consulting secretarial fees were paid to Lanza Holdings Pty Ltd, a company of which Michael Langoulant, a former director and shareholder, is a director and shareholder	<u>31,500</u>	<u>6,097</u>
Consulting secretarial fees were paid to Athlone International Consultants Pty Ltd, a company with which Andrew Nealon, the company secretary and a shareholder, is associated	<u>25,000</u>	<u>14,583</u>
Director fees were paid to Iron Ore Research Pty Ltd, a company of which Phillip Kirchlechner, a former director, is a director and shareholder	<u>35,000</u>	<u>20,000</u>
Director fees were paid to Umthombo Resources (Pty) Ltd, a company of which Matodzi Nesongozwi, a director and shareholder of a subsidiary, is a director and shareholder	<u>20,000</u>	<u>36,000</u>

Loan of 28,400 South African Rand is owed to Matodzi Nesongozwi. The loan occurred prior to the acquisition of the company. The loan is interest free and has no fixed date of repayment. At 30 June 2010 the equivalent amount was AUD 4,332.

Adrian Griffin a former director of FCL is a director of Northern Uranium Limited (see note F14).

**Note. 13 – Cash flow information**

	2009 AUD	2010 AUD
Reconciliation of cash flow from operations with (loss)/profit from ordinary activities after income tax		
Loss from ordinary activities after income tax	(4,971,394)	(7,404,546)
Expenses settled via equity issues	—	478,479
Exploration expenditure written off		
Goodwill written off	4,254,367	2,019,188
Impairment of available for sale investments	—	1,573,981
Depreciation	209	6,911
Bad debt expense	—	23,440
Loss on sale of non-current assets	—	2,124
Net exchange differences	(567,730)	—
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	(2,246)	(90,868)
(Increase)/decrease in prepayments	(20,000)	—
Increase/(decrease) in payables	53,777	470,741
Increase/(decrease) in provisions	10,636	(162)
Cash flows from operations	<u>(1,242,381)</u>	<u>(2,920,712)</u>

**Note. 14 – Subsequent events**

As announced on 21 July 2010, the group issued 8,012,005 shares. These shares were issued to option holders who elected on a 1 for 10 basis to have their options converted to shares.

As announced on 20 August 2010, the group disposed of its entire shareholding of Northern Uranium Ltd for net sale proceeds of approximately AUD 1.8 million.

On 7 October 2010 the group issued 10,000,000 shares at 12 cents per share to sophisticated investors. The amount raised was AUD 1,070,097 after costs.

As announced on 29 October 2010, FCL agreed to sell all its Australian exploration assets to Northern Uranium Limited for a sum of AUD 600,000. This agreement resulted in the sale being entered into on 15 November 2010.

As announced on 5 November 2010, a company within the group, Nelesco has entered into agreements whereby its interest in Turquoise Moon will be increased from the current level of 74 per cent. to approximately 82 per cent.

On 30 November 2010, the Company issued 2,925,000 new Ordinary Shares at 19.8 cents per share to certain Directors and their related parties under the employee share plan.

## G – Consolidated Statements of Recognised Income

The consolidated statements of recognised income of Washington Resources Limited (now FCL) for the 2 years to 30 June 2009 are set out below:

	<i>Note</i>	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
<b>Continuing operations</b>			
Revenue		276,123	116,541
Other income		1,870,337	266,866
<b>Revenue and other income</b>	K1	2,146,460	383,407
Administration expenses	K2	(1,393,299)	(907,399)
Occupancy expenses		(76,955)	(69,766)
Exploration expenditure written off		(625,749)	(862,177)
Share of loss of an associate		(751,510)	—
Impairment of available for sale investments		(717,434)	(539,223)
<b>Loss from continuing operations before income tax</b>		(1,418,487)	(1,995,158)
Income tax (expense)/benefit	K3	(304,195)	577,966
<b>Net loss from continuing operations after income tax</b>		<u>(1,722,682)</u>	<u>(1,417,192)</u>

## H – Consolidated Balance Sheets

The consolidated balance sheets of Washington Resources Limited (now FCL) as at 30 June 2008 and 2009 are set out below:

	<i>Note</i>	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		2,945,288	1,956,341
Receivables	K4	<u>123,806</u>	<u>128,984</u>
<b>Total current assets</b>		<u>3,069,094</u>	<u>2,085,325</u>
<b>Non-current assets</b>			
Plant and equipment	K6	20,993	2,113
Investment in an associated company	K7	453,589	—
Held for trading investments		—	192,724
Available for-sale investments	K5	735,425	2,045,352
Deferred exploration and evaluation costs	K8	<u>2,540,476</u>	<u>1,688,336</u>
<b>Total non-current assets</b>		<u>3,750,483</u>	<u>3,928,525</u>
<b>Total assets</b>		<u>6,819,577</u>	<u>6,013,850</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	K9	79,844	54,644
Provisions	K10	<u>11,572</u>	<u>8,036</u>
<b>Total current liabilities</b>		<u>91,416</u>	<u>62,680</u>
<b>Non-current liabilities</b>			
Deferred tax liability	K3	<u>212,515</u>	<u>—</u>
<b>Total non-current liabilities</b>		<u>212,515</u>	<u>—</u>
<b>Total liabilities</b>		<u>303,931</u>	<u>62,680</u>
<b>Net assets</b>		<u>6,515,646</u>	<u>5,951,170</u>
<b>Equity</b>			
Contributed equity	K11	7,754,098	7,754,098
Accumulated losses		(2,158,265)	(3,575,457)
Reserves		<u>919,813</u>	<u>1,772,529</u>
<b>Total equity</b>		<u>6,515,646</u>	<u>5,951,170</u>

## I – Consolidated Cash Flow Statements

The consolidated cash flow statements of Washington Resources Limited (now FCL) for the 2 years ended 30 June 2009 are set out below:

	<i>Note</i>	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,343,950)	(939,015)
Payment of income tax		(297,914)	—
Net cash flows used in operating activities	K16	(1,641,864)	(939,015)
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(12,683)	—
Exploration expenditure net of refunds		(1,015,370)	(17,139)
Interest received		276,123	113,278
Proceeds from disposal of available for sale investments		1,800,000	—
Purchase of investments		(343,643)	(146,071)
Net cash flows provided by/(used by) investing activities		704,427	(49,932)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		59,010	—
Costs associated with issue of shares		(1,200)	—
Net cash flows provided by financing activities		57,810	—
Net decrease in cash and cash equivalents held		(879,627)	(988,947)
Cash and cash equivalents at the beginning of the period		3,824,915	2,945,288
<b>Cash and cash equivalents at the end of the period</b>		<u>2,945,288</u>	<u>1,956,341</u>

## J – Consolidated Statement of Changes in Equity

The consolidated statements of changes in equity of Washington Resources Limited (now FCL) for the 2 years ended 30 June 2009 are set out below:

	<i>Issued capital AUD</i>	<i>Accumulated losses AUD</i>	<i>Option reserve AUD</i>	<i>Employee benefits reserve AUD</i>	<i>Net unrealized gain reserve AUD</i>	<i>Total equity AUD</i>
<b>Balance as at 1 July 2007</b>	7,693,567	(435,583)	358,746	303,870	391,096	8,311,696
Unrealised loss transferred to income statement	—	—	—	—	(82,924)	(82,924)
Net loss on available for sale investments	—	—	—	—	(231,398)	(231,398)
Loss for the period	—	(1,722,682)	—	—	—	(1,722,682)
Employee benefits reserve	—	—	—	182,783	—	182,783
Issue of share capital	59,011	—	—	—	—	59,011
Cost of share issue	(840)	—	—	—	—	(840)
Transfer from option reserve on exercise of options	2,360	—	(2,360)	—	—	—
<b>At 30 June 2008</b>	<u>7,754,098</u>	<u>(2,158,265)</u>	<u>356,386</u>	<u>486,653</u>	<u>76,774</u>	<u>6,515,646</u>
Gains on available for sale investments	—	—	—	—	852,716	852,716
Loss for the period	—	(1,417,192)	—	—	—	(1,417,192)
<b>At 30 June 2009</b>	<u><u>7,754,098</u></u>	<u><u>(3,575,457)</u></u>	<u><u>356,386</u></u>	<u><u>486,653</u></u>	<u><u>929,490</u></u>	<u><u>5,951,170</u></u>



## K – Notes to the Financial Information (On Washington Resources Limited (now FCL))

### Note. 1 – Revenue and other income

	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
<b>(a) Revenue</b>		
Interest received	276,123	116,541
<b>(b) Other income</b>		
Profit on sale of available for-sale investments	1,760,000	—
Profit on deemed disposal of interest in associated	110,337	—
Sundry income	—	2,233
Gain on settlement of debt	—	264,633
	<u>1,870,337</u>	<u>266,866</u>

### Note. 2 – Administrative expenses

	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
Administration	792,628	676,210
Share based payments	182,783	—
Depreciation	4,832	5,440
Wages and salaries	380,016	200,684
Superannuation	33,006	17,029
Annual leave provision	34	8,036
	<u>1,393,299</u>	<u>907,399</u>

### Compensation of key management personnel

	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
Short-term employee benefits	420,864	412,709
Post-employment benefits	24,198	17,029
Termination benefits	—	67,048
Share-based payment	101,546	—
	<u>546,608</u>	<u>496,786</u>

**Note. 3 – Income tax**

	2008	2009
	AUD	AUD
<b>The major components of income tax expense are:</b>		
Current income tax benefit	—	—
Adjustments in respect of current tax of previous years	28,532	18,765
Relating to origination and reversal of temporary differences	275,663	(596,731)
	<u>304,195</u>	<u>(577,966)</u>
<b>Statement of changes in equity</b>		
<i>Deferred income tax relating to items charged or credited directly to equity</i>		
Mark to market on non-current investments	(134,710)	(365,450)
Capital raising costs charges to equity	(360)	—
	<u>(135,070)</u>	<u>(365,450)</u>
A reconciliation between tax expense and the production of accounting (loss)/profit before tax multiplied by the Company's application tax rate is as follows:		
Accounting loss before income tax	(1,418,487)	(1,995,158)
At the Company's statutory tax rate (30%)	(425,546)	(598,547)
Non-deductible expenses	—	6,807
Employee share expenses	54,835	—
Foreign exploration expenditure written off	124,119	—
Other	(10,037)	—
Underprovision in prior years	28,532	18,766
Tax losses/temporary differences not recognised	532,292	—
Previous periods tax losses now recognised	—	(4,992)
Income tax expense/(benefit)	<u>304,195</u>	<u>(577,966)</u>

	<i>Balance sheet</i>		<i>Income statement</i>		<i>Equity</i>	
	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>
	<i>AUD</i>	<i>AUD</i>	<i>AUD</i>	<i>AUD</i>	<i>AUD</i>	<i>AUD</i>
<b>Deferred tax liability</b>						
Sundry debtors	—	(16,736)	—	16,736	—	—
Exploration	(762,142)	(506,994)	118,141	(255,148)	—	—
	<u>(762,142)</u>	<u>(523,730)</u>				
<b>Deferred tax assets</b>						
Accrued expenses	7,500	4,500	(7,500)	3,000	—	—
Fixed assets	2,530	(46)	120	2,576	—	—
Deferred business related costs	62,418	30,838	18,491	31,580	—	—
Provisions	3,472	2,411	(11)	1,061	360	—
Revenue taxed in advance	—	—	528,000	—	—	—
Revenue tax losses	506,148	796,549	(506,148)	(290,401)	—	—
Equity accounted investments	316,923	—	(192,352)	316,923	—	—
Assets available for sale	182,928	216,779	(215,370)	(399,301)	134,710	365,450
	<u>1,081,919</u>	<u>1,051,031</u>				
Less: Deferred tax asset not recognised	(532,292)	(527,301)	532,292	(4,992)	—	—
	<u>549,627</u>	<u>523,730</u>				
<b>Net deferred tax liability</b>	<u>212,515</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
			<u>275,663</u>	<u>(577,966)</u>	<u>135,070</u>	<u>365,450</u>

#### Note. 4 – Receivables

	<i>2008</i>	<i>2009</i>
	<i>AUD</i>	<i>AUD</i>
<b>Current</b>		
Sundry debtors	1,704	43,828
Non-trade debtors <sup>(i)</sup>	122,102	85,156
	<u>123,806</u>	<u>128,984</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. 5 – Available for-sale investments

	<i>2008</i>	<i>2009</i>
	<i>AUD</i>	<i>AUD</i>
<b>Non-current</b>		
<i>At fair value</i>		
Shares in listed companies	<u>735,425</u>	<u>2,045,352</u>

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market. During the year ended 30 June 2009, an impairment loss of AUD 539,223 (2008: AUD 717,434) was recognised due to a significant decline in the value of the shares.

**Note. 6 – Plant and equipment**

	<i>Furniture, fittings and equipment AUD</i>
<b>Cost</b>	
<b>At 1 July 2007</b>	14,660
Additions	12,683
<b>At 30 June 2008</b>	27,343
Disposals	(23,406)
<b>At 30 June 2009</b>	3,937
<b>Depreciation</b>	
<b>At 1 July 2007</b>	1,518
Charge for year	4,832
<b>At 30 June 2008</b>	6,350
Charge for year	5,440
Eliminated on disposal	(9,966)
<b>At 30 June 2009</b>	1,824
<b>Net book value</b>	
<b>At 1 July 2007</b>	13,142
<b>At 30 June 2008</b>	20,993
<b>At 30 June 2009</b>	2,113

**Note. 7 – Investment in an associated company**

During the year ended 30 June 2008 the Company transferred all of its uranium interests in the Northern Territory to Northern Uranium Limited (“Northern Uranium”) and was issued 10,000,001 shares by that company. The Company also held 1,000,000 options in Northern Uranium.

During the year ended 30 June 2009, the Company’s accounting treatment of the investment changed and it now treats the investment as an Available-for-Sale Investment.

	<i>2008 AUD</i>	<i>2009 AUD</i>
Movement in carrying amounts		
Opening carrying value	1,134,762	453,589
Disposal of options	(40,000)	—
Share of losses in the period	(751,510)	—
Profit on deemed disposal of interest in associated company	110,337	—
Transfer to Available-for-Sale Investment	—	(443,589)
Transfer to Held-for-Trading Investment	—	(10,000)
	453,589	—

(i) **Summarised financial information**

The following table illustrates summarised information for the year ended 30 June 2008 relating to the Company's associate. The information for the year ended 30 June 2009 was not disclosed as Northern Uranium is now classified as an Available-for-Sale Investment:

	2008 AUD
<i>Extract from the associates' balance sheet</i>	
Current assets	4,069,619
Non-current assets	<u>128,310</u>
	4,197,929
Current liabilities	<u>(144,613)</u>
	(144,613)
Net assets	<u>4,053,316</u>
Share of associates' net assets	<u>800,935</u>
<i>Extract from associates' income statement:</i>	
Revenue	<u>418,093</u>
Net loss	<u>(3,803,186)</u>
<i>Share of the associates' loss accounted for using the equity method</i>	
Net loss	<u>(751,510)</u>

(ii) The company has no commitment or contingent liabilities relating to its investment in an associate.

(iii) The company holds 1,000,000 options in Northern Uranium Limited.

**Note. 8 – Deferred exploration and evaluation costs**

	2008 AUD	2009 AUD
Exploration evaluation and development cost carried forward:		
– At cost	2,540,476	1,688,336
Movement in exploration, evaluation and development cost		
Beginning of the financial year	2,150,854	2,540,476
Exploration incurred during the year (net of refunds)	1,015,370	10,037
Exploration expenditure written off <sup>(i)</sup>	<u>(625,748)</u>	<u>(862,177)</u>
End of the financial year	<u>2,540,476</u>	<u>1,688,336</u>

(i) The deferred exploration and evaluation costs written off, noted above, were written off after an assessment of whether activities would continue on the tenements, in accordance with the Company policy described in note 2(d).

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

Had the above costs been written off as incurred the losses after tax for years ended 30 June 2008 and 2009 would have been AUD 2,112,304 and AUD 565,052 respectively.

**Note. 9 – Trade and other payables**

	2008 AUD	2009 AUD
<b>Current</b>		
Unsecured liabilities		
Trade payables	<u>79,844</u>	<u>54,644</u>

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

**Note. 10 – Provisions**

	2008 AUD	2009 AUD
Employee benefits	<u>11,572</u>	<u>8,036</u>

**Note. 11 – Contributed equity**

	2008 AUD	2009 AUD
Ordinary shares fully paid	<u>7,754,098</u>	<u>7,754,098</u>

Under Australian corporations' legislation there is no concept of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares. Fully paid ordinary shares carry one vote per share and carry the rights to dividends.

**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.

	2008 AUD	2008 Number	2009 AUD	2009 Number
Movements in ordinary shares on issue				
Beginning of the financial year	7,693,567	50,815,326	7,754,098	51,051,366
– shares issued upon the exercise of options	61,371	236,040	—	—
– shares issued to institutional investors	—	—	—	—
– costs relating to institutional issue	(840)	—	—	—
End of the financial year	<u>7,754,098</u>	<u>51,051,366</u>	<u>7,754,098</u>	<u>51,051,366</u>
Issued shares	8,748,598	54,921,366	8,748,598	54,921,366
Less: Reserve shares <sup>(a)</sup>	<u>(994,500)</u>	<u>(3,870,000)</u>	<u>(994,500)</u>	<u>(3,870,000)</u>
	<u>7,754,098</u>	<u>51,051,366</u>	<u>7,754,098</u>	<u>51,051,366</u>

(a) Reserve shares are in relation to shares held under the employee share plan

**Note. 12 – Options**

	<i>2008</i>	<i>2009</i>
	<i>No of Options</i>	<i>No of Options</i>
Options		
At year end the following options were on issue:		
– 28 February 2008 Options exercisable at 25 cents per share	—	—
– 31 May 2010 Options exercisable at 35 cents per share	1,000,000	1,000,000
– 30 June 2010 Options exercisable at 25 cents per share	400,000	400,000
	<u>          </u>	<u>          </u>
Movements in 28 February 2008 Options		
Beginning of the financial year	35,874,600	—
Options issued during the year	—	—
Exercised during the year	(236,040)	—
Options expired during the year	(35,638,560)	—
	<u>          </u>	<u>          </u>
End of the financial year	—	—
	<u>          </u>	<u>          </u>
Movements in 31 May 2010 Options		
Beginning of the financial year	1,000,000	1,000,000
Options issued during the year	—	—
Exercised during the year	—	—
	<u>          </u>	<u>          </u>
End of the financial year	1,000,000	1,000,000
	<u>          </u>	<u>          </u>
Movements in 30 June 2010 Options		
Beginning of the financial year	400,000	400,000
Options issued during the year	—	—
Exercised during the year	—	—
	<u>          </u>	<u>          </u>
End of the financial year	400,000	400,000
	<u>          </u>	<u>          </u>

**Note. 13 – Share-based payment plans****(a) *Recognised share-based payment expenses***

The expense recognised for employee services received during the year is shown in the table below:

	<i>2008</i>	<i>2009</i>
	<i>AUD</i>	<i>AUD</i>
Expense arising from equity-settled share-based payment transactions	182,783	—
	<u>          </u>	<u>          </u>

**Note. 14 – Commitments**

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

	<i>2008</i>	<i>2009</i>
	<i>AUD</i>	<i>AUD</i>
Within 1 year	897,000	537,000
1 to 2 years	941,000	564,000
	<u>          </u>	<u>          </u>
Total	1,838,000	1,101,000
	<u>          </u>	<u>          </u>

The commitments may vary depending upon additions or relinquishments of the tenements, as well as farm-out agreements. The above figures are based on the mines department Emits reports as at 30 June 2009. These figures are adjusted at the anniversary date of each tenement and therefore the total can change on a monthly basis.

- (ii) The Company has entered into a commercial property sub-lease. The head-lease and sub-lease were surrendered on 1 September 2008.

	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
Within 1 year	3,820	—
1 to 2 years	—	—
Total	<u>3,820</u>	<u>—</u>

**Note. 15 – 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.

During the year the following transactions were undertaken between the Company, executive officers and director-related entities

	<i>2008</i> <i>AUD</i>	<i>2009</i> <i>AUD</i>
Consulting fees were paid to Vail Capital Pty Ltd, a company of which Melissa Sturgess, a former director and shareholder, is a director and shareholder	<u>—</u>	<u>48,000</u>
Consulting fees were paid to Nion Business Consulting Pty Ltd, a company of which Richard Jarvis, a former director and shareholder, is a director and shareholder	<u>—</u>	<u>60,000</u>
Consulting secretarial fees were paid to Camcove Pty Ltd, a company of which Robert Hair, company secretary and shareholder, is a director and shareholder	<u>72,000</u>	<u>28,000</u>
Consulting fees were paid to Wilberforce Pty Ltd, a company of which Grant Button, a director and shareholder, is a director and shareholder	<u>60,000</u>	<u>25,000</u>
Consulting secretarial fees were paid to Lanza Holdings Pty Ltd, a company of which Michael Langoulant, a former director and shareholder, is a director and shareholder	<u>—</u>	<u>31,500</u>
Consulting secretarial fees were paid to Athlone International Consultants Pty Ltd, a company of which Andrew Nealon, company secretary and shareholder, is associated	<u>25,000</u>	<u>25,000</u>



**Note: 16 – Cash flow information**

	2008 AUD	2009 AUD
Reconciliation of cash flow from operations with (loss)/profit from ordinary activities after income tax		
Loss from ordinary activities after income tax	(1,722,682)	(1,417,192)
Share based payments	182,783	—
Exploration expenditure written off	625,750	862,177
Impairment of available for sale investments	717,434	539,223
Equity accounted income/loss from associated company	751,509	—
Depreciation	4,832	5,440
Interest received	(276,123)	(116,541)
Gain on settlement of debt	—	(264,633)
Loss on sale of non-current assets	—	13,440
Profit on sale of investments	(1,870,337)	—
Net exchange differences	—	20,407
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in receivables	(12,729)	27,876
Increase/(decrease) in payables	(48,582)	(31,246)
Increase in deferred tax liability	304,195	(577,966)
Cash flows from operations	<u>(1,343,950)</u>	<u>(939,015)</u>

**PART V**  
**QUARTERLY ACTIVITIES AND CASHFLOW REPORT FOR THE PERIOD**  
**ENDED 30 SEPTEMBER 2010**

This Part V sets out the Company's Quarterly Activities and Cashflow Report for the period ended 30 September 2010 as announced to the ASX on 29 October 2010:

29 October 2010

**Media ASX Announcement**

**To:** Company Announcements Office  
Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

**Quarterly Activities and Cashflow Report**  
**For the period ended 30 September 2010**

**Highlights**

***Turquoise Moon Iron Project***

- Total Mineral Resource confirmed at approximately 300 Mt @ 30 per cent. Fe, comprising approximately 225 Mt @ 29 per cent. Fe in the Inferred category and approximately 74 Mt @ 33 per cent. Fe in the Indicated category.
- Mine optimization planning completed with stripping ratio of 1:1.
- The Company is proceeding to carry out the studies and other activities that will be required for the grant of a mining right over the Moonlight Deposit.
- Ferrum also has an interest in the De Loskop prospect lying east of Moonlight which contains an exploration target\* of 200 to 1000 Mt of iron ore at a grade of 30 per cent. to 40 per cent. Fe. Exploration will commence following completion of the AIM listing (see last highlight below).

***Capital raising***

- Company successfully raises \$1.2 million by private placements to carry out further capital raising in conjunction with London AIM listing.

***Option offer***

- Offer to holders of listed options to cancel their options by the issue of one new Ferrum Crescent Limited share for every ten options closed on Friday 16 July 2010.
- Acceptances representing approximately 78.85 per cent. of listed options resulted in the issue of 8,012,005 new shares.

***Corporate***

- Board restructure, with Klaus Borowski and Fanie Botha joining and Adrian Griffin resigning from Ferrum board. Further changes have been made to the Board since the end of the Quarter.
- Bob Van Der Laan appointed as Joint Company Secretary.

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\* The term "target" should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.

## **Turquoise Moon Iron Project**

Ferrum, through its 74 per cent.-owned South African subsidiary, Turquoise Moon Trading 157 (Pty) Ltd (“TMT”), controls the “Moonlight Deposit” located in the Limpopo Province of South Africa. Ferrum aims to develop an iron product business based on this resource. ProMet Engineers Pty Ltd and Continental Resource Management (“CRM”) were engaged to assist the Company by completing a scoping study.

For the purpose of the study, CRM’s scope of work included the geology and resource of the Moonlight Deposit. The Moonlight resource occurs within multiple banded iron formation (“BIF”) units. The BIFs have been recrystallized under high-grade metamorphic conditions to produce coarse-grained magnetite-quartz rocks. Within the area of the deposit, the BIFs are present over an east-west distance of 3 km and a north-south distance of 2 km. The BIF units vary from a few metres to 40 m in thickness. In general, they have a flat to shallow dip and are subject to gentle folding. The resource outcrops in the south and central portions of the area.

As has been previously announced, CRM completed a JORC compliant resource estimate for the Moonlight Deposit in April 2010. The ore block model (“OBM”) used for the mining study is estimated to contain a total Mineral Resource of 300 Mt at 30 per cent. Fe, with a lower block cut-off of 15 per cent., of which 79 Mt is a near surface, partially oxidized zone. The OBM is estimated to contain an **Indicated Mineral Resource of 74 Mt @ 33 per cent. Fe, comprised of 34 Mt of oxide mineralization @ 30 per cent. Fe and 40 Mt of fresh mineralization @ 35 per cent. Fe.** Much of the Inferred Mineral Resource of 225 Mt @ 29 per cent. Fe can be elevated with confidence by increasing the drill density.

The BIF units extend to the west onto adjacent farms within the Project area. Due to lack of drill data and other information, estimates of this mineralization cannot be included in the current resource estimate. Ferrum has plans to undertake drilling in these areas and is confident that the results of these investigations will contribute significantly to the overall total resource.

The Resource estimate employed geostatistical Inverse Distance Squared modelling to produce ore block models of the mineralization within the deposit. The magnetite grains within the BIF are partly altered to hematite within the oxidized zone and CRM therefore reported the Resource in two zones, an upper Oxidized Zone and a lower Fresh Zone.

As previously announced, the Company has had enough information to prepare for a mining right application over the Moonlight Deposit, and this application was accepted by the relevant authorities.

## **De Loskop Prospect**

Located approximately 150 km east of Moonlight and only 50 km north of Polokwane, the regional service centre, the De Loskop prospect contains an exploration target\* within the range of 200 to 1,000 Mt of iron mineralization at a grade of between 30 per cent. Fe and 40 per cent. Fe. Being close to Polokwane, the De Loskop prospect has good infrastructure nearby and will be explored in greater detail in the coming months.

## **Feasibility program and AIM listing**

The Company intends to build upon the work already carried out at the Moonlight Deposit with a view to embarking upon a detailed feasibility study late in the calendar year 2010.

As previously announced, it is also planned to carry out a capital raising in conjunction with listing on the London Stock Exchange’s AIM board in the near future. In the meantime, the Company completed an interim capital raising by issuing 10 million shares for \$1.2 million (at \$0.12 per share) during the Quarter.

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\* *The term “target” should not be misunderstood or misconstrued as an estimate of Mineral Resources and Reserves as defined by the JORC Code (2004), and therefore the terms have not been used in this context. It is uncertain if further exploration or feasibility study will result in the determination of a Mineral Resource or Mining Reserve.*

## Option Offer

As announced on 21 July 2010, the offer to option holders to cancel their options by the issue of one new Ferrum share for every ten options closed with acceptances representing approximately 78.85 per cent. 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.

## Corporate

During the Quarter, there were several changes to the composition of the Board of the Company. Mr Adrian Griffin resigned as a Director and Dr Frederik 'Fanie' Botha and Mr Klaus Borowski joined the Board as Non-Executive Directors. Mr Bob Van Der Laan was also appointed as Joint Company Secretary, joining Mr Robert Hair and Mr Andrew Nealon.

Mr Griffin, who had been overseeing the scoping study and associated activities in relation to the Company's Turquoise Moon Iron Project, resigned as Technical Director to pursue other business opportunities.

Dr Botha, who is based in Johannesburg, Republic of South Africa, is a hydrogeologist by background and has extensive experience in water studies and many other logistical issues that will be directly relevant to Ferrum's Turquoise Moon Iron Project.

Mr Borowski is a metallurgical engineer with extensive experience in the minerals processing industry, specifically in the processing of iron including in South Africa. His previous positions include Managing Director of Krupp in South Africa, and he was on the steering committee at Saldhana Steel.

Subsequent to the end of the reporting period, the Company welcomed the appointment of Messrs Kofi Morna, Ted Droste and Grant Button as Non-Executive Directors, as well as the appointment of Mr Ed Nealon as Executive Chairman and Dr Fanie Botha as Operations Director (both previously Non-Executive Directors). Mr Nesongozwi has also resigned as a Director. The composition of the Board as at the date of this report is as follows:

- Ed Nealon *Executive Chairman*
- Scott Huntly *Managing Director*
- Fanie Botha *Operations Director*
- Kofi Morna *Non-Executive Director*
- Klaus Borowski *Non-Executive Director*
- Ted Droste *Non-Executive Director*
- Grant Button *Non-Executive Director*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Ferrum Crescent Limited

ABN

58 097 532 137

Quarter ended ("current quarter")

30 September 2010

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors		
1.2 Payments for (a) exploration and evaluation (b) development (c) production (d) administration	(788)   (441)	(788)   (441)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	6
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(1,223)</b>	<b>(1,223)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	  (4)	  (4)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	  1,575	  1,575
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other (provide details if material)		
<b>Net investing cash flows</b>	<b>1,571</b>	<b>1,571</b>
1.13 Total operating and investing cash flows (carried forward)	348	348

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	348	348
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	1,200	1,200
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)	(130)	(130)
	<b>Net financing cash flows</b>	<b>1,070</b>	<b>1,070</b>
<b>Net increase (decrease) in cash held</b>			
		1,418	1,418
1.20	Cash at beginning of quarter/year to date	491	491
1.21	Exchange rate adjustments to item 1.20	38	38
1.22	<b>Cash at end of quarter</b>	<b>1,947</b>	<b>1,947</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	165
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 relates to Directors Remuneration, Directors' Fees and Superannuation Contributions.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

--

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

--

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities		
3.2 Credit standby arrangements		

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	4,869
4.2 Development	
4.3 Production	
4.4 Administration	1,402
<b>Total</b>	<b>6,271</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,947	491
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		38
<b>Total: cash at end of quarter</b> (item 1.22)	<b>1,947</b>	<b>529</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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+ See chapter 19 for defined terms.



**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	195,786,704	191,896,704		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	18,012,004	18,012,004		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	21,496,727	21,496,727	<i>Exercise price</i> \$0.40	<i>Expiry date</i> 31 December 2013
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Cancelled during quarter	80,120,201	80,120,201	\$0.40	31 December 2013
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Date: 29 October 2010

Print name: Robert Hair  
Company Secretary

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility for information in this document

The Company, together with the Directors, whose names and functions appear on page 3 of this document, accept responsibility, both individually and collectively, for all of the information contained in this document, and for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Group Structure

The structure of the Group is as follows:

- 2.1 The Company owns 100 per cent. of the issued share capital of FML;
- 2.2 FML owns 100 per cent. of the issued share capital of Batavia Limited, a company registered in the Republic of Mauritius;
- 2.3 Batavia Limited owns 100 per cent. of the issued share capital of Nelesco, a company registered in RSA; and
- 2.4 Nelesco owns 74 per cent. of the issued share capital of TMT, a company registered in RSA.

#### 3. The Company

- 3.1 The Company was incorporated on 18 July 2001 under the name “Witkop Mining Limited”. It was registered in Western Australia with Australian Company Number 097 532 137. On 5 October 2001 it changed its name to “Washington Resources Limited”. The Company changed its name to “Ferrum Crescent Limited” on 22 December 2009.
- 3.2 The Company was admitted to the official list of the ASX on Monday 14 November 2005, and the official quotation of its securities commenced at 9.30am (Perth time) on Thursday 17 November 2005.
- 3.3 The Company operates subject to the provisions of, *inter alia*, the Corporations Act.
- 3.4 The registered office of the Company is Unit 1, 135 Great Eastern Highway, Rivervale, WA 6103, Australia.
- 3.5 The Company’s telephone number is +61 8 94 77 3031.
- 3.6 The accounting reference date of the Company is 30 June.

#### 4. FML

- 4.1 FML was incorporated on 5 December 2007 under the name “Ferrum Crescent Limited”. It was registered in Western Australia with Australian Company Number 128 777 444. On 22 December 2009 it changed its name to “Ferrum Metals Limited”.
- 4.2 With effect from 1 July 2010, FML converted to a proprietary limited company with the name “Ferrum Metals Pty Ltd”.
- 4.3 FML operates subject to the provisions of, *inter alia*, the Corporations Act.
- 4.4 The registered office of FML is Unit 1, 135 Great Eastern Highway, Rivervale, WA 6103, Australia.
- 4.5 The accounting reference date of FML is 28 February.

## **5. Batavia Limited**

- 5.1 Batavia Limited was incorporated on 1 April 2008 under the name “Batavia Limited”. It was registered in the Republic of Mauritius with Company Number 079179 CI/GBL.
- 5.2 The Company operates subject to the provisions of, *inter alia*, the Financial Services Act 2007 passed by the National Assembly of the Republic of Mauritius on 24 July 2007.
- 5.3 The registered office of Batavia is c/o Kross Border, Manor House, Cnr George and Crazal Streets, Port Louis, Mauritius.
- 5.4 The accounting reference date of Batavia is 28 February.

## **6. Nelesco**

- 6.1 Nelesco was incorporated on 18 October 2006. It was registered in RSA with Company Number 2006/032424/07.
- 6.2 The registered office of Nelesco is 83 Arrarat Road, Welkom Business Park, Welkom, 9459, RSA.
- 6.3 The accounting reference date of Nelesco is 28 February.

## **7. TMT**

- 7.1 TMT was incorporated on 27 October 2004. It was registered in RSA with Company Number 2004/031708/07.
- 7.2 The registered office of TMT is Palazzo Towers West, Montecasino Blvd, Fourways, 2055, Republic of South Africa.
- 7.3 The accounting reference date of TMT is 28 February.

## **8. Constitution**

### **8.1 *Voting rights***

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder so entitled to vote, may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for every fully paid share, but in respect of partly paid shares shall have a fraction of a vote equal to the proportion that the amount paid bears to the issue price of the shares.

### **8.2 *Transfer of shares***

Shares in the Company are freely transferable, subject to formal requirements, and so long as the registration of the transfer does not result in a contravention of or failure to observe the provisions of a law of Australia and the transfer is not in breach of the Corporations Act or the ASX Listing Rules. The Company may participate in any electronic or computerised system for the transfer of Shares that may be established or recognised by the Corporations Act or the ASX Listing Rules and the Shares may be transferred by a market transfer in accordance with any electronic or computerised system for the transfer of shares that may be established or recognised by the Corporations Act or the ASX Listing Rules, or otherwise by written instrument.

The Directors are entitled to decline to register a share transfer (other than a transfer where the transfer is pursuant to or connected with a transaction entered into on the ASX) where the ASX Listing Rules or the SCH Business Rules (as the same are defined under the Corporations (Western Australia) Act 1990) permit them to do so. The Company cannot interfere with a transfer pursuant to or connected with a transaction entered into on the ASX where to do so would be contrary to the ASX Listing Rules or the SCH Business Rules. The Company may at any time close the register for a period not exceeding 30 days in any year.

### 8.3 *Dividends*

The directors may from time to time declare such dividends as appear to the directors to be justified by the profits of the Company.

Subject to the rights of persons entitled to shares with special rights as to dividends (at present there are none), all dividends are paid in the proportion that the amounts paid on those Shares bear to the issue price of the Shares.

All dividends declared but unclaimed may be invested by the Directors for the benefit of the Company until claimed or dealt with in accordance with any law relating to unclaimed money.

The law applicable to the Company relating to unclaimed money is the Unclaimed Money Act 1990 (Western Australia). This act provides a procedure by which a holder is to provide notification to the Treasurer or Western Australia in relation to any money (being an amount of \$100 or more) unclaimed for six years after the date on which the money became payable. The Treasurer of Western Australia will advertise the particulars of the relevant amount and if, on the expiration of the period ending on 31 July next following the date on which it was advertised, it remains unpaid, the money will be paid by the Company to the Treasurer.

The Act also provides for the Treasurer to accept a voluntary payment where any money has been held by, or liable to be paid by, a person without any claim being made by the owner, for a period of two years (including amounts of less than \$100). Where a holder (i.e. the Company) pays money to the Treasurer in accordance with this act, the holder will thereafter be relieved of all further liability to any person claiming as owner, notwithstanding that any relevant period of limitation in respect of a claim to which that money relates has not expired

### 8.4 *Distribution of assets on winding up*

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

### 8.5 *Changes in share capital*

The allotment and issue of any new Shares is under the control of the directors of the Company. Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, the constitution of the Company and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the directors may issue Shares as they shall, in their absolute discretion, determine.

### 8.6 *Variation of rights*

The Company may, subject to the Corporations Act and with the sanction of a special resolution passed at a meeting of Shareholders, or with the written consent of the holders of three-quarters of the issued Shares of that class, vary or abrogate the rights attaching to Shares.

### 8.7 *Meetings*

Subject to the ASX Listing Rules and provisions of the Corporations Act in relation to special resolutions and short notice, at least 28 clear days' notice must be given of a general meeting of the Shareholders. The notice must specify the place, day and hour of the meeting and, in the case of special business, must specify the general nature of that business. All business that is transacted

at a general meeting is special save for the declaration of a dividend, consideration of accounts and Director's and auditor's reports, the appointment of auditors and the election of Directors at an annual general meeting. A general meeting may also be convened on requisition. Annual general meetings of the Shareholders are held in accordance with the requirements of the ASX Listing Rules and the Corporations Act.

Each Shareholder, in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, is entitled to receive notice of all general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the constitution of the Company, the Corporations Act or the ASX Listing Rules. Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

#### 8.8 *Directors' interests*

Rule 11.19 of the Constitution provides that, subject to rule 11.20, no director is disqualified by his office from contracting with the Company, whether as purchaser or vendor or otherwise, and contracts entered into by the Company where a director has an interest are not to be avoided or prejudiced on that account, and a director would not have to account for any profit arising from such a contract by reason only of the director's position or fiduciary relationship created thereby.

Rule 11.20 of the Constitution provides that a director who has any material personal interest in a matter that relates to the affairs of the Company must give notice of the interest to the other directors unless such interest falls within an exception set out in section 191(2) of the Corporations Act. That section provides the following relevant exceptions to the general obligation:

- the interest arises because the director is a member of the Company and the interest is in common with all other members; it arises in relation to the director's remuneration as a director, it relates to a contract that the Company proposes to enter into that will be subject to members' approval; it arises merely because the director is a guarantor or has given an indemnity or a security in relation to a loan the Company; it relates to a contract of insurance or indemnity in respect of the director's liabilities; or it is in a contract or proposed contract with or for the benefit of a related body corporate of the Company and it arises merely because the director is a director of the related body corporate;
- the director has given a notice of the nature and extent of the interest and of its relationship to the affairs of the Company to all current directors and the interest has not materially increased; or
- the director has given a standing notice under section 192 of the Corporations Act and the notice is still effective in relation to that interest.

The nature of the interest must be tabled as soon as practicable after the relevant facts have come to the director's knowledge. The director must comply with the applicable provisions of the Corporations Act (sections 191, 192 and 195). Section 195 provides that a director of a public company who has a material interest in a matter that is being considered at a directors' meeting must not be present at that meeting while the matter is being discussed or vote on that matter. An exception to the obligation not to be present exists where directors who do not have a material interest in the matter have passed a resolution that identifies the director, the material interest and the relationship to the Company's affairs and states that they are satisfied that the interested director should not be disqualified from attending. A director with such a material interest may attend and vote on the matter with ASIC approval.

#### 8.9 *Remuneration of directors*

Rule 11.15 of the Constitution provides that the maximum remuneration of non-executive directors be set by the shareholders of the Company. Under the Company's Constitution, reimbursement of expenses incurred by directors in the performance of their duties and fees paid to directors for

special services supplied to the Company over and above performance of director responsibilities are not included within this limit. The expenses limit has been set at AUD250,000 per annum which was given Shareholder consent at the Company's annual general meeting on 30 November 2010. Non-executive directors are paid AUD30,000 per annum (plus compulsory superannuation of 10 per cent., where applicable).

#### 8.10 *Retirement of directors*

Rule 11.3 of the Constitution provides that, (subject to rule 13.39 which provides that a Managing Director shall not retire by rotation in accordance with rule 11.3) at the Annual General Meeting in every year, one-third of the directors for the time being, or, if their number is not 3 nor a multiple of 3, then the number nearest one-third, must retire from office.

#### 8.11 *Meetings of Directors*

A Director may at any time and the Secretary must on the requisition of a Director, convene a meeting and at least 24 hours notice of such a meeting shall be given to each Director. The Directors can agree shorter notice by unanimous decision. Decisions of a meeting of Directors are decided by a majority of votes and in the event of an equality of votes, the chairman of the meeting shall have a casting vote. Directors can appoint alternate directors to participate and vote in the appointer's stead. The quorum for meetings of the Directors is two or such other number as is determined by the Directors from time to time. The Directors may delegate their powers to committees consisting of at least one Director.

#### 8.12 *ASX Listing Rules requirements*

The Company is listed on ASX and its shares are quoted on that market. It is not presently intended that there will be any trading halt in respect of the Company's ASX listing on Admission.

As an ASX listed entity, the Company is required to comply with the ASX Listing Rules. ASX Listing Rule 3.1 requires that once the Company is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities, the Company must immediately tell the ASX that information. ASX Listing Rule 3.1 does not apply to particular information while all of the following are satisfied:

- (a) A reasonable person would not expect the information to be disclosed;
- (b) The information is confidential and the ASX has not formed the view that the information has ceased to be confidential; and
- (c) One or more of the following applies:
  - (i) It would be a breach of a law disclose the information;
  - (ii) The information concerns an incomplete proposal or negotiation;
  - (iii) The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
  - (iv) The information is generated for the internal management purposes of the entity; or
  - (v) The information is a trade secret.

Pursuant to ASX Listing Rule 7.1, and subject to certain exceptions, the Company must not issue (or agree to issue) Shares (or securities convertible into Shares) which represent more than 15 per cent. of the Company's issued capital in any 12 month period without obtaining shareholder approval. This provision is referred to further in paragraph 9.2 below.

Pursuant to ASX Listing Rule 10.11, subject to certain exceptions, the Company must not, without prior Shareholder approval, issue securities to a related party (which for these purposes includes a director and a person related to a director) or other person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained.

In accordance with ASX Listing Rule 2.4, the Company will be required to apply for quotation for the Placing Shares on the ASX by lodging an Appendix 3B (application for quotation) with the ASX.

ASX Listing Rule 15.7 provides that an entity must not disclose information that is for release to the market to anyone until it has given the information to the ASX, and has received an acknowledgment from the ASX, that the information has been released to the market. Once an entity is admitted to a foreign market, a qualification to this rule provides that an entity may release information that is for release to the market, if it becomes available outside the hours of operation of the ASX company announcements office, to an overseas stock exchange that requires it. In that case, the entity must give the information to the ASX company announcements office at the same time, together with advice that it has released it.

## **9. Share capital of the Company**

### **9.1 *Issued share capital***

The issued share capital of the Company as at the date of this document is 198,691,704 fully paid Ordinary Shares, created pursuant to the Corporations Act.

Following the placing of the Placing Shares, the issued share capital of the Company as at the date of this document will be increased by 100,000,000 Ordinary Shares to 298,691,704 Ordinary Shares immediately following Admission.

### **9.2 *Authorised Share Capital***

The Company does not have an authorised share capital and may issue an unlimited number of Shares subject to the limitations imposed by the Company's Constitution and the ASX Listing Rules. Pursuant to ASX Listing Rule 7.1, and subject to certain exceptions, the Company must not issue (or agree to issue) Shares (or securities convertible into Shares) which represent more than 15 per cent. of the Company's issued capital in any 12 month period without obtaining Shareholder approval. Provided that Shareholder approval is obtained, the Company may issue securities exceeding 15 per cent. of the Company's issued capital within 3 months of Shareholder approval of the issue. Further, pursuant to ASX Listing Rule 10.11, subject to certain exceptions, the Company must not, without prior Shareholder approval, issue securities to a related party (which for these purposes includes a director and a person related to a director) or other person whose relationship with the entity or a related party is, in the ASX's opinion, such that approval should be obtained.

Shareholder approval was granted at a general meeting of the Company held on 28 September 2010 for the allotment and issue of up to 50,000,000 Shares in conjunction with the Placing. A further Shareholder approval was granted at the Company's annual general meeting ("AGM") held on 30 November 2010 for the allotment and issue of up to an additional 60,000,000 Shares in conjunction with the Placing.

The Directors may therefore issue the Placing Shares provided that the Placing is completed by 28 February 2011 (or such later date as may be permitted by the ASX), without using the Company's 15 per cent. annual placement capacity.

### **9.3 *Subsidiaries***

The Company is the parent company of FML, holding FML's entire issued share capital of 85,000,000 shares and 52,187,500 options.

FML is the parent company of Batavia, holding Batavia's entire issued share capital of two shares of USD1 each.

Batavia is the parent company of Nelesco, holding Nelesco's entire issued share capital of 100 shares of ZAR1 each.



Nelesco is the parent company of TMT, holding 74 of the 100 issued shares of ZAR1 in the capital of TMT. The 26 additional issued shares are held by Matodzi Nesongozwi, Nelesco's current BEE partner (see paragraph 23 below for further information).

#### 9.4 *Changes in share capital since incorporation*

The following is a summary of the changes in the issued share capital of the Company from the date of incorporation until the date of this document:

<i>Date</i>	<i>Event</i>	<i>Shares issued</i>	<i>Price per share AUD</i>	<i>Total</i>
18/07/01	Incorporation	6	0.20	6
26/09/01		1,000,000	0.005	1,000,006
26/09/01		1,000,000	0.005	2,000,006
26/09/01		1,000,000	0.005	3,000,006
01/10/01		1,000,000	0.005	4,000,006
04/10/01		1,000,000	0.005	5,000,006
02/11/01	Placing for cash	50,000	0.10	5,050,006
02/11/01	Placing for cash	50,000	0.10	5,100,006
02/11/01	Placing for cash	50,000	0.10	5,150,006
02/11/01	Placing for cash	1,250,000	0.10	6,400,006
02/11/01	Placing for cash	50,000	0.10	6,450,006
21/11/01	Placing for cash	100,000	0.10	6,550,006
21/11/01	Placing for cash	250,000	0.10	6,800,006
21/11/01	Placing for cash	50,000	0.10	6,850,006
21/11/01	Placing for cash	250,000	0.10	7,100,006
28/11/01	Placing for cash	300,000	0.10	7,400,006
28/11/01	Placing for cash	50,000	0.10	7,450,006
17/12/01	Placing for cash	60,000	0.10	7,510,006
17/12/01	Placing for cash	250,000	0.10	7,760,006
17/12/01	Placing for cash	500,000	0.10	8,260,006
17/12/01	Placing for cash	290,000	0.10	8,550,006
19/12/01	Placing for cash	150,000	0.10	8,700,006
18/01/02	Placing for cash	200,000	0.10	8,900,006
18/01/02	Placing for cash	200,000	0.10	9,100,006
18/01/02	Placing for cash	200,000	0.10	9,300,006
18/01/02	Placing for cash	150,000	0.10	9,450,006
28/02/02	Placing for cash	200,000	0.10	9,650,006
11/03/02	Placing for cash	1,000,000	0.10	10,650,006
14/06/02	Placing for cash	200,000	0.10	10,850,006
05/04/05	Shares issued to McCleary as consideration for tenement acquisition	1,250,000	0.01	12,100,006
05/04/05	Shares issued to McCleary as consideration for tenement acquisition	1,500,000	0.0067	13,600,006
05/04/05	Shares issued to S and M Wilson as consideration for tenement acquisition	3,000,000	0.01	16,600,006
11/11/05	Shares issued by way of IPO	15,000,000	0.20	31,600,006
11/11/05	Shares issued as consideration for tenement acquisition (to McCleary)	500,000	In accordance with Tenement Sale Agreement dated 24 March 2005	32,100,006

<i>Date</i>	<i>Event</i>	<i>Shares issued</i>	<i>Price per share AUD</i>	<i>Total</i>
11/11/05	Shares issued to company promoters (Elegant Global Limited as consideration for introductory role in tenement acquisition)	4,000,000	0.001	36,100,006
27/02/06	Exercise of options	425,000	0.20	36,525,006
27/02/06	Shares issued to seven shareholders in Sallies Limited (JSE) in consideration for acquisition of 26,572,961 Sallies shares	8,858,320	In accordance with seven option agreements details of which can be found in Section 12.4(a) of the IPO Prospectus dated 19 August 2005	45,383,326
14/07/06	Share Plan	920,000	0.25	46,323,326
28/12/06	Share Plan	1,150,000	0.25	47,453,326
14/06/07	Placement for cash	5,000,000	0.22	52,453,326
27/06/07	Exercise of options	432,000	0.25	52,885,326
15/08/07	Exercise of options	200,000	0.25	53,085,326
14/12/07	Share Plan	1,800,000	0.265	54,885,326
14/01/08	Exercise of options	36,000	0.25	54,921,326
05/03/08	Exercise of options	40	0.25	54,921,366
08/12/09	Consideration for FML acquisition	102,000,000	Nil	156,921,366
22/12/09	Consideration for services in accordance with Hartleys capital raising mandate	833,333	Nil	157,754,699
14/01/10	Placement for cash	20,000,000	0.10	177,754,699
21/07/2010	Issue of shares as consideration for option acquisition	8,012,005	Pursuant to terms of option cancellation offers	185,766,704
7/10/2010	Placement for cash	10,000,000	0.12	195,766,704
30/11/2010	Share Plan	2,925,000	0.198	198,691,704

9.5 Save as disclosed in this document:

- (a) No share or loan capital in the Company is under option or agreed conditionally or unconditionally to be put under option;
- (b) No issue of Shares will be made by the Company which will effectively alter the control of the Company; and
- (c) There are no convertible securities issued by the Company.

#### 9.6 ***CREST and Depository Interests***

To be traded on AIM, securities must be able to be transferred and settled through the “CREST” system, a UK computerised paperless share transfer and settlement system, which allows shares and other securities, including Depository Interests, to be held in electronic form rather than in paper form. The Australian equivalent of this system is called “CHESS”. For certain foreign securities, in this case the Shares, to be transferred and settled through CREST, they need to be in the form of “Depository Interests”. The Company, through its UK Depository, will have a facility whereby (pursuant to a depository deed executed by the UK Depository) Depository Interests, representing Shares, will be issued by the UK Depository to persons who wish to hold the Shares in electronic form within the CREST system. It is intended that the Company will apply for the Depository Interests, representing Shares, to be admitted to CREST with effect from

Admission. Accordingly, settlement of transactions in Depository Interests representing the Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. Shareholders wishing to receive a statement as evidence of ownership will have their holding recorded on the Company's register in Australia. Further information regarding the depository interest arrangement and the holding of Shares in the form of Depository Interests is available from the UK Depository. The Depository may be contacted at Computershare Investor Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS13 8AE, United Kingdom.

The Shares will remain listed and traded on the ASX, with trades settled electronically on the Australian registry through the CHESS system. Shares held through CHESS on the Australian registry may be transferred into Depository Interests held through CREST on the UK Depository registry and vice versa. Shareholders wishing to transfer stock from CHESS to a Depository Interest on CREST can do so through an Australian broker on a same day basis. Movements from CREST to CHESS can be made on a next day basis. In such a way, the Shares can be traded on the ASX or AIM, irrespective as to which jurisdiction the investor is based in.

It is emphasised that, although the Shares will trade on AIM, the Company will not be subject to the City Code on Takeovers and Mergers. Being an Australian incorporated company, the Company is subject to the takeover and other provisions of the Corporations Act as further described in paragraph 25 of this Part VI.

#### 9.7 *Depository Interests and the deed poll*

The Depository Interests will be created pursuant to, and issued on the terms of the deed poll executed by, the Depository on 4 November 2010 in favour of the holders of the Depository Interests from time to time (the "**Deed Poll**"). The Deed Poll is summarised below.

Pursuant to the terms of the Deed Poll:

- (a) The Depository will hold, as bare trustee, the Ordinary Shares issued by the Company and all and any rights and other securities, property and cash attributable to the Ordinary Shares and pertaining to the Depository Interests for the benefit of the holders of the relevant Depository Interests;
- (b) On being issued Depository Interests, each holder of the Depository Interests ("**Holder**") must warrant, among other things, that the securities in the Company transferred or issued on behalf of the Depository and for the account of the Holder are free and clear from all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's Constitution nor any contractual obligation, law or regulation. Each Holder must indemnify the Depository for any losses it incurs (including indirect and consequential losses) as a result of breach of this warranty;
- (c) The Depository must pass on to all rights and entitlements received or to which they are entitled in respect of the Ordinary Shares which are capable of being passed on or exercised, or exercise such rights and entitlements on behalf of Holders on being instructed to do so, subject to the terms of the Deed Poll. Rights and entitlements to cash distributions, to information to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on to the Holders upon being received by the Depository and in the form in which they are received by the Depository together with any amendments and additional documentation necessary to effect such passing-on. Any rights or entitlements to scrip dividends, to bonus issues or arising from capital re-organisations shall be passed on to Holders, subject to the terms of the Deed Poll. If arrangements are made which allow a Holder to take up any rights and entitlements requiring further payment from the Holder, it must, if it wishes the Depository to exercise such rights on its behalf, put the Depository in cleared funds before the relevant payment date or such other due date as the Depository may notify to Holders;

- (d) The Depository shall re-allocate any Ordinary Shares of distributions which are allocated to the Depository and which arise automatically out of any right or entitlement of Ordinary Shares already held by the Depository to holders of Depository Interests *pro rata* to the Ordinary Shares held for their respective accounts provided that the Depository shall not be required to account for any fractional entitlements arising from such re-allocation and shall donate the aggregate fractional entitlements to charity;
- (e) The Deed Poll contains provisions excluding and limiting the Depository's liability. For example, the Depository shall not incur any liability to any holder of Depository Interests or to any other person for any loss suffered or incurred arising out of or in connection with the transfer and prospective Holders and Ordinary Shares should refer to the terms of the Deed Poll and the Company's constitution to ensure compliance with the relevant provisions. In addition, the Deed Poll provides that the Depository has no responsibility for the operation or the non-operation of the CREST system and that Holders will have no rights against the Depository in respect of it acting on the instructions or information or purported instructions or information received by means of the CREST system, except in circumstances of the Depository's willful default or negligent disregard of its obligations;
- (f) Subject to the terms of the Deed Poll, the Depository shall only cancel Depository Interests and transfer the Ordinary Shares represented thereby upon the request of the Holder. The Depository may compulsorily withdraw the Depository Interests (and the holders of Depository Interests shall be deemed to have requested their cancellation) if certain events occur. These events include where the Depository believes that ownership of the Depository Interest may result in a pecuniary disadvantage to the Depository or the Custodian or where the Depository Interests are held by a person in breach of the law. If these events occur the Depository shall make such arrangements for the deposited property as it sees fit, including sale of the deposited property and delivery of the net proceeds to the holder of the Depository Interests in question;
- (g) The Depository is entitled to charge Holders fees and expenses for the provision of its services under the Deed Poll and the Depository shall not be liable for taxes, duties, charges, costs or expenses which may become payable in respect of the Ordinary Shares; and
- (h) A Holder shall be required to accept liability for and shall be bound to indemnify the Depository and its agents, officers and employees and hold each of them harmless from and against, and shall reimburse each of them for, any and all liabilities arising from or incurred in connection with, or arising from any act performed in accordance with or for the purposes of or otherwise related to the Deed Poll insofar as they relate to underlying Ordinary Shares held for the account of, or Depository Interests held by, that Holder, except for Liabilities caused by or resulting from any wilful default or negligence or fraud of:
  - (i) the Depository; or
  - (ii) the Custodian (as defined in the Deed Poll) or any Agent (as defined in the Deed Poll) if such Custodian or Agent is a member of the same group of companies as the Depository or if, not being a member of the same group of companies, the Depository shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or Agent.
- (i) The Depository may terminate the Deed Poll by giving 30 days' notice to Holders. During such period, Holders may cancel their Depository Interests and withdraw the underlying Ordinary Shares and, if any Depository Interests remain outstanding after termination, the Depository must, among other things, deliver the same to the relevant Holders or, at its discretion, sell all or some of such Ordinary Shares and request for removal of the Depository Interests from the CREST system. The Depository shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to it, together with any other cash held by it under the Deed Poll, *pro rata* to the Holders.

- (j) The Depository or the Custodian may require from any Holder information as to the capacity in which Depository interests are owned or held and the identity of any other person with any interest of any kind in such Depository Interests or the underlying Shares and the holders are bound to provide such information requested. Furthermore, to the extent that, among other things, the Company's constitution requires disclosure to the Company of, or limitations in relation to, beneficial or other ownership of, or interests of any kind whatsoever, in the Ordinary Shares, the Holders are to comply with such provisions and with the Company's instructions with respect thereto.

9.8 ***Depository services agreement ("Depository Services Agreement")***

The terms of the Depository Services Agreement dated 18 November 2010 between the Company and the Depository relate to the Depository's appointment as Depository in relation to the Ordinary Shares. The Depository services include the issue and cancellation of Depository interests and maintaining the Depository Interests register.

In the event of termination, the parties agree to phase out the Depository's operations in an efficient manner without adverse effect on members and the Depository shall deliver to the Company (or as it may direct) all documents and other records relating to the Depository Interests which is in its possession and which is the property of the Company.

**10. Incentive schemes and options**

- 10.1 The Company has in issue as at the date of this document 21,496,727 listed options ("**Options**") which are exercisable at AUD0.40 and due to expire on 31 December 2013. The options are quoted on the ASX.

Under the terms of the Options:

- (a) Exercise of the Options is effected by the Option holder completing an election in writing to exercise such Options and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company.
  - (b) The Option holder is required to exercise the Options in order to participate in a bonus or entitlement issue of Shares by the Company.
  - (c) If, prior to the expiry of an Option, there is a reorganisation (including consolidation, subdivision, reduction or return) of the Share capital of the Company, the number of Shares subject to the Option and/or the exercise price will be adjusted in the manner required by the ASX Listing Rules.
  - (d) All Shares issued upon exercise of the Options will, from the date they are issued, rank equally in all respects with the issued Shares.
  - (e) Shares allotted and issued pursuant to the exercise of an Option will be allotted within the time prescribed by the ASX Listing Rules and the Company will apply for official quotation of Shares issued pursuant to the exercise of Options in accordance with the ASX Listing Rules.
- 10.2 Prior to 21 July 2010 the Company had in issue 101,616,729 Options, but on 19 May 2010 the Company announced to the ASX a proposal pursuant to which it would seek to reduce the number of Options in issue. It was intended that this occur by way of an offer to be made by the Company to each of the holders of Options to cancel those Options in consideration for an issue of Shares. The consideration offered was one Share for each 10 Options that were cancelled. The option cancellation offer was contained in a prospectus that was lodged with ASIC (and released to the ASX) on 4 June 2010 and was conditional upon Shareholder approval which was obtained on 21 June 2010. On 21 July 2010 and 22 July 2010 the Company announced that the offer to option holders closed on 16 July 2010 with acceptances representing 80,120,002 Options and that, as a result, the Company would issue 8,012,005 new Shares on that date.
- 10.3 There are no unlisted options in issue.

- 10.4 The Company has established employee share and option plans (“**Plans**”, being the “**Option Plan**” and the “**Share Plan**”). The main terms of the Option Plan provide an additional incentive to eligible persons (being directors and other officers, employees, contractors to and consultants of the Company and its subsidiaries) to provide dedicated and ongoing commitment and effort to the Group, and for the Company to reward its directors and other officers, employees, contractors and consultants for their efforts.

Shares issued pursuant to the exercise of the employee options will rank *pari passu* in all respects with the Company’s existing Shares.

Employee options may not be assigned and will not be listed for quotation on the ASX. However, the Company will make application for the official quotation of Shares issued on the exercise of employee options to the ASX and to each other stock exchange on which Shares are listed or to which the Shares are admitted at the time.

Under the Share Plan, which enables participation by all eligible employees (being directors and other officers, employees, contractors and consultants of the Group who are determined by the Board to be an eligible employee for the purposes of the Share Plan), employees may be offered the opportunity to subscribe for Shares in the Company (“**Employee Shares**”). Under the terms of the Share Plan, to assist employees to participate in the Share Plan the Company may offer limited recourse loans (repayable in accordance with their terms) to employees to finance the acquisition price of Employee Shares.

Shares issued under the Share Plan may not be assigned for a period of one year (as to one third), two years (as to one third) and three years (as to one third).

There are requirements for the exercise price of employee options and the issue price for Employee Shares to be not less than the volume weighted average share price of the Company’s Shares over the preceding ten business days before the date of grant or issue.

The Company must take reasonable steps to ensure that the number of Employee Shares and Shares that are the subject of employee options, when aggregated with any Shares that are the subject of offers or invitations under any employee share schemes and any shares issued during the previous five years pursuant to employee shares schemes, does not exceed 5 per cent. of the total number of Shares in issue as at the time of the relevant offer (in accordance with the terms of the Option Plan).

- 10.5 The ASX Listing Rule 7.2 exempts from the Listing Rule 7.1 restriction on the number of equity securities that may be issued (in general 15 per cent. in any 12 months) an issue under an employee incentive scheme if within 3 years before the date of issue holders of ordinary securities have approved the issue of securities under the scheme as an exception to Listing Rule 7.1. The issue of securities under the Plans has not been approved in the last 3 years and accordingly any issue of securities pursuant to the Plans (without shareholder approval in the interim) would use some of the Company’s 15 per cent. issue capacity under Listing Rule 7.1.

## 11. Significant shareholders

- 11.1 As at 8 December 2010, being the last practicable date prior to the date of this document, the Company is aware of the following persons, other than the Directors whose interests are set out at 12.1 of this document, who at the date of this document and immediately following Admission (on the assumption that all Placing Shares are placed), will be interested (within the meaning of Part VI of the 2006 Act) directly or indirectly, in 3 per cent. or more of the total voting rights of the Company's issued share capital:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Following Admission</i>	
	<i>No. of Shares</i>	<i>% of issued share capital</i>	<i>No. of Shares</i>	<i>% of issued share capital</i>
Richmond Capital LLP	—	—	33,000,000	11.0
National Nominees Limited	29,166,109	14.7	29,166,109	9.8
Mr Henrik Willem Bonsma	17,050,000	8.6	17,050,000	5.7
Henderson Global Investors	—	—	15,000,000	5.0
HSBC Custody Nominees (Australia) Limited	8,470,320	4.3	8,470,320	2.8
Apollinax Inc	8,309,203	4.2	8,309,203	2.8

- 11.2 Save as disclosed above, the Directors are not aware of any person who at the date of this document or immediately following Admission exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company. For the purposes of this paragraph, “control” means the ability, in practice, to determine the actions of the Company, whether jointly or alone.
- 11.3 The rights attaching to those Shares held by Directors (set out in paragraph 12.1 of Part VI of this document) and those Shares referred to in paragraph 11.1 above, are equal in all respects to those attaching to all Shares in the share capital of the Company and have no special voting rights which attach thereto.

## 12. Directors and Other Interests

### 12.1 Share interests

As at the date of this document and immediately following Admission (on the assumption that all the Placing Shares are placed), the interests of the Directors, their immediate families and persons connected with them (within the meaning of section 252 of the 2006 Act) in the share capital of the Company, all of which are beneficial, unless otherwise stated, are as follows:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Following Admission</i>	
	<i>No. of Shares</i>	<i>% of issued share capital</i>	<i>No. of Shares</i>	<i>% of issued share capital</i>
Edward Francis Gerrard Nealon	1,145,000	0.6	1,145,000	0.4
Kevin Scott Huntly	5,334,008	2.7	5,334,008	1.8
Grant Michael Button	1,436,000	0.7	1,436,000	0.5

- 12.2 Mr Scott Huntly's Shares are held as follows: 1,887,000 Shares are held directly by Mr Huntly; 3,197,008 Shares are held indirectly via Excel Lead Holdings Pty Ltd (as trustee); and 250,000 Shares are held indirectly via Zambia Global Inc. (as trustee). A member of Mr Huntly's close family is the beneficial owner of a further 100,000 shares.
- 12.3 Save as disclosed in paragraph 12.1 above, none of the Directors nor any member of their respective immediate families, nor any person connected with them within the meaning of sections 252 to 254 of the 2006 Act, is interested in the share capital of the Company, or in any related financial products referenced to the Shares.

#### 12.4 *Directorships*

Save for directorships of Group companies, the directorships currently held by each of the Directors or held by them over the five years preceding the date of this document are as follows:

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Kevin Scott Huntly	N/A	Washington Resources Limited Sylvania Resources Limited
Edward Francis Gerrard Nealon	Tanzanite One Limited Almaretta Pty Limited Danwell Holdings Pty Limited Athlone International Consultants Pty Limited	Sylvania Resources Limited
Dr Frederik Stefanus Botha	N/A	N/A
Klaus Borowski	AMT (Pty) Limited	N/A
Grant Michael Button	Sylvania Resources Limited Magnum Mining & Exploration Limited Realm Resources Limited Alamar Resources Limited	N/A
Kofi Morna	Mkhombi Investments (Pty) Limited Mkhombi AmaMato (Pty) Limited Aquarius Platinum Limited Platinum Mile (Pty) Limited Savannah Platinum (Pty) Limited Malibongwe Platinum Limited Savannah Resources (Pty) Limited Mkhombi Mining (Pty) Limited Mkhombi AmaMoto (Pty) Limited Delta Iron Ore (Pty) Limited Metanza Furnace Technologies (Pty) Limited Hall Core Drilling (Pty) Limited	N/A
Theodore Carl Droste	Bay Precision and Mining (Pty) Limited Hatch Africa (Pty) Limited TC Droste Investments (Pty) Limited	N/A

#### 12.5 *Loan capital*

Save as disclosed in this paragraph 12.5, none of the Directors has any interest in the loan capital of the Company, whether beneficial or otherwise.

At the annual general meeting of the Company held on 30 November 2010, the following Directors or their related parties were given loans by the Company to purchase the following number of shares at a price of 19.8 cents per Share:

<i>Director</i>	<i>No. of Shares purchased</i>	<i>Amount of loan</i>
Edward Francis Gerrard Nealon	600,000	AUD 118,800
Grant Michael Button	500,000	AUD 99,000
<i>Related party</i>		
Andrew Blair Nealon	200,000	AUD 39,600

#### 12.6 *Interests in assets*

No Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to the Company and no contract or arrangement exists in which a Director is materially interested and which is significant to the business of the Company.



### 12.7 **Loans and guarantees**

No loan or guarantee has been granted or provided by any company in the Group to any Director or any person connected with them and no loans are outstanding from any company in the Group to any of the Directors.

### 12.8 **Interests in transactions**

None of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

### 12.9 **Options**

As at the date of this document and immediately following Admission, the interests of the Directors, their immediate families and persons connected with them in respect of Options will be as follows:

<i>Director</i>	<i>No. of Shares over which Options held as at the date of this document and immediately follow Admission:</i>
Kevin Scott Huntly	600,000
Dr Frederik Stefanus Botha	500,000
Theodore Carl Droste	500,000
Kofi Morna	500,000
Klaus Borowski	500,000

These options are exercisable within 3 years of grant, for an exercise price of 19.8 cents per Share.

### 12.10 **Partnerships**

None of the Directors is a partner in a partnership nor has been a partner in any partnership in the five years preceding the date of this document.

### 12.11 **Convictions**

No Director has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.

### 12.12 **Insolvency**

None of the Directors has been a director of any company at the time of or within twelve months preceding the date of its receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors and none of the Directors has been a partner of any partnership at the time of or within twelve months preceding the date of its compulsory liquidation, administration or partnership voluntary arrangement or the receivership of any assets of such partnership nor have any of their assets been subject to receivership at the time of or within twelve months following the cessation of such directorship or partnership.

### 12.13 **Statutory criticism**

None of the Directors has been criticised by any statutory or regulatory authorities (including recognised professional bodies) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

### 12.14 **Directors' service agreements**

Certain Directors provide services to the Company by way of service agreements. The key terms of each of their agreements are summarised below:

#### (a) *Mr Ed Nealon*

This agreement is by way of letter dated 15 October 2010 from Mr Huntly on behalf of the Company addressed to Mr Nealon by which the Company engages the services of Mr Nealon as Executive Chairman.

The agreement provides that:

- (i) Mr Nealon is responsible for promotion of the Company and assisting the Managing Director in the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board;
  - (ii) Mr Nealon's salary will, unless otherwise agreed or varied, from 1 January 2011 be AUD80,000 per annum plus applicable compulsory superannuation, payable monthly;
  - (iii) The Company will reimburse Mr Nealon the costs associated with carrying out business for the Company, including the costs of travel and accommodation away from home and the costs of telephone and other communications incurred in carrying out such business;
  - (iv) Mr Nealon will be offered participation in any employee incentive plan that may be approved by the Directors and Shareholders of the Company, if and when such plan may be implemented;
  - (v) The services may be terminated by either party without cause by giving not less than three months' notice, provided that in the event that Mr Nealon wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.
- (b) *Mr Kevin Scott Huntly*

This agreement is by way of letter dated 9 March 2010 from Mr Nealon on behalf of the Company addressed to Mr Huntly by which the Company engages the services of Mr Huntly (effective from 1 February 2010) to work in the position of Managing Director of the Company.

The agreement provides that:

- (i) Mr Huntly is responsible to the Chairman and to the Board for the full-time management and direction of the Company's activities and operations, including that of its subsidiaries;
- (ii) Mr Huntly's salary will, unless otherwise agreed or varied, be ZAR1,690,000 per annum, payable monthly and, unless required by applicable law, the Company will not pay or contribute to any superannuation or pension plan in respect of Mr Huntly's salary;
- (iii) The Company will reimburse Mr Huntly the costs associated with carrying out business for the Company, including the costs of travel and accommodation away from home and the costs of telephone and other communications incurred in carrying out such business;
- (iv) Mr Huntly will be offered participation in any employee incentive plan that may be approved by the Directors and Shareholders of the Company, if and when such plan may be implemented;
- (v) The remuneration payable per annum is to be reviewed annually;
- (vi) Mr Huntly will be granted four weeks paid holiday per annum to be taken at a time mutually agreeable. Statutory holidays will be those normally applicable to Johannesburg; and
- (vii) The services may be terminated by either party without cause by giving not less than three months' notice, provided that in the event that Mr Huntly wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.

The agreement further sets out the responsibilities of Mr Huntly's role and contains provisions relating to the protection of confidentiality and of the Company's intellectual property.

(c) *Dr Frederik Stefanus Botha*

This agreement is by way of letter dated 1 November 2010 from Mr Huntly on behalf of the Company addressed to Dr Botha by which the Company engages the services of Dr Botha to work in the position of Operations Director of the Company.

The agreement provides that:

- (i) Dr Botha is responsible to the Managing Director and the Executive Chairman and to the Board for overseeing and managing the development of the Project;
- (ii) Dr Botha's salary will, unless otherwise agreed or varied, be ZAR100,000 per month;
- (iii) The Company will reimburse Dr Botha the costs associated with carrying out business for the Company, including the costs of travel and accommodation away from home and the costs of telephone and other communications incurred in carrying out such business;
- (iv) Dr Botha will be granted four weeks paid holiday per annum to be taken at a time mutually agreeable for Dr Botha and the managing director. Dr Botha will be paid his usual monthly fee for the period of holiday taken; and
- (v) The services may be terminated by either party without cause by giving not less than one month's notice, provided that in the event that Dr Botha wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.

The agreement further sets out the responsibilities of Dr Botha's role and contains provisions relating to the protection of confidentiality and of the Company's intellectual property.

(d) *Mr Theodore Carl Droste*

This agreement is by way of letter dated 3 May 2010 under the terms of which, TC Droste Investments (Pty) Ltd ("***Droste Investments***") (a company associated with Mr Droste) is invited to provide services to the Company effective from 1 May 2010. Droste Investments will through Mr Droste (or, if he personally is not available either permanently or from time to time, through another individual nominated by Droste Investments who is acceptable to the Board) carry out the role of technical and commercial consultant for the Company.

The agreement provides that:

- (i) Droste Investments is responsible to the managing director and to the Board for the provision of services in relation to government, marketing of product, advice on processing alternatives and working closely with engineers and other technical personnel on the Company's projects and financial personnel in relation to feasibility studies and financing;
- (ii) The fees payable to Droste Investments will, unless otherwise agreed or varied, be AUD7,500 per month (excluding VAT, where applicable) engaged in providing the services. It is acknowledged and agreed that the fees payable are calculated on the basis that Droste Investments will supply Mr Droste's services as and when required for the Company to carry out its strategic plans to become an iron product producer in the RSA and that Mr Droste will be so available to provide the services, with a notional availability of 30 hours per month;
- (iii) The consultancy may be terminated by either party without cause by giving not less than three months' notice, provided that in the event that Mr Droste wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.

The agreement also sets out the responsibilities of the role and contains provisions relating to the protection of confidentiality and of the Company's intellectual property.

The Company has also entered into an agreement by way of letter dated 15 October 2010 from the Company addressed to Mr Droste by which the Company confirms Mr Droste's appointment as a non-executive director of the Company. The letter has been signed by Mr Droste.

The agreement provides that:

- (i) Mr Droste will discharge the duties of a non-executive director in accordance with the Company's constitution;
- (ii) Mr Droste's Director's fee will be AUD30,000 per annum and he is entitled to fees and other amounts as the Board determines where special duties or services outside the ordinary scope of the duties of a director have been performed;
- (iii) The Company will reimburse Mr Droste for the costs associated with carrying out his directorship; and
- (iv) The directorship will become vacant if Mr Droste is prohibited from being or ceases to be a director under the Corporations Act, becomes bankrupt, is of unsound mind, resigns, is not re-elected or is removed pursuant to the Company's constitution.

The agreement further sets out the responsibilities of Mr Droste's role and contains provisions relating to the declaration of interests as a Director, compliance with the Company's policy for trading in Company securities, protection of confidentiality and an agreement not to compete with the Company.

(e) *Mr Grant Button*

This agreement is by way of letter dated 15 October 2010 from the Company addressed to Mr Button by which the Company confirms Mr Button's appointment as a non-executive director of the Company. The letter has been signed by Mr Button.

The agreement provides that:

- (i) Mr Button will discharge the duties of a non-executive director in accordance with the Company's constitution;
- (ii) Mr Button's Director's fee will be AUD30,000 per annum and he is entitled to fees and other amounts as the Board determines where special duties or services outside the ordinary scope of the duties of a director have been performed;
- (iii) The Company will reimburse Mr Button for the costs associated with carrying out his directorship; and
- (iv) The directorship will become vacant if Mr Button is prohibited from being or ceases to be a director under the Corporations Act, becomes bankrupt, is of unsound mind, resigns, is not re-elected or is removed pursuant to the Company's constitution.

The agreement further sets out the responsibilities of Mr Button's role and contains provisions relating to the declaration of interests as a Director, compliance with the Company's policy for trading in Company securities, protection of confidentiality and an agreement not to compete with the Company.

(f) *Mr Kofi Morna*

This agreement is by way of letter dated 15 October 2010 from the Company addressed to Mr Morna by which the Company confirms Mr Morna's appointment as a non-executive director of the Company. The letter has been signed by Mr Morna.

The agreement provides that:

- (i) Mr Morna will discharge the duties of a non-executive director in accordance with the Company's constitution;

- (ii) Mr Morna's Director's fee will be AUD30,000 per annum and he is entitled to fees and other amounts as the Board determines where special duties or services outside the ordinary scope of the duties of a director have been performed;
- (iii) The Company will reimburse Mr Morna for the costs associated with carrying out his directorship; and
- (iv) The directorship will become vacant if Mr Morna is prohibited from being or ceases to be a director under the Corporations Act, becomes bankrupt, is of unsound mind, resigns, is not re-elected or is removed pursuant to the Company's constitution.

The agreement further sets out the responsibilities of Mr Morna's role and contains provisions relating to the declaration of interests as a Director, compliance with the Company's policy for trading in Company securities, protection of confidentiality and an agreement not to compete with the Company.

(g) *Mr Klaus Borowski*

This agreement is by way of letter dated 1 September 2010 from the Company addressed to Mr Borowski by which the Company confirms Mr Borowski's appointment as a non-executive director of the Company. The letter has been signed by Mr Borowski.

The agreement provides that:

- (i) Mr Borowski will discharge the duties of a non-executive director in accordance with the Company's constitution;
- (ii) Mr Borowski's Director's fee will be AUD30,000 per annum and he is entitled to fees and other amounts as the Board determines where special duties or services outside the ordinary scope of the duties of a director have been performed;
- (iii) The Company will reimburse Mr Borowski for the costs associated with carrying out his directorship; and
- (iv) The directorship will become vacant if Mr Borowski is prohibited from being or ceases to be a director under the Corporations Act, becomes bankrupt, is of unsound mind, resigns, is not re-elected or is removed pursuant to the Company's constitution.

The agreement further sets out the responsibilities of Mr Borowski's role and contains provisions relating to the declaration of interests as a Director, compliance with the Company's policy for trading in Company securities, protection of confidentiality and an agreement not to compete with the Company.

#### 12.15 *Arrangements with Directors' family members*

Mr Andrew Blair Nealon is the son of a Director, Mr Ed Nealon, and is therefore considered a related party of the Company. He acts as a Joint Company Secretary of the Company. The Company entered into a company secretary services agreement in respect of the consultancy services of Mr Andrew Nealon with Athlone International Consultants Pty Limited ("**Athlone**") (an Australian company with ACN 009 430 497 of which Mr Ed Nealon is a director) on 1 February 2010. The agreement provides that it is deemed to have commenced on the "Commencement Date" as defined therein and will remain in force until a date being one month following either party giving the other notice. The "Commencement Date" is defined as the day upon which the "Consultant's Nominee" (as defined therein) was appointed as joint company secretary of the Company. Mr Andrew Nealon has been a joint company secretary of the Company since 7 March 2007.

The agreement provides that:

- (i) The Company will engage Athlone and Athlone will provide to the Company consultancy services through the personal services of Mr Andrew Blair Nealon or, if he is not available, another individual acceptable to the Company, as company secretary of the Company;

- (ii) Each of the parties acknowledges and agrees that neither Athlone nor Mr Nealon will in the provision of the services be or be considered to be an employee of the Company;
- (iii) In the event that Mr Nealon ceases to be available for the provision of the services to the Company, it may, in its absolute discretion, terminate the agreement forthwith by notice to Athlone;
- (iv) In consideration for Athlone providing the services set out in the agreement, the Company will pay to Athlone a consultancy fee specified as AUD60,000 per annum plus applicable goods and services tax payable by monthly instalments in arrears on presentation of a valid tax invoice but subject to variation in the event of variation of the "Retainer Period" (defined as a minimum of 38 hours per month, provided that the length of the Retainer Period may be varied up or down by mutual agreement or varied down unilaterally by the Company by notice to Athlone effective one month after service of the notice). The consultancy fee is to be reviewed as at 30 June and 31 December each year and if the Board thinks appropriate will be increased having regard to the circumstances of the Company and the performance of Athlone, but will in any event be increased in proportion to the consumer price index. For the avoidance of doubt, the consultancy fee is inclusive of any income tax and superannuation required by law to be paid in respect of payments under the agreement;
- (v) The Company must promptly pay or reimburse Athlone's expenses properly incurred with the approval of the Board or the chief executive officer in promoting or maintaining the business or goodwill of the Company or arising in the normal course of carrying on the business including the cost of all business related calls and other telephone charges.

The agreement contains further provisions in respect of confidentiality, reports and records, conflicts and dispute resolution by mediation (none of which are unusual for this type of agreement).

### **13. Material contracts**

Save as set out in this document, the following are the only contracts which:

- (i) (being contracts otherwise than in the ordinary course of business) have been entered into by members of the Group as at the date of this document and are or may be material to the Group or have been entered into by any member of the Group at any time and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document; and
- (ii) are material subsisting agreements which have been entered into by any member of the Group at any time and which are included within, or which relate to the assets and liabilities of any member of the Group as at the date of this document (notwithstanding whether such agreements are (i) within the ordinary course or (ii) were entered into outside of the two years immediately preceding the date of this document).

#### **13.1 *Placing Agreement***

The Company entered into an agreement with Ambrian, Ocean Equities, the Directors and Mr Robert Hair (therein referred to as the "Manager") on 10 December 2010 in relation to the Admission and the Placing. Under the terms of this agreement, the Company appointed Ocean Equities as its agent to procure subscribers for the Placing Shares and Ocean Equities agreed, as agent for the Company, to use its reasonable endeavours to place with subscribers the Placing Shares at the Placing Price. Neither Ambrian nor Ocean Equities are under any obligation to subscribe for any Placing Shares for which Ocean Equities is unable to procure subscribers.

The agreement contains, *inter alia*, warranties from the Company and the Directors (the Directors' liabilities being capped) and indemnities from the Company in favour of Ambrian and Ocean Equities together with provisions enabling Ambrian and Ocean Equities to terminate the agreement prior to Admission (*inter alia*) if certain warranties are found not to be true or accurate.

Under this agreement, the Company has agreed to pay Ocean Equities a commission of 5 per cent. of the Placing Price of the Placing Shares subscribed for by persons introduced by Ocean Equities and 1 per cent. of the aggregate value of the placing price for the Placing Shares subscribed by persons introduced by parties other than Ocean Equities. Both Ambrian and Ocean Equities will be entitled to be reimbursed for all their reasonable and proper costs, charges and expenses.

Pursuant to the agreement, in the first 12 month period following Admission, the Directors are restricted from disposing of their Shares, or any interest therein, except in specific limited circumstances which are referred to in the agreement. In addition, the Directors are restricted for a further 12 month period from disposing of their Shares, or any interest therein, other than through Ocean Equities.

### 13.2 *Nominated Adviser Agreement*

On 1 November 2010, the Company entered into an agreement with Ambrian pursuant to which (*inter alia*), Ambrian was appointed to act as Nominated Adviser to the Company from Admission. The appointment is for an initial period of 12 months and thereafter terminable by the Company and Ambrian upon 90 days' written notice. The appointment can be terminated immediately by Ambrian in the case of: a material breach of the terms of the agreement by the Company; the Company failing to implement Ambrian's advice on a material matter; the Company failing to comply with the AIM Rules; a material failure to make disclosures required by the AIM Rules by the Company or the Directors; the Company failing to pay fees; or the Company becoming insolvent. The appointment can be terminated immediately by the Company in the case of: Ambrian being removed from the register of nominated advisers; Ambrian ceasing to be a member firm of the LSE; Ambrian failing to perform its services; or Ambrian being in material breach of the AIM Rules for Nominated Advisers.

### 13.3 *Broker agreement*

On 10 December 2010, the Company entered into an agreement with Ocean Equities and the Directors pursuant to which (*inter alia*), Ocean Equities was appointed to act as broker to the Company from Admission. The appointment is for an initial period of one year and thereafter terminable by the Company or Ocean Equities upon 90 days' written notice. The appointment can be terminated immediately by either party in the case of a material breach of the terms of the agreement.

### 13.4 *Orderly Market Agreement*

On 10 December 2010, the Company, Henrik Willem Bonsma, Ambrian and Ocean Equities entered into an orderly marketing agreement. Pursuant to the agreement, for a period of 12 months from the date of Admission, Henrik Willem Bonsma and his Related Parties (as defined in the AIM Rules) agreed that they would only dispose of their Ordinary Shares, or any interest therein, through Ocean Equities on the terms set out in the agreement.

### 13.5 *Agreement with Richmond Resources Pty Ltd*

By way of letter dated 30 March 2010 from Robert Van der Laan on behalf of Richmond Resources Pty Ltd ("**Richmond**"), the Company has entered into a services agreement with Richmond Resources Pty Ltd pursuant to which it has been granted a licence to occupy the premises leased by Richmond at Unit 1, 135 Great Eastern Highway, Rivervale WA 6103.

The letter specifies that:

- (a) The Company is licensed from time to time as required, while Richmond holds a lease of the premises, to occupy offices and workspaces within the premises for the purpose of maintaining its registered office and principal place of business;
- (b) Richmond will provide to the Company office facilities, including consumables and utilities, furniture, photocopiers, computers and servers, telephones and scanners and the services of administrative support personnel as required;
- (c) The Company is licensed to store corporate records on the premises;

- (d) The Company will pay to Richmond a licence fee of AUD4,000 per month for the above licence (indexed to the CPI for Perth, Western Australia) and a fee for the above services which are based upon their cost to Richmond plus 5 per cent. Richmond will charge a rate of AUD65.00 per hour for administrative staff and a rate of AUD67.50 per hour for Geological staff;
- (e) The Company agrees to indemnify and hold harmless Richmond in respect of any loss or damage to Richmond arising out of the negligence or default of the Company or its officers, agents or licensees arising through their use or occupation of the premises. The Company must maintain public liability insurance cover of not less than AUD1,000,000 in respect of its occupation of the premises and must ensure that Richmond is noted as a beneficiary under that policy.

13.6 ***Tenement Sale Agreement between the Company with Northern Uranium Limited and dated 15 November 2010 (“Sale Agreement”)***

The Company has entered into an agreement with Northern Uranium Limited (“**Northern**”) whereby Northern will acquire all of the Company’s interests in exploration or mining tenements in Australia. The agreement is dated 15 November 2010 and is subject to the receipt of any necessary approvals under relevant mining legislation in Western Australia and the Northern Territory (of Australia).

Under the Sale Agreement, the Company will transfer any legal title that it holds or in which it has an interest and will assign its beneficial interest in all tenements that it does not hold legally.

Upon completion of the Sale Agreement, Northern will assume the Company’s obligations in respect of any joint ventures in which the Company has an interest, with the parties to enter into deeds of assignment and assumption in respect thereof. The Company will deliver all technical information in its possession in respect of the interests being transferred (“**Mining Information**”).

The purchase price for the package is AUD600,000, and the parties expect to complete within the month of November 2010. Two tenements are subject to joint venturers’ pre-emptive rights, (see paragraphs 13.7 and 13.8 below) and if those rights have not been waived by the time of completion, then the value ascribed to those tenements will be withheld accordingly. (The values ascribed are AUD25,000 in respect of one tenement and AUD100,000 in respect of the other. The holder of the latter interest has indicated verbally that it will consent to the transfer to Northern of the affected tenement).

The Company has given the following representations and warranties to Northern under the Sale Agreement:

- To the best of its knowledge, the tenements are in full force and effect in accordance with the Act and any other applicable laws and in particular, but without limitation, all rentals, rates, taxes, payments and work required to be paid or done in connection with the tenements have been paid and done and all conditions and obligations specified or relating to the tenements have been duly complied with except where expenditure exemptions have been granted or applied for;
- Except as provided in the Sale Agreement, the tenements are free of all third party interests arising through the Company;
- Except as provided in the agreement, no person other than the Company has any right to explore for or mine for minerals in any part of the tenements;
- There is no dispute or litigation, arbitration or other legal proceedings concerning the tenements pending or threatened of which the Company has had notice or is otherwise aware, or ought on reasonable enquiry to be aware, and which may impair in any way any rights in respect of the tenements;



- There are no environmental liabilities relating to or affecting the tenements, nor are there any circumstances relating to the tenements which may reasonably be expected to give rise to future environmental liabilities;
- To the best of its knowledge, the Mining Information is complete and accurate in all material respects; and
- To the best of its knowledge, all native title procedures required to be followed in relation to the grant of the tenements have been complied with in all respects.

Northern acknowledges that it acquires the tenements subject to any native title claim in relation to them and that the Company makes no warranty as to whether native title exists over any of the tenements.

The Company indemnifies and will keep indemnified Northern from and against all actions, claims, demands, suits, losses, damages, costs, expenses (including all reasonable legal costs and expenses) and any other liabilities whatsoever which may be incurred, suffered or sustained by Northern arising in consequence of any of the above representations or warranties being incorrect. There is a two year time limitation on making a claim in respect of such indemnity and the Company's liability is limited to the aggregate of the sale consideration (AUD600,000).

**13.7 *Heads of Agreement for Farm-in Joint Venture Agreement between Red Desert Minerals Pty Ltd (“RDM”) and FCR dated 23 April 2008 (“HOA”)***

Although described as a “Heads of Agreement” this document is expressed to be executed as an agreement and the parties acknowledge the creation of legally binding rights and obligations in relation to the subject matter. The HOA recites that RDM wishes to form an unincorporated contractual joint venture with the Company to explore for all minerals other than the Excluded Minerals (as defined) and, if warranted, develop mining operations on the tenement which is the subject matter of application for exploration licence EL25434 in Australia made by the Company.

Under the terms of the HOA:

- (a) RDM (a wholly owned subsidiary of Western Desert Resources Limited) can earn up to an 80 per cent. interest in the joint venture by funding exploration expenditure totalling A\$1.05 million within five years of date of grant of the tenement;
- (b) The Company has no obligation to contribute to joint venture expenditure until RDM earns a 51 per cent. interest in the joint venture by sole funding AUD350,000 of Allowable Expenditure (as defined) by the second anniversary of the date of the grant of the tenement (subject to RDM then exercising an option to sole fund an additional AUD700,000 of Allowable Expenditure within 3 years of the date of the exercise of the option to earn an additional 29 per cent. interest in the joint venture);
- (c) If a party is required to contribute to expenditure of the joint venture but does not wish to contribute it may elect to dilute. If the interest of either party reduces to less than 10 per cent., then the relevant party must assign the interest to the other party for no consideration and the first party will become entitled to a 1.5 per cent. Net Smelter Return royalty upon assignment of the interest; and
- (d) A party must not assign to any third party its rights, interests and obligations under the HOA or transfer its interest in the joint venture without first offering the rights on the same terms and conditions to the other party and (except an assignment by a party of its rights to a related body corporate) obtaining the other party's written consent to the proposed assignment (such consent not to be unreasonably withheld or delayed). Where the assignment to the third party is proposed to be for non-cash consideration, the offer to the other party must include a cash alternative which is equivalent in value to the non-cash consideration. The assignee must enter into a deed of assignment and assumption with the assignor and the other party.

The relevant tenement has yet to be granted in respect of this HOA.

## **14. Related Party Transactions**

Save as disclosed in this document, during the period of two years immediately preceding the date of this document, the Company has not entered into any related party transactions.

## **15. Guarantees**

The Group has given the following guarantees:

### **15.1 FML**

FML has undertaken by a guarantee dated 17 June 2008 to the DMR that it will, upon the grant of the application under section 11(1) of the Mineral and Petroleum Resources Development Act, No. 28 of 2002 to which Nelesco is a party, guarantee the due, proper and punctual payment and/or performance by Nelesco of its guarantee in favour of TMT in respect of all of its obligations to the DMR arising from and/or in connection with the prospecting right LP30/5/1/1/4/402PR relating to the Project.

Under section 124(1) of the Corporations Act, FML has the legal capacity and powers of an individual both in and outside this jurisdiction (including the power to give a guarantee).

### **15.2 Nelesco**

Nelesco has provided a guarantee in favour of the DMR dated 17 June 2008 for the due, proper and punctual payment and/or performance by TMT of all of its obligations to the DMR arising from or in connection with the prospecting right LP30/5/1/1/4/402PR relating to the Project. The obligations under this guarantee are both financial and performance-based (for example, the DMR can oblige Nelesco to carry out the rehabilitation obligations required pursuant to the prospecting right LP30/5/1/1/4/402PR).

### **15.3 TMT**

The rehabilitation and closure costs of the exploration activities of TMT (on an unplanned closure basis) have been estimated by Metago Environmental Engineers (Pty) Ltd (being the firm commissioned by TMT to update the financial provision associated with TMT's exploration activities) at an amount of ZAR271,155. As security for this rehabilitation obligation, TMT has deposited an amount of ZAR12,000 in a rehabilitation trust in accordance with the requirements of the DMR. Pursuant to a revised rehabilitation liability assessment made by Metago Environmental Engineers (Pty) Ltd, the DMR's requested that TMT increase this rehabilitation security and, accordingly, TMT deposited a further ZAR265,000 in its rehabilitation trust in satisfaction of the DMR's requirements.

## **16. Working Capital**

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Group will be sufficient for its present requirements, that is, for at least twelve months from the date of Admission.

## **17. Loans**

### **17.1 Loan Funding to Batavia**

As at the date hereof, Batavia had received aggregate loan funding from the Company in the amount of AUD3,788,719.13 which loan is unsecured and interest free with no fixed terms of repayment (but by intent the loan is of a long term nature).

### **17.2 Loan funding to Nelesco**

As at the date hereof, Nelesco had received aggregate loan funding from:

- (a) the Company in the amount of AUD2,358,978.02, which loan is unsecured and interest free with no fixed terms of repayment (but by intent the loan is of a long term nature). This loan has been subordinated by the Company in favour of the remaining creditors of Nelesco until such time as the assets of Nelesco exceed its liabilities; and

- (b) Batavia in the amount of AUD2,830,000 which loan is unsecured and interest free with no fixed terms of repayment (but by intent the loan is of a long term nature).

The Authorised Dealer of The Standard Bank of South Africa and the Financial Surveillance Department of the South African Reserve Bank have approved the abovementioned funding with respect to the Exchange Control Regulations promulgated pursuant to section 9 of the Currency and Exchanges Act, 1933.

### 17.3 *Loan funding to TMT*

As at the date hereof, TMT had received aggregate loan funding from Nelesco in the amount of ZAR244,169.14 which loan has been subordinated by Nelesco in favour of the remaining creditors of TMT until such time as the assets of TMT exceed its liabilities, and which loan is unsecured and interest free with no fixed terms of repayment (but by intent the loans are of a long term nature).

## 18. Taxation

The following information is intended only as a general guide to the position under current UK taxation law and H M Revenue and Customs practice as at the date of this document. It is intended for shareholders who are beneficial owners of Shares, who are resident or ordinarily resident in the UK for UK tax purposes and who hold shares as an investment and not as securities to be realised as an asset in the course of a financial trade. The guidance is not exhaustive and does not consider reliefs or exemptions. This is not a substitute for professional advice. Its applicability will depend upon the particular circumstances of shareholders and in particular may not apply to shareholders who are also employees of the Company or persons who may be subject to taxation in a jurisdiction other than the UK. Any person who is in any doubt as to their tax position should consult their own professional adviser immediately.

### 18.1 *Dividends*

Dividends paid by the Company will carry an associated UK tax credit of one-ninth of the cash dividend or 10 per cent. of the aggregate of the dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the dividend ordinary rate (10 per cent.), the dividend upper rate (32.5 per cent.) or the higher rate (42.5 per cent.) as set out below.

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. Higher rate taxpayers will have an additional tax liability (after taking into account the tax credit) of 22.5 per cent. of the aggregate of the cash dividend and associated tax credit. This will be equivalent to 25 per cent. of the cash dividend received. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

The tax rate of 42.5 per cent. applies on dividend income where the individual's income exceeds £150,000 (and where the dividend comprising the top slice of the shareholders' income, exceeds £150,000). After taking into account the one-ninth tax credit, there arises an effective tax rate on a cash dividend received of approximately 36.1 per cent.

A UK resident corporate shareholder will not generally be liable to corporation tax or income tax in respect of dividends received from the Company. However, the tax treatment of a dividend received by a corporate shareholder from the Company may vary depending on whether the recipient is a "small" company (broadly, one that has fewer than 50 employees and whose annual balance sheet total does not exceed €10 million) or otherwise. Dividends received from the Company may be taxable in the hands of a corporate shareholder if they do not fall within one of the exempt categories set out in Schedule 14 of Finance Act 2009, or they fall within specific anti-avoidance provisions.

Trustees who are liable to account for income tax at the rate applicable to trusts on the trust's income and are required to account for tax at the dividend trust rate of 32.5 per cent. against which they can get the tax credit. The higher rate of 42.5 per cent. applies where the level of taxable income exceeds £150,000.

It should however be noted that under the terms of the UK – Australia double taxation agreement, a 15 per cent. Australian withholding tax may apply to dividends paid by the Company. This rate is reduced to 5 per cent. in the case of a corporate shareholder who acquires at least a 10 per cent. stake in the Company. Any such withholding tax is creditable against the UK tax liability of a shareholder. However, where the withholding tax exceeds the corresponding UK tax liability, no refund is available. Where applicable, the Company will withhold this tax from dividends.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

## 18.2 *Chargeable gains*

A chargeable gain may accrue to a person who disposes of Shares.

*UK tax resident shareholders:*

- (i) A disposal or deemed disposal of Shares by a shareholder, who is resident, or in the case of an individual, ordinarily resident in the UK for tax purposes may give rise to a chargeable gain (or allowable loss) for the purposes of UK capital gains tax (where the shareholder is an individual) and UK corporation tax on chargeable gains (where the shareholder is within the charge to UK corporation tax), depending on their circumstances and subject to any available exemption or relief.
- (ii) In the case of an individual shareholder, the principal factors that will determine the extent to which a gain will be subject to UK capital gains tax are the extent to which he or she realises any other capital gains in the tax year of assessment in which the gain arises, the extent to which he or she has incurred capital losses in that or any earlier tax year of assessment and the level of the annual allowance of tax-free gains in the tax year of assessment in which the disposal takes place. Chargeable gains are currently taxed at 28 per cent. for higher and top rate income tax payers with basic rate tax payers liable at a rate of 18 per cent.).
- (iii) Any individual shareholders who are employees or officers of the Group and also hold more than 5 per cent. of the Share capital may qualify for entrepreneurs' relief if they have held those Shares for more than 1 year at the date of disposal. Entrepreneurs' relief currently reduces the effective rate of capital gains tax to 10 per cent. for the first £5 million of gain for those who qualify. Shareholders who believe they may qualify for entrepreneurs' relief are advised to seek independent tax advice.
- (iv) In the case of a corporate shareholder, the principal factors that will determine the extent to which a gain will be subject to UK corporation tax on chargeable gains are the extent to which it realises any other chargeable gains in the accounting period in which the gain arises and to the extent to which it has incurred capital losses in that or any earlier accounting period. A UK resident corporate shareholder disposing of its Shares may be liable to corporation tax on chargeable gains in relation thereto at the usual rates of corporation tax applicable to it (currently 21 per cent. to 28 per cent. depending broadly on the taxable profits of the corporate shareholder and number of companies under common control). In computing the chargeable gain liable to corporation tax, the corporate shareholder is entitled to deduct from the disposal proceeds, the cost to it of the Shares, together with the incidental costs of acquisition, as increased by indexation allowance and

disposal costs. A corporate shareholder owning 10 per cent. of the Company's Share capital for more than 1 year at the date of disposal may qualify for the Substantial Shareholding Exemption which exempts qualifying disposals from being chargeable gains. Corporate shareholders who believe they may qualify for the "Substantial Shareholding Exemption" are advised to seek independent tax advice.

*Temporary non-UK tax resident shareholders:*

- (i) An individual shareholder who ceases to be resident or ordinarily resident in the UK for a period of less than five years and who disposes of Shares during that period of temporary non-residence may, under anti-avoidance legislation, depending on his or her circumstances, be liable to UK capital gains tax on his or her return to the UK (subject to available exemptions or reliefs).

*Non-UK tax resident shareholders:*

- (i) A shareholder who is resident or, in the case of an individual, also not ordinarily resident for tax purposes in the UK (and is not temporarily non-resident as described above) will not be liable for UK tax on capital gains realised on the sale of other disposal of his or her Shares unless such Shares are used, held of acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency, or in the case of a corporate shareholder, through a permanent establishment. Such shareholders may be subject to foreign taxation on any gain under local law subject to the terms of any applicable double tax treaty.

### 18.3 **Stamp Duty and Stamp Duty Reserve Tax ("SDRT")**

Stamp duty and SDRT are normally the liability of the transferee of the relevant shares and the Company will not be responsible for the payment of stamp duty or SDRT in any case.

No stamp duty, or SDRT, will be payable on the allotment or issue of the Placing Shares, provided that they are not issued to a nominee, unless such clearance service or depositary receipt system is operated within the European Union.

Placing Shares held outside Crest: no United Kingdom stamp duty should generally be payable on the transfer of Placing Shares outside the CREST system, provided that any instrument of transfer is not executed in the UK and is kept outside the UK and does not relate to any property situated, or to any matter or thing done or to be done in the UK. UK stamp duty (at the rate of 0.5 per cent. of the amount or value of the consideration given for the transfer, rounded up, where necessary, to the nearest £5) is payable on any instrument of transfer of the Placing Shares executed or, in certain cases, brought into the UK. Provided that any Placing Shares held outside CREST are not registered in a register kept in the UK by or on behalf of the Company nor are paired with shares issued by a body corporate incorporated in the UK, no UK SDRT should generally be chargeable in respect of any agreement to transfer Placing Shares.

Entry into CREST: no stamp duty or SDRT should arise on the transfer of the Placing Shares to the depositary (or one of its subsidiaries), to hold in its capacity as depositary, nor on the subsequent issue by the depositary to that transferor of depositary interests representing the underlying Placing Shares in uncertificated form (which are eligible for settlement through CREST).

Transfers within CREST: assuming that transfers of Depositary Interests operate without any written instrument or transfer or written assignment to transfer, no stamp duty will be payable by the purchasers of such Depositary Interests.

SDRT should not be payable in respect of agreements to transfer the Depositary Interests within CREST for so long as the Depositary Interests continue to meet all the criteria set out for the SDRT exemption granted in The Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities Regulations 1999 (SI 1999/2383) as amended. However, holders of Depositary Interests are responsible for the payment of any tax, including stamp duty reserve tax, on the transfer of their Depositary Interests.

## **19. Litigation**

Neither the Company nor any member of the Group is involved in or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since incorporation which may or have had in the recent past a significant effect on the Company's or the Group's financial position or profitability.

## **20. Premises**

### **20.1 Freehold ownership**

The Company does not own any freehold titles to real property.

### **20.2 Leasehold ownership**

The Company does not lease any real property.

However, the Company has a services agreement with a company called Richmond Resources Pty Ltd which provides for a right to occupy Unit 1, 135 Great Eastern Highway, Rivervale WA 6103 (see paragraph 13.5 above).

## **21. Employees and Consultants**

21.1 As at the date of this document, the following persons are employed by the Company:

- (a) Mr Edward Francis Gerrard Nealon;
- (b) Mr Kevin Scott Huntly;
- (b) Dr Frederik Stefanus Botha; and
- (c) Mr Robert Van der Laan.

21.2 The terms of Mr Nealon's service agreement are set out in paragraph 12.15(a) above.

21.3 The terms of Mr Huntly's service agreement are set out in paragraph 12.15(b) above.

21.4 The terms of Dr Botha's service agreement are set out in paragraph 12.15(c) above.

21.5 The Company employs Mr Van der Laan as Chief Financial Officer of the Company. The terms of his service are set out in a letter agreement dated 6 April 2010 from Mr Hair as Company Secretary addressed to Mr Van der Laan and accepted by Mr Van der Laan on 9 April 2010. Pursuant to the terms of this agreement, Mr Van der Laan is employed (effective from 4 December 2009) to work in the position of Chief Financial Officer of the Company.

The agreement provides that:

- (i) Mr Van der Laan is responsible to the Managing Director and Company Secretary and to the Board for the Company's financial leadership, management and direction;
- (ii) Mr Van der Laan's salary (including applicable superannuation, which as a minimum will be at the rate of 9 per cent. per annum), will, unless otherwise agreed or varied, be AUD155,000 per annum, payable monthly;
- (iii) The Company will be responsible for its obligations in respect of workers' compensation or other employer obligations in respect of Mr Van der Laan's services;
- (iv) The Company will reimburse the costs associated with carrying out business for the Company, including the costs of travel and accommodation away from home and the costs of telephone and other communications incurred in carrying out such business;
- (v) Mr Van der Laan will be offered participation in any employee incentive plan that may be approved by the Board and Shareholders of the Company, if and when such plan may be implemented;

- (vi) The remuneration payable per annum is to be reviewed annually;
- (vii) Mr Van der Laan will be granted four weeks paid holiday per annum to be taken at a time mutually agreeable;
- (viii) The services may be terminated by either party without cause by giving not less than three months' notice, provided that in the event that Mr Van der Laan wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.

The agreement further sets out the responsibilities of the role and contains provisions relating to the protection of confidentiality and of the Company's intellectual property.

21.6 As at the date of this document, Sandra Hill is employed by Nelesco. The terms of her employment do not contain any unusual or onerous terms.

21.7 As at the date of this document, none of FML, Batavia and TMT has any employees.

21.8 ***Management team service contracts***

The following members of the management team of the Company provide their services by way of consulting agreements. The key terms are summarised below:

- (a) Mr Robert William Hair is the Joint Company Secretary to the Company and a director of FML, Batavia, Nelesco and TMT. He provides his services to the Group by way of a consultancy agreement with Camcove Pty Ltd ("Camcove") (an Australian company). This agreement is by way of letter dated 9 March 2010 from Mr Huntly on behalf of the Company addressed to Mr Hair and containing an offer to Camcove Pty Ltd to provide services to the Company effective from 1 February 2010. The letter has been signed for Camcove by Mr Hair. In the agreement Camcove undertook through Mr Hair (or, if he personally is not available either permanently or from time to time, through another individual nominated by Camcove who is acceptable to the Directors) to carry out the role of Joint Company Secretary for the Company.

The agreement provides that:

- (i) Mr Hair is responsible to the Managing Director and to the Board for the Company's corporate secretarial functions, legal/commercial management and as part of the executive management team for strategic planning and implementation;
- (ii) The fees payable to Camcove will, unless otherwise agreed or varied, be AUD14,000 per month (plus GST, where applicable) engaged in providing the services, payable upon furnishing to the Company tax invoices in accordance with applicable GST legislation. It is acknowledged and agreed that the fees payable are calculated on the basis that Camcove will supply Mr Hair's services as and when required for the Company to carry out its strategic plans to become an iron product producer in the RSA and that Mr Hair will be so available to provide the services;
- (iii) Unless required by applicable law, the Company will not be responsible for Camcove's obligation in respect of worker's compensation or other employer obligations in respect of Mr Hair's services;
- (iv) The Company will reimburse the costs associated with carrying out business for the Company, including the costs of travel and accommodation away from home and the costs of telephone and other communications incurred in carrying out such business;
- (v) Mr Hair will be offered participation in any employee incentive plan that may be approved by the Board and Shareholders of the Company, if and when such plan may be implemented;
- (vi) The fees payable to Camcove are to be reviewed annually;

- (vii) Camcove will consult with the Company in relation to the timing of annual leave taken by Mr Hair;
- (viii) The consultancy may be terminated by either party without cause by giving not less than three months' notice, provided that in the event that Mr Hair wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.

The agreement further sets out the responsibilities of the role and contains provisions relating to the protection of confidentiality and of the Company's intellectual property. In a letter dated 12 November 2010 sent by the Company to Camcove and accepted by Camcove on the same date, the fees payable to Camcove pursuant to the agreement were varied with effect from 1 January 2011 to AUD 20,000 per month (plus GST) subject to the successful listing of the Company on the Johannesburg Stock Exchange and the raising of not less than ZAR 8,500,000 net of costs.

(b) *Mr Lindsay Cahill*

Mr Lindsay Cahill is Mine Services Manager for the Company. He provides his services to the Group by way of a consultancy agreement with Torbinup Pty Ltd ("Torbinup") (an Australian company). This agreement is by way of letter dated 9 April 2010 from the Company to Mr Lindsay Cahill and containing an offer to Torbinup Pty Ltd to provide services to the Company. In the agreement Torbinup undertakes through Mr Cahill (or, if he personally is not available either permanently or from time to time, through another individual nominated by Torbinup who is acceptable to the Directors) to carry out the role of Mine Services Manager for the Company.

The agreement provides that:

- (i) Mr Cahill is responsible to the technical director of the Company for mining, geological and exploration strategic planning and implementation, including by way of the management of all mining, exploration and resource definition programmes and working closely with engineers and other technical personnel on the Company's projects and financial personnel in relation to feasibility studies and financing;
- (ii) The fees payable to Torbinup will, unless otherwise agreed or varied, be AUD145,000 per annum (plus GST, where applicable), payable upon furnishing to the Company tax invoices in accordance with applicable GST legislation. The fees payable to Torbinup are to be reviewed annually. It is acknowledged and agreed that the fees payable are calculated on the basis that Torbinup will supply Mr Cahill's services as and when required for the Company to carry out its strategic plans to become an iron product producer in the RSA and that Mr Cahill will be so available to provide the services;
- (iii) Unless required by applicable law, the Company will not be responsible for Torbinup's obligation in respect of worker's compensation or other employer obligations in respect of Mr Cahill's services;
- (iv) The Company will reimburse the costs associated with carrying out business for the Company, including the costs of travel and accommodation away from home and the costs of telephone and other communications incurred in carrying out such business;
- (v) Mr Cahill will be offered participation in any employee incentive plan that may be approved by the Board and the Shareholders, if and when such plan may be implemented;
- (vi) Torbinup will consult with the Company in relation to the timing of annual leave taken by Mr Cahill;



- (vii) The consultancy may be terminated by either party without cause by giving not less than three months' notice, provided that in the event that Mr Cahill wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.

The agreement further sets out the responsibilities of the role and contains provisions relating to the protection of confidentiality and of the Company's intellectual property.

(c) *Mr Christian Kunze*

Mr Christian Kunze is Engineering Manager for the Company. He provides his services to the Group by way of a consultancy agreement with Acitank Pty Ltd ("Acitank") (an Australian company). This agreement is by way of letter dated 15 September 2010 from the Company to Mr Christian Kunze and containing an offer to Acitank Pty Ltd to provide services to the Company. In the agreement Acitank undertakes through Mr Kunze (or, if he personally is not available either permanently or from time to time, through another individual nominated by Acitank who is acceptable to the Directors) to carry out the role of Engineering Manager for the Company.

The agreement provides that:

- (i) Mr Kunze is responsible to the operations director of the Company for overseeing engineering aspects of the feasibility studies for the Project, according to government requirements and requirements specified by Ferrum. As owner's representative, Mr Kunze must ensure that engineering studies carried out by the Company's engineering consultants are done within timeframes agreed with the Company and to meet regulatory and commercial requirements for the proposed mining development. He must identify possible cost savings in the Project's design and implementation and also ensure that relevant design strategies are investigated and effectively implemented. Mr Kunze is generally to act as the Company's owner representative in dealings with engineering consultants in relation to the Project. This may also entail financial modelling and liaison and negotiations with suppliers and potential customers;
- (ii) Mr Kunze will from time to time attend Project meetings to discuss progress and learn about possible changes to the Project that may have an impact on its engineering requirements;
- (iii) The fees payable to Acitank will, unless otherwise agreed or varied, be AUD15,000 per month (plus GST, where applicable) (based on 100 hours per month devoted to the Company), payable upon furnishing to the Company tax invoices in accordance with applicable GST legislation. The fees payable to Acitank are to be reviewed annually. It is acknowledged and agreed that the fees payable are calculated on the basis that Acitank will supply Mr Kunze's services as and when required for the Company to carry out its strategic plans to become an iron product producer in the RSA and that Mr Kunze will be so available to provide the services;
- (iv) Unless required by applicable law, the Company will not be responsible for Acitank's obligation in respect of worker's compensation or other employer obligations in respect of Mr Kunze's services;
- (v) The Company will reimburse the costs associated with carrying out business for the Company, including the costs of travel and accommodation away from home and the costs of telephone and other communications incurred in carrying out such business;
- (vi) Mr Kunze will be offered participation in any employee incentive plan that may be approved by the Board and Shareholders, if and when such plan may be implemented;
- (vii) Acitank will consult with the Company in relation to the timing of annual leave taken by Mr Kunze;

- (viii) The consultancy may be terminated by either party without cause by giving not less than three months' notice, provided that in the event that Mr Kunze wishes to terminate he must use all reasonable endeavours to assist the Company to procure the services of a person to take over his duties on a permanent basis.

The agreement further sets out the responsibilities of the role and contains provisions relating to the protection of confidentiality and of the Company's intellectual property.

## **22. Mining permits**

### **22.1 TMT's prospecting right**

TMT was granted a prospecting right on 8 March 2006, which right endured for 3 years to 8 March 2009. This right was renewed (with effect from 8 March 2009) for a further 3 years to 8 March 2012, which renewal has, as required, been registered at the Mining Titles Office under Reference Number MPT 33/2009. The prospecting right was granted in respect of iron and manganese ore and has been granted over the following farms or portions of farms (the "TMT Properties"):

- (a) Goudafontein 76 LR;
- (b) Portions 2, 3 and the Remaining Extent of Moonlight 111 LR;
- (c) Julietta 112 LR;
- (d) Lekkerslach 206 LR;
- (e) the Remaining Extent and Portion 1 of Soho 204 LS;
- (f) the Remaining Extent, the Remaining Extents of Portions 1, 2 and 3;
- (g) and Portions 4 to 8 of Meanderthal 188 LS;
- (h) Zandput 202 LS;
- (i) Van Wyksput 201 LS;
- (j) Westheim 191 LS;
- (k) Trieste 192 LS; and
- (l) the Remaining Extent and Portions 1 and 2 of Persie 200 LS,

all of which are situated in the Magisterial District of Polokwane in the Limpopo Province of the RSA, measuring collectively 17,291.2 Hectares.

The TMT prospecting right has, as required in terms of the MPRDA read together with the Mining Titles Act, been registered at the Mining Titles Office in the Register of Prospecting Rights under registration number 34/2008 PR.

The MPRDA provides that (notwithstanding granting of the right), the right itself only becomes effective on the date on which its environmental management plan is approved. TMT's prospecting right therefore became effective on 8 March 2006.

TMT's prospecting right is valid in all respects and contains terms which are usual for a right of this nature except that it contains a transfer restriction provision which goes beyond what is provided for in section 11 of the MPRD Act in that it requires Ministerial Consent for any change in interest in the right, whereas section 11 only requires Ministerial Consent for a change in the "controlling-interest".

## 22.2 *TMT mining right application*

As the holder of a valid prospecting right, TMT is, by virtue of section 19(1)(b) of the MPRDA, the exclusive, competent applicant for a mining right for the same land and mineral (as covered by the prospecting right). TMT lodged a mining right application for the TMT Properties on 25 June 2010.

TMT's mining right application was properly received by the DMR and has (on 29 June 2010) been accepted. TMT is now consulting, as required, with interested and affected parties and preparing to submit various documents associated with what will become its environmental management plan. The DMR has indicated that it expects to have processed the application by the end of May 2011.

A prospecting right affords the holder the exclusive right to apply for a mining right for the same land and minerals as are covered by the prospecting right itself. TMT's prospecting right has been granted for iron and manganese ore and the mining right application therefore covers these minerals. The mining right application has, however, also been made for limestone, marble and nickel (the "**Further Minerals**"). On 2 June 2009, TMT made a "**Section 102 Application**" to have the Further Minerals included in the TMT prospecting right. If and when the Section 102 Application is approved by the DMR, the TMT prospecting right will be deemed to cover the Further Minerals and TMT's status as competent and exclusive mining right applicant will extend to the Further Minerals as well.

## 22.3 *Surface rights and access*

TMT does not own the properties covered by the TMT prospecting right, but it has concluded surface use agreements with 3 of the surface owners as set out below. TMT is, as an integral part of the consultation with interested and affected parties required under its mining right application process (see paragraph 22.2 above), in the process of negotiating agreements with all such owners. These proposed agreements are intended to provide for financial consideration in favour of the relevant surface owner to compensate for any inconvenience experienced as a result of ongoing prospecting and mine development activities and an option to purchase the surface rights to the relevant property.

TMT has entered into the following surface use agreements:

- (a) A prospecting contract agreement relating to access to immovable property with the intention to conduct prospecting and exploration work on the property was entered into between TMT and Dr Christo Pienaar (the "Land Owner") on 17 August 2010. Under the terms of the agreement TMT undertakes to acknowledge the input of the Land Owner during exploration and the Land Owner grants TMT the right to: (i) unlimited and uninterrupted access to the relevant property; (ii) establish equipment and human resources on the relevant property; (iii) excavate; (iv) erect and remove temporary structures; and (v) any other right reasonably required to give effect to the prospecting. TMT agrees to reimburse the Land Owner for damages and to pay the Land Owner ZAR7,000 per month while TMT does not prospect or explore and ZAR13,000 per month while TMT does prospect or explore. TMT also gives a number of undertakings to the Land Owner relating to its use of the relevant property and indemnifies the Land Owner for any claims it may institute as a result of its activities.
- (b) A prospecting contract agreement relating to access to immovable property with the intention to conduct prospecting and exploration work on the property was entered into between TMT and Cornelius Gerhardus Coetzee (in his capacity as the Trustee of the Philippina Coetzee Trust) (the "Land Owner") on 28 August 2010. Under the terms of the agreement TMT undertakes to acknowledge the input of the Land Owner during exploration and the Land Owner grants TMT the right to: (i) unlimited and uninterrupted access to the relevant property; (ii) establish equipment and human resources on the relevant property; (iii) excavate; (iv) erect and remove temporary structures; and (v) any other right reasonably required to give effect to the prospecting. TMT agrees to reimburse

the Land Owner for damages and to pay the Land Owner ZAR7,000 per month while TMT does not prospect or explore and ZAR13,000 per month while TMT does prospect or explore. TMT also gives a number of undertakings to the Land Owner relating to its use of the relevant property and indemnifies the Land Owner for any claims it may institute as a result of its activities.

- (c) A prospecting contract agreement relating to access to immovable property with the intention to conduct prospecting and exploration work on the property was entered into between TMT and Lessis Finansierings En Beleggings Mpy (Pty) Ltd (the “Land Owner”) on 12 August 2010. Under the terms of the agreement TMT undertakes to acknowledge the input of the Land Owner during exploration and the Land Owner grants TMT the right to: (i) unlimited and uninterrupted access to the relevant property; (ii) establish equipment and human resources on the relevant property; (iii) excavate; (iv) erect and remove temporary structures; and (v) any other right reasonably required to give effect to the prospecting. TMT agrees to reimburse the Land Owner for damages and to pay the Land Owner ZAR10,000 per month while TMT does not prospect or explore and ZAR16,000 per month while TMT does prospect or explore. TMT also gives a number of undertakings to the Land Owner relating to its use of the relevant property and indemnifies the Land Owner for any claims it may institute as a result of its activities.

## 23. BEE

### 23.1 *Background*

BEE is the generic name given to the South African government’s initiative to redress the inequalities of Apartheid by giving black people economic opportunities from which they were previously excluded. BEE is essentially a tool for transforming the South African economy to represent the demography of the RSA. As a result of concerted engagement between the South African government and the stakeholders in the various sectors of the South African economy after 1994, various initiatives were designed and introduced in order to implement the BEE transformation initiative. Legislative and policy developments dealing with BEE have occurred in relation to the applicable sections of the MPRDA, in terms of which:

- (a) the Mining Charter and its associated Scorecard were promulgated by the South African Minister of (the then) Minerals and Energy on 13 August 2004 pursuant to the provisions of section 100(2) of the MPRDA, and which was subsequently amended by the Minister of Mineral Resources on 13 September 2010 (the “**Mining Charter**”); and
- (b) the Mining Codes of Good Practice were published by the South African Minister of Minerals and Energy on 29 April 2009 in terms of section 100(1)(b) of the MPRDA (“**Mining Codes**”).

The mining sector in the RSA is subject to a BEE regime that is different to the BEE regime that governs the remainder of the sectors in the RSA economy. This arose as a result of the mining sector having been the first sector to have determined the BEE principles that would apply to it. The BEE principles governing the remainder of the sectors in the RSA economy then followed some time later. Although the principles applied in the mining sector are similar to those applied in the remainder of the sectors, there are subtle differences. There are various initiatives currently underway that are seeking to harmonize the two regimes.

In general, BEE is not prescriptive in that it does not oblige business to comply with the applicable BEE legislation. Rather, the BEE regimes encourage business to subscribe to and implement the applicable principles on the basis of which such businesses are then capable of accessing business opportunities that are allocated only to BEE-compliant businesses. However, in the context of the mining sector, the permits and licences that are required by a business in order carry out its exploration and mining activities require that the business complies with the applicable BEE criteria set out in the MPRDA, as amplified by the Mining Charter and Mining

Codes. The provisions of the Mining Charter and the Mining Codes therefore give substance and guidance to the above empowerment objectives and are generally applied to determine whether an applicant has satisfied such empowerment provisions.

### 23.2 **BEE regime in the mining sector**

The MPRDA seeks to facilitate participation by black people (known as historically disadvantaged South Africans or HDSAs) in mining. The Mining Charter sets out range of criteria against which mineral rights granted under the previous mining law regime (regulated in terms of the Minerals Act, 1991), known as “old order rights” will be converted into rights under the MPRDA, known as “new order rights”. The Mining Charter is also referred to by the DMR in considering new applications for prospecting rights and mining rights. The criteria and targets included in the Mining Charter which are taken into account by the DMR when considering prospecting right and mining right applications (and on-going compliance) and conversions include the following:

- (a) **ownership** – mining companies will be required to achieve a minimum of 26 per cent. HDSA ownership or equity participation by 2014. The policy of the DMR is therefore to generally apply the terms of the applicable Mining Charter to applications for new order prospecting and mining rights, so that no rights are granted unless 26 per cent. of the shareholding interest or equity in the applicant is held by HDSAs. The only off-setting permissible against this ownership requirement is against the value of beneficiation of minerals carried out by the company concerned. In addition, most prospecting rights and mining rights issued also require the holder to retain the HDSA shareholding which it had on application for the duration of the right. The HDSA shareholding requirement applies where a prospecting right holder applies for a mining right over the same minerals and property.
- (b) **procurement and enterprise development** – mining companies will be required to procure a minimum of 40 per cent. of capital goods from BEE entities by 2014, ensure that multinational suppliers of capital goods annually contribute a minimum of 0.5 per cent. of annual income generated from local mining companies towards socio-economic development of local communities from 2010, and procure 70 per cent. of services and 50 per cent. of consumer goods from BEE entities by 2014.
- (c) **beneficiation** – the Mining Charter provides that mining companies may offset the value of the level of beneficiation achieved by the company against a portion of its HDSA ownership requirements, not exceeding 11 per cent.
- (d) **employment equity** – mining must have achieve a minimum of 40 per cent. HDSA participation in management at junior, middle senior and executive management levels (as well as core and critical skills by 2014).
- (e) **human resource development** – mining companies must invest an increasing percentage of annual payroll (from 3 per cent. in 2010 to 5 per cent. in 2014) in essential skills development activities, including support for South African-based research and development initiatives intended to develop solutions in exploration, mining, processing, technology efficiency, beneficiation and environmental conservation and rehabilitation.
- (f) **mine community development** – mining companies must invest in ethnographic community consultative and collaborative processes prior to the implementation or development of mining projects with a view to investing in the developmental needs of the local communities (with the amount of such investment being proportionate to the size of the mining investment).
- (g) **housing and living conditions** – mining companies must implement measures to improve the standards of housing and living conditions for mineworkers by converting or upgrading hostels into family units by 2014, attain an occupancy rate of one person per room by 2014 and facilitate home ownership options for all mine employees by 2014.

- (h) ***sustainable development and growth*** – mining companies must seek to implement and improve the applicable elements of sustainable development, pertaining especially to the industry’s environmental management systems and health and safety performance.

Not all of the components mentioned above will apply to each mining company and, accordingly, the circumstances, status and stage (amongst other factors) of each prospecting and mining company will determine which components will be applicable and the extent to which they are applicable in each case. Every mining company is required to report on its level of compliance with the Mining Charter annually. Non-compliance with the provisions of the Charter and the MPRDA will render the mining company in breach of the MPRDA and, subject to the relevant remedy provisions of the MPRDA.

The Mining Codes contain various explanatory provisions which are intended to supplement and amplify the application of the principles set out in the Mining Charter. The Minister has indicated publicly that the Mining Codes are currently being reviewed with the results of that review (and any resulting amendments) apparently scheduled to be released during the first quarter of 2011.

### 23.3 ***Company BEE transaction***

A BEE controlled company, Mkhombi Investments (Pty) Limited (“**Mkhombi**”), entered into an agreement with the Company’s current BEE partner, Mr Matodzi Nesongozwi, on 26 October 2010 pursuant to the terms of which Mkhombi will acquire all of Mr Nesongozwi’s rights, title and interest in TMT for a total consideration of ZAR30 million (“**TMT Sale Agreement**”). The TMT Sale Agreement remains subject to certain conditions precedent (including the raising by Mkhombi of sufficient funds for the transaction).

Nelesco has entered into agreements with Mkhombi and its holding company, Mkhombi AmaMato (Pty) Limited (“**AmaMato**”), the terms of which provide for the following to take place:

- (a) Nelesco will be issued shares in Mkhombi such that it holds a 32.17 per cent. interest in Mkhombi, with the remaining 67.83 per cent. being held by AmaMato;
- (b) AmaMato will lend the sum of ZAR7,500,000 to Mkhombi, to be applied as part of the purchase price under the TMT Sale Agreement. The advance, which has as at the date of this Admission Document been made, 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 will lend the sum of ZAR22,500,000 to Mkhombi, to be applied as paying the balance of the purchase price under the TMT Sale Agreement. The advance, which is to be made after Admission, 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);
- (d) Mkhombi will issue shares and/or Nelesco will transfer some of its shares in Mkhombi so that 11.54 per cent. of Mkhombi shares in issue are held by a trust representing the GaSaleka Community, with the resulting shareholdings being AmaMato 60 per cent., Nelesco 28.46 per cent. and the GaSaleka Community 11.54 per cent.; and
- (e) AmaMato will, subject to the fulfilment of 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 to Nelesco for ZAR7,500,000.

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 per cent. of the issued Shares at that time (“**First Subscription**”). The price payable for the subscription for the Shares under the First Subscription will be ZAR7,500,000.

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 ZAR7,500,000 in 2011, subscribe for a further 7.8 per cent. of the issued Shares (calculated with 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 ZAR7,500,000.

The conditions precedent to the Subscription Agreement, which must be fulfilled by 21 December 2011, include grant 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 Rules and the ASX Listing Rules.

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 for the price of ZAR12,500,000.

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

## 24. Tenements

24.1 On the 15 November 2010, the Company sold its rights in the following tenements in Australia (as described in paragraph 13.6 above):

<i>Tenement</i>	<i>State/ Territory</i>	<i>Tenement type</i>	<i>Status</i>	<i>Grant Date</i>	<i>Expiry Date</i>
EL24166	NT (Tanami Granites)	Exploration Licence	Granted	10/02/05	09/02/11
ELA24174	NT (Tanami Granites)	Exploration Licence	Application		
ELA24177	NT (Tanami Granites)	Exploration Licence	Application		
EL24178	NT (Tanami Granites)	Exploration Licence	Granted	10/02/05	09/02/11
ELA24179	NT (Tanami Granites)	Exploration Licence	Application		
ELA24193	NT (Tanami Granites)	Exploration Licence	Application		
EL24995	NT (Kurundi Gap)	Exploration Licence	Granted	16/08/06	15/08/12
ELA25157	NT (Rabbit Flats)	Exploration Licence	Application		
ELA25158	NT (Rabbit Flats)	Exploration Licence	Application		
ELA25159	NT (Rabbit Flats)	Exploration Licence	Application		
ELA25160	NT (Rabbit Flats)	Exploration Licence	Application		
ELA25434	NT (Peterman Range)	Exploration Licence	Application		
ELA23932	NT (Tanami Granites)	Exploration Licence	Application		
ELA23933	NT (Tanami Granites)	Exploration Licence	Application		
EL23934	NT (Suplejack)	Exploration Licence	Granted		12/02/12
EL23935	NT (Rabbit Flats)	Exploration Licence	Application		
EL23937	NT (Kurundi)	Exploration Licence	Granted		12/02/12
E70/3080	WA (Yarawindah)	Exploration Licence	Granted		25/03/13
E70/2923	WA (Yarawindah West)	Exploration Licence	Granted		19/05/14
E70/2924	WA (Yarawindah North)	Exploration Licence	Granted		23/08/11
E70/2925	WA (Yarawindah West)	Exploration Licence	Granted		23/08/11
E70/2914	WA (Yarawindah South)	Exploration Licence	Granted		12/11/14
E70/2719	WA (Mortlock)	Exploration Licence	Granted		12/06/12
E70/2720	WA (Newleyine)	Exploration Licence	Granted		12/06/12
E58/361	WA (Windsor)	Exploration Licence	Granted		1/09/14

## 25. Takeover regulations applicable to the Company

As an Australian company, the Company is not and will not after Admission be subject to the City Code. As a result, a takeover offer for the Company will not be regulated by the Panel on Takeovers and Mergers and shareholders will therefore not have the protection afforded by the City Code.

The Company is and will on Admission be subject to the takeover provisions contained in the Corporations Act.

The principal Acts and regulations dealing with takeovers in Australia are the:

- Corporations Act, particularly chapter 6;
- ASX Listing Rules;
- Foreign Acquisitions and Takeovers Act 1975; and
- Trade Practices Act 1974 (**TPA**).

The main regulatory bodies are ASIC (which supervises the operation of the Corporations Act), the Takeovers Panel (**Panel**) (the principal forum for resolving disputes relating to a takeover during the bid period) and the ASX.

If the bidder is a foreign company for the purposes of the Foreign Acquisitions and Takeovers Act 1975, the acquisition may need to be approved by the Treasurer of Australia acting on the advice of the Foreign Investment Review Board (**FIRB**).

If competition issues are likely to arise, the Australian Competition and Consumer Commission (**ACCC**) may become involved. The ACCC administers the Trade Practices Act 1974.

Chapter 6 of the Corporations Act is designed to ensure that:

- the acquisition of control of the voting shares in a listed company, takes place in an efficient, competitive and informed market;
- shareholders and directors:
  - know the identity of any person who proposes to take over a company;
  - have a reasonable time period in which to consider any takeover proposal; and
  - are given enough information to enable them to assess the merits or otherwise of a takeover proposal;
- as far as practicable, all shareholders are given a reasonable and equal opportunity to participate in any proposal under which a person would acquire a substantial interest in the company; and
- an appropriate procedure is followed as a preliminary to compulsory acquisition of voting shares or interests.

Section 606 of the Corporations Act is the key provision regulating acquisitions of voting shares.

In general, section 606 prohibits a person from acquiring voting shares in a listed company if, because of the acquisition, that person's or someone else's voting power increases:

- from 20 per cent. or below to more than 20 per cent.; or
- generally increases from a starting point that is above 20 per cent. and below 90 per cent.

Accordingly, a purchaser is given unrestricted freedom to accumulate up to 20 per cent. of a target company subject only to:

- compliance with the rules relating to disclosure of substantial shareholdings; and
- foreign acquirers complying with the requirements of the Foreign Acquisitions and Takeovers Act 1975.

Voting power is defined in broad terms and catches any relevant interests in shares held by a person's associates. Four principal exceptions are relevant in this context:



- an acquisition under a takeover bid. This is the most common manner in which a controlling shareholding is acquired in an Australian public company. A takeover bid will take a minimum of 3 months from announcement to completion. There are two types of takeover bid - an off-market bid for either quoted or unquoted securities and a market bid for quoted securities made and accepted only through the ASX.

Once a bidder announces an intention to make a takeover bid, the offer must proceed within two months.

Off-market bids must relate to all securities in a bid class or a specified portion of the shares held by each holder in that bid class. A market bid must relate to all securities in the bid class.

All target shareholders must be offered the same consideration per share regardless of the size of their shareholding. The consideration offered to shareholders of the target company under an off-market bid may be cash, securities or a combination of both. Under a market bid only cash can be offered. If the bidder (or an associate) has purchased or agreed to purchase securities in the bid class during the 4 month period preceding the bid, the consideration offered under the bid must be equal to or exceed the maximum consideration that the bidder or its associates provided in the previous four months.

An off-market bid may include conditions or it may be unconditional. These conditions cannot be self-defeating. That is, they cannot include conditions the fulfilment or non-fulfilment of which depends on beliefs held by the bidder, or be subject to circumstances wholly within the control of the bidder or an associate. Common conditions include the receipt of a minimum level of acceptances, obtaining all necessary regulatory approvals and there being no material adverse change in relation to the target company. Market bids, by contrast, must be unconditional. The principal documentation prepared by a bidder consists of a written offer document containing the terms, a bidder's statement containing information material to target shareholders and an acceptance form. These documents are lodged with ASIC and the ASX. The target company must prepare a target statement, which must set out material information and a directors' recommendation.

If the bidder and the target company have common directors, or if the bidder holds 30 per cent. or more of the securities in the target company, there is a requirement that the target statement must include a report and recommendation from an expert financial adviser as to whether the offer is "fair and reasonable" for participating shareholders. Even where such a report is not required by law, the target board may voluntarily obtain such a report as a means of supporting its own valuation.

A copy of the target statement must be lodged with ASIC and the ASX and sent to shareholders.

A takeover offer must be open for between one and twelve months. A takeover offer cannot be withdrawn without the written consent of ASIC. That consent is seldom given;

- an acquisition under a court approved scheme of arrangement;
- by so-called "creeping". A shareholder entitled to 19 per cent. or more of a company's voting shares is entitled to increase its holding by up to 3 per cent. every six months. Shares can be acquired on or off the stock exchange without having to comply with the requirements of a takeover bid and no public statement is necessary. Other requirements, such as lodgement of substantial shareholder notices, must still be complied with; and
- an acquisition with the approval of shareholders. A person can make an acquisition which will take them over the 20 per cent. threshold provided the acquisition has been given prior approval by a majority of shareholders (excluding the buyer and seller of the shares and their associates).

There are other technical exceptions to the general prohibition, such as in the case of compulsory acquisition. The Corporations Act provides a statutory call option in favour of the bidder and a put option in favour of remaining target security holders in certain circumstances (the main requirement being in the case where a bidder has acquired 90 per cent. by number of the securities in the bid class).

Pursuant to the Corporations Act (Part 6C.1), a person has a substantial holding of Shares in respect of which they are required to give notice to the Company and to the ASX if (together with associates) they have a relevant interest in 5 per cent. or more of the total number of votes attached to voting Shares of

the Company, or they have made a takeover offer. The concept of 'relevant interest' includes securities held by a person as well as, for example, those where the person has power to exercise, or control the exercise of, a right to vote attached to the securities or power to dispose of, control the exercise of a power to dispose of, a right to vote attached to the securities.

## **26. Consents and other information**

- 26.1 Ambrian has given and not withdrawn its written consent to the issue of this document with references to it in the form and context in which such references are included.
- 26.2 Ocean Equities has given and not withdrawn its written consent to the issue of this document with references to it in the form and context in which such references are included.
- 26.3 RSM Tenon has given and not withdrawn its written consent to the inclusion of its accountants' report on the Company in the form set out in Part IV of this document, and to its name in the form and context it appears and accepts responsibility for such report. As far as the Company is aware and can ascertain from information published by RSM Tenon, no facts have been omitted which would render the reproduced information in this document inaccurate or misleading.
- 26.4 CRM has given and not withdrawn its written consent to the inclusion of its Competent Persons' Report on the Company in the form set out in Part III of this document, and to its name in the form and context it appears and accepts responsibility for such report. As far as the Company is aware and can ascertain from information published by CRM, no facts have been omitted which would render the reproduced information in this document inaccurate or misleading.
- 26.5 ProMet has given and not withdrawn its written consent to the inclusion of its Competent Persons' Report on the Company in the form set out in Part III of this document, and to its name in the form and context it appears and accepts responsibility for such report. As far as the Company is aware and can ascertain from information published by ProMet, no facts have been omitted which would render the reproduced information in this document inaccurate or misleading.
- 26.6 The total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, the costs of printing and the fees payable to the Depositary) are estimated to amount to approximately £1.2 million (excluding any applicable VAT). The net proceeds of the Placing (excluding any applicable VAT) are expected to be approximately £8.8 million.
- 26.7 The financial information in this document does not constitute statutory accounts within the meaning of Section 434-435 of the 2006 Act.
- 26.8 Save as disclosed in this document, no person (other than professional advisers named in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission, nor entered into any contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly from the Company on or after Admission, any of the following:
- (a) fees totalling £10,000 or more;
  - (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
  - (c) any other benefit with the value of £10,000 or more at the date of Admission.
- 26.9 Save as disclosed in this document, there are no payments aggregating over £10,000 made to any government or any regulatory authority or any similar body made by the Company or on behalf of it, with regard to the acquisition of, or maintenance of, its assets.
- 26.10 Each of the Directors is, or may be deemed to be, a promoter of the Company.
- 26.11 There are no arrangements under which future dividends are waived or are agreed to be waived.

- 26.12 The Directors believe that there are no trademarks, patents, licences or contracts relating to intellectual property which are of fundamental importance to the Group's business or profitability.
- 26.13 Save as disclosed in this document, none of the Directors nor any member of their respective families has a Related Financial Product.
- 26.14 There is no further information which the Directors or the Company reasonably considers is necessary to provide a full understanding of the assets, liabilities, financial position, profits and losses of the Company, the Group and the Shares or the rights attaching thereto or any other matter contained in this document.
- 26.15 The Directors are not aware of any exceptional factors that have influenced the Company's or the Group's activities or the markets in which they operate.
- 26.16 Save as disclosed in this document as far as the Directors are aware, there are no known trends, uncertainties, demands or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

## **27. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekdays, Saturdays, Sundays and public holidays except, at the offices of Joelson Wilson LLP, 30 Portland Place, London W1B 1LZ for a period of one month from the date of this document:

- (a) the Constitution of the Company;
- (b) the financial information set out in Parts IV and V of this document;
- (c) the letters of appointment and consultancy agreement referred to in paragraph 12.14 above;
- (d) the material contracts referred to in paragraph 13 above;
- (e) the written consents of Ambrian, Ocean Equities, RSM Tenon, CRM and ProMet referred to in paragraphs 26.1 to 26.5 above;
- (f) the Competent Persons' Report from ProMet and CRM set out in Part III of this document; and
- (g) the letter from RSM Tenon on the financial information on the Group set out in Part IV of this document.

## **28. Copies of this document**

Copies of this document will be available to the public free of charge at the offices of Joelson Wilson LLP, 30 Portland Place, London W1B 1LZ during normal business hours on any weekday (other than Saturdays, Sundays and public holidays), for a period of at least one month from the date of Admission. This document will also be available for download from the Company's website at [www.ferrumcrescent.com](http://www.ferrumcrescent.com).

Dated: 10 December 2010

